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Newell Rubbermaid Inc (NWL) Earnings Report: Q1 2016 Conference Call Transcript

The following Newell Rubbermaid Inc conference call took place on April 29, 2016, 08:30 AM ET. This is a transcript of that earnings call:

Company Participants

- Nancy O'Donnell; Newell Brands; Investor Relations
- Mike Polk; ewell Brands; CEO
- John Stipancich; ewell Brands; CFO

Other Participants

- Bill Chappell; SunTrust Robinson Humphrey; Analyst
- Dara Mohsenian; Morgan Stanley; Analyst
- Lauren Lieberman; Barclays Capital; Analyst
- Steve Powers; UBS; Analyst
- John Faucher; JPMorgan; Analyst
- Kevin Grundy; Jefferies & Co.; Analyst
- Bill Schmitz; Deutsche Bank; Analyst
- Wendy Nicholson; Citi Investment Research; Analyst
- Joe Altobello; Raymond James & Associates, Inc.; Analyst
- Olivia Tong; BoA Merrill Lynch; Analyst
- Jason Gere; KeyBanc Capital Markets; Analyst

MANAGEMENT DISCUSSION SECTION

Operator:

Welcome to the Newell Brands first-quarter 2016 earnings conference call.

(Operator Instructions)

As a reminder, today's conference is being recorded. A live webcast of this call is available at NewellBrands.com on the Investor Relations home page under Events/Presentations. A slide presentation is also available for download.

I will now turn the call over to Nancy O'Donnell, Vice President of Investor Relations. Ms. O'Donnell, you may begin.

Nancy O'Donnell (Investor Relations):

Thank you, Operator. Good morning, everyone. Welcome to Newell Brands' first-quarter earnings call.

Before we begin, I would like to point out that our comments today include forward-looking statements. Such statements are based on assumptions and estimates which could be materially different from actual results.

Please take note of Newell's cautionary statements regarding forward-looking statements in the 8-K that we filed with our press release and in our most recent SEC filings. Newell undertakes no obligation to

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update any forward-looking statement made today.

Also, please note that we will discuss certain non-GAAP financial measures, which are provided because management believes that they provide insights which enable investors to better understand and analyze our ongoing results.

The reconciliation of these non-GAAP measures with the most comparable measures in accordance with GAAP is available in our earnings release and on the IR portion of our website.

Our call today will be led by Newell Brands' Chief Executive Officer, Mike Polk, and John Stipancich, our Chief Financial Officer. I will turn the call over now to Mike.

Mike Polk (CEO):

Thank you, Nancy. Good morning, everyone. Thanks for joining our inaugural Newell Brands results call. This morning, we reported a very strong set of first-quarter results.

Before getting into the numbers, I want to make sure you are clear on a few things.

Our Q1 results include only the legacy Newell Rubbermaid business. Our normalized EPS results were not impacted by any Jarden transaction-related costs. Our financial results exclude contributions from our Venezuelan operations in the current year, but include the contribution of our Venezuelan operations in the year-ago period. With that as context, let's get into the Q1 highlights.

We've had an outstanding start to the year. Core sales grew 5.6%. Net sales grew 4%. Our growth was driven by strengthened innovation and increased brand support, with advertising and promotion investment up nearly 15%, or 40 basis points. Despite the increase in brand support, normalized operating margin increased 100 basis points, driven by a 160-basis-point reduction in overheads related to project renewal.

Normalized EPS was $0.40, $0.02 ahead of consensus and 11.1% ahead of prior year. We achieved double-digit earnings growth despite having to overcome about a $0.04 negative impact related to foreign currency. On a currency-neutral basis, normalized earnings per share increased $0.08, or 25%. Excluding the roughly $0.02 contribution from our Venezuelan operations to year-ago earnings, 2016 Q1 normalized EPS increased 17.6%.

Our first-quarter growth was broad based, with core sales growth in all five segments and all four regions. We had particularly strong results in North America, where core sales grew 5.8% as a result of exceptional results on writing, tools, and baby. Globally, our Win Bigger businesses grew core sales 7.4%, driven by strong double-digit growth on our writing and creative expression business, and over 8% core sales growth on our food and beverage business.

While not considered in Newell Brands first-quarter results, Jarden's organic growth was in line with our fourth-quarter performance of about 2%, and in line with our expectations for the first quarter. Jarden's net sales grew over 16%, and as expected, the businesses delivered strong adjusted EBITDA growth related to the Jostens and Waddington acquisitions.

So a strong start to the year, and we have clear momentum in our business as we come together to create Newell Brands.

Let me hand the call over to John to go through the Newell Brands' result in more detail, and then I will return to provide perspective on our revised outlook for 2016.

John Stipancich (CFO):

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Thank you, Mike. Good morning.

