

GRAPHIC PACKAGING HOLDING CO  
Form 10-Q  
October 23, 2018  
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
p 1934

For the quarterly period ended September 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
o 1934

For the transition period from to

COMMISSION FILE NUMBER: 001-33988

Graphic Packaging Holding Company

(Exact name of registrant as specified in its charter)

Delaware	26-0405422
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

1500 Riveredge Parkway, Suite 100	
Atlanta, Georgia	30328
(Address of principal executive offices)	(Zip Code)

(770) 240-7200  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  ~~Accelerated reporting~~  
Smaller reporting company

Non-accelerated filer (Do not check if a smaller reporting company)   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 19, 2018, there were 310,369,818 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

Table of Contents

Information Concerning Forward-Looking Statements

Certain statements regarding the expectations of Graphic Packaging Holding Company (“GPHC” and, together with its subsidiaries, the “Company”), including, but not limited to, the availability of net operating losses to offset U.S. federal income taxes and the timing related to the Company's future U.S. federal income tax payments, the reclassification of gains on derivative instruments, capital investment, depreciation and amortization, interest expense, and pension plan contributions, in this report constitute “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from the Company’s historical experience and its present expectations. These risks and uncertainties include, but are not limited to, inflation of and volatility in raw material and energy costs, changes in consumer buying habits and product preferences, competition with other paperboard manufacturers and product substitution, the Company’s ability to implement its business strategies, including strategic acquisitions, productivity initiatives and cost reduction plans, the Company's ability to successfully integrate acquisitions, including the North America Consumer Packaging business of International Paper Company (the "NACP Combination"), the Company’s debt level, currency movements and other risks of conducting business internationally, and the impact of regulatory and litigation matters, including those that could impact the Company’s ability to utilize its net operating losses to offset taxable income and those that impact the Company's ability to protect and use its intellectual property. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made and the Company undertakes no obligation to update such statements, except as may be required by law. Additional information regarding these and other risks is contained in Part I, “Item 1A., Risk Factors” of the Company’s 2017 Annual Report on Form 10-K, and in other filings with the Securities and Exchange Commission.

Table of Contents

TABLE OF CONTENTS

<u>PART I — FINANCIAL INFORMATION</u>	<u>4</u>
<u>ITEM 1. FINANCIAL STATEMENTS</u>	<u>4</u>
<u>ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>24</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK</u>	<u>34</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>34</u>
<u>PART II — OTHER INFORMATION</u>	<u>35</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>35</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>35</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>35</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>35</u>
<u>ITEM 6. EXHIBITS</u>	<u>35</u>
<u>SIGNATURES</u>	<u>37</u>
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
XBRL Content	

Table of Contents

## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

GRAPHIC PACKAGING HOLDING COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

In millions, except per share amounts	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net Sales	\$1,530.0	\$1,137.6	\$4,515.3	\$3,293.8
Cost of Sales	1,273.5	949.2	3,800.4	2,759.7
Selling, General and Administrative	116.8	91.4	352.6	267.6
Other Expense, Net	0.7	2.0	4.1	1.4
Business Combinations, (Gain) on Sale of Assets and Shutdown and Other Special Charges, Net	(27.4 )	3.6	7.5	18.3
Income from Operations	166.4	91.4	350.7	246.8
Nonoperating Pension and Postretirement Benefit Income	4.1	4.0	12.4	11.7
Interest Expense, Net	(31.0 )	(22.6 )	(90.1 )	(66.4 )
Loss on Modification or Extinguishment of Debt	—	—	(1.9 )	—
Income before Income Taxes and Equity Income of Unconsolidated Entity	139.5	72.8	271.1	192.1
Income Tax Expense	(17.8 )	(25.9 )	(41.4 )	(67.1 )
Income before Equity Income of Unconsolidated Entity	121.7	46.9	229.7	125.0
Equity Income of Unconsolidated Entity	0.3	0.4	1.0	1.3
Net Income	122.0	47.3	230.7	126.3
Net Income Attributable to Noncontrolling Interest	(27.7 )	—	(57.1 )	—
Net Income Attributable to Graphic Packaging Holding Company	\$94.3	\$47.3	\$173.6	\$126.3
Net Income Per Share Attributable to Graphic Packaging Holding Company — Basic	\$0.30	\$0.15	\$0.56	\$0.41
Net Income Per Share Attributable to Graphic Packaging Holding Company — Diluted	\$0.30	\$0.15	\$0.56	\$0.40
Cash Dividends Declared Per Share	\$0.075	\$0.075	\$0.225	\$0.225

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents

GRAPHIC PACKAGING HOLDING COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

In millions	Three Months Ended			Total	Three Months Ended	
	September 30, 2018	Graphic Packaging Holding Company	Noncontrolling Interest		Redeemable Noncontrolling Interest	September 30, 2017
Net Income	\$94.3	\$ 21.3	\$ 6.4	\$122.0	\$ 47.3	
Other Comprehensive Income (Loss), Net of Tax:						
Derivative Instruments	1.3	—	—	1.3	(0.6	)
Pension and Postretirement Benefit Plans	0.7	—	—	0.7	0.7	
Currency Translation Adjustment	1.2	0.8	0.2	2.2	10.8	
Total Other Comprehensive Income, Net of Tax	3.2	0.8	0.2	4.2	10.9	
Total Comprehensive Income	\$97.5	\$ 22.1	\$ 6.6	\$126.2	\$ 58.2	

In millions	Nine Months Ended			Total	Nine Months Ended	
	September 30, 2018	Graphic Packaging Holding Company	Noncontrolling Interest		Redeemable Noncontrolling Interest	September 30, 2017