First-quarter report net sales were $1.31 billion, a 4% increase versus last year. Core sales, which exclude acquisitions, divestitures, and foreign currency, increased 5.6%. The net impact of acquisitions and divestitures contributed 240 basis points to reported net sales, foreign currency cost us 230 basis points, and the deconsolidation of Venezuela had a negative impact of 170 basis points.

Our strong core sales performance was led by baby, writing, and tools with all five of our segments growing core sales in the quarter. Reported gross margin was 38.5% and normalized gross margin was 38.6%, down 20 basis points over last year. The decline was primarily the result of unfavorable currency, a deconsolidation of Venezuela, and the negative mix impact from the gross margin structure of our Elmer's acquisition, which more than offset productivity and lower input costs.

Normalized SG&A expense was $335.9 million, or 25.5% of sales, down 120 basis points versus prior year. Our 160-basis-point reduction of overheads fueled a 40-basis-point increase in advertising and promotion, with the balance of the overhead savings flowing to the bottom line.

We invested incremental A&P in writing, home solutions, tools, and commercials products. We continued heavy media campaigns to support Paper Mate InkJoy gel pens, Sharpie markers, and the Graco Forever and Aprica Fladea car seats, with a noticeable step up in home solutions to support the launch of Rubbermaid FreshWorks, our latest food storage innovation.

Normalized operating margin was 13.1%, up 100 basis points from last year, reflecting the benefits of project renewal and other cost-savings initiatives, partially offset by an increase in strategic investment and continuing, though moderating, FX headwinds. Reported operating margin was 9.5% compared with 7.8% in the prior year.

Interest expense of $29.4 million increased $10.2 million year over year. In addition, we recorded a loss of $45.9 million related to termination of the Bridge loan associated with backup financing for the Jarden acquisition.

The $10.2 million increase in interest expense includes $4 million of incremental net interest expense we incurred on long-term debt and other financing arrangements to fund the transaction.

Because of the unique nonrecurring nature of these two charges, we removed them from our operating -- from our normalized results. The remaining $6.2 million of incremental interest expense primarily relates to the financing for our acquisition of Elmer's, which we completed last fall.

Our normalized tax rate was 27.2%, effectively flat to last year's rate. Normalized EPS, which excludes restructuring and other project costs, was $0.40, an 11.1% increase to last year, despite the loss of a little under $0.02 contribution from Venezuela last year.

As Mike mentioned, backing out last year's Venezuela earnings contribution, normalized EPS grew 17.6% in the quarter. On the reported basis, first-quarter EPS was $0.15 compared to $0.20 last year, with the largest driver of the decline being the Jarden transaction and financing costs, which I mentioned a few minutes ago.

Looking at our segment results, starting with writing, reported first-quarter net sales increased 10.8% to $378.8 million. Core sales increased 8.8%, with double-digit growth in North America as well as in Latin America. We continue to drive strong POS in the US, thanks to the combined impact of increased A&P and robust merchandising efforts.

Q1 normalized operating margin in our writing segment was 22.8%, a 150-basis-point decline from last year, which was mostly the result of the seasonality of Elmer's with its relatively low sales contribution in

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the first quarter, compared to its incremental fixed-cost contribution.

Net sales in our home solutions segment grew 2.1% to $372.1 million. Core sales increased 3.6% due to strong growth in the Rubbermaid food storage and beverageware businesses. This more than offset our continued exit apportions of the low-margin consumer storage business. Home Solutions normalized operating margin with 10.2%, a 40 basis-point-decline from 2015, as our step-up in advertising and promotion more than offset the benefits of productivity and lower input costs.

Our tool segment delivered net sales of $179.7 million, a 40-basis-point decline. Core sales grew 4%. Tools turned in solid performance in North America, Asia, and EMEA, partially offset by continuing challenges in Brazil. Normalized operating margin in the tool segment was 10.8%, a 150-basis-point decline, which is driven by increased investment in advertising and promotion, and continuing FX challenges in Brazil more than offsetting productivity and pricing.

Reported net sales in our commercial product segment declined 5.8% to $174.5 million. Core sales increased 90 basis points, driven by pricing and volume growth in EMEA and Asia, with relatively flat performance in North America and Latin America, primarily due to the timing of sales. Recall that commercial products turned in almost 10% core growth in the first quarter of 2015, making this a challenging [time].

Commercial products normalized operating margin was 13%, a 350-basis-point increase to last year, due to pricing, productivity, and input cost benefits and overhead savings from project renewal.

Finally, our baby segment reported $209.8 million in net sales, a 9.2% increase compared to last year. Core sales grew 9.3%, as we continue to benefit from positive momentum in the US and Japan driven by new, innovative products. Baby's normalized operating margin was 11%, up 460 basis points to last year, largely due to improvements in gross margin attributable to productivity, together with lower investment in advertising and promotion as a result of timing of spend.

Looking at our Q1 core sales by geography, as Mike mentioned, all four of our regions grew core sales, with North America leading the pack at 5.8%. In EMEA, core sales grew 3.6%, Latin America core sales grew 5.5%, with our writing business delivering double-digit growth, more than overcoming challenges in the tools business in Brazil. And finally, Asia-Pacific core sales grew 7.4%.

With respect to cash, we used $270.9 million in operating cash last quarter compared with the use of $154.3 million in the prior year. Now we had a number of unique items in the first quarter, including a $58-million tax payment associated with our gain on the sale of Endicia last year, about $92 million of payments associated with locking benchmark Treasury rates late last year and early this year in connection with $8 billion public debt issuance last month, and about $32 million of higher incentive compensation paid in March relating to our performance in 2015.

We returned $53.3 million to shareholders in Q1 of the form of dividends, and our share repurchases were limited to restricted stock vesting, as we suspended the repurchase of shares midway through the fourth quarter of last year in light of the Jarden transaction.

With that, I will turn the call back over to Mike.

Mike Polk (CEO):

Thanks, John.

Let's now turn the balance of 2016. As you know, Newell Rubbermaid and Jarden came together as Newell Brands on April 15, 2016. Both Companies entered into the transaction with terrific momentum. We delivered these strong results while simultaneously completing the most transformative transaction in our

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respective histories.

Newell Brands will be one of the leading consumer goods Companies in the world, with pro forma 2016 revenue of about $16 billion. We have a strong portfolio of household brands that reach consumers every day where they live, learn, work, and play. Newell Brands more than doubles our size in key strategic retailers and geographies, and we expect scale to enable strong, sustained growth through broadened channel cross-sell, accelerated international deployment, and strengthened category leadership, as we extend the best capabilities from both Companies across the full portfolio.

Our growth will be fueled by making the new Company leaner and more efficient and by focusing our investments on the businesses with the greatest potential. Over the next three to four years, we expect to unlock the financial capacity for growth, margin development, and cash-flow yield through the delivery of at least $500 million in cost synergies and $300 million in project renewal savings. Over 80% of the combined $800 million in cost synergies and savings will flow to margin, with the balance being reinvested in capabilities and brand support.

By 2018, we expect to have built a very profitable Company with annual EBITDA of nearly $3.5 billion and EBITDA margins of over 20%. The Company will be very cash generative. Between 2016 and 2018, we expect to generated $5.5 billion to $6 billion in cumulative operating cash flow.

After capital investment in dividends, we expect to have about $3.3 billion to $3.5 billion of unallocated free cash flow available for debt repayment. This assumes no material improvement of working capital or reduction in the blended tax rate or any divestitures.

Our first priority for capital allocation will be to put the cash to work deleveraging the Company to our target leverage ratio range of 3 to 3.5 times. By the end of 2018, we expect to have used about $2 billion to $2.4 billion of the available unallocated free cash flow to pay down our $1.5 billion term loan and most of the $900 million of fixed debt maturities available in that time period.

Assuming run-rate synergies of $500 million, we expect to enter our leverage ratio range by the end of 2017. Assuming phased synergies, we expect to enter our target leverage ratio range by the middle of 2018. This view on deleveraging, of course, is contingent upon our delivery of our underlying business plans.

This morning we established Newell Brands' guidance for 2016. We expect full-year core sales growth in 2016 of 3% to 4%. We define core sales to include the negative impact of product-line exits, but exclude the impact of foreign exchange, acquisitions until their first anniversary, and divestitures from the point of decision to sell the asset.

Our guidance assumes legacy Jarden core sales are counted as part of Newell Brands core sales from April 15, 2016 forward, and are also in the same year-ago comparison period. Our guidance also assumes that the Waddington Group and Jostens become part of core sales starting in August 2016 in November 2016, respectively.

Our Newell Brands full-year guidance assumes 2% to 4% core sales growth on the legacy Jarden businesses from quarters two through four, and 4% to 5% core sales growth on the legacy Newell Rubbermaid businesses for the full year.

The core sales growth guidance on the legacy Jarden business is roughly equivalent to the Jarden long-standing organic growth guidance of 3% to 5%, since their definition of organic sales excluded the negative impact of product-line exits and included the positive impact of tuck-in acquisitions.

Over the next two to three years, we expect to exit product lines with roughly $250 million to $300 million

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of revenue across both businesses. Our Newell Brands 2016 core sales growth guidance contemplates some portion of these product-line exits occurring in 2016. We expect to cover any lost normalized operating income, which we expect to be minimal, within our normalized EPS guidance.

We expect 2016 full-year normalized EPS of $2.75 to $2.90. This guidance assumes a weighted average annual share count of 430 million shares, roughly 270 million shares for the first 15 weeks of the year and 497 million shares for the balance of the year. Importantly, because of the share-count differential by quarter, with Q1 and Q2 lower than our run rate, our full-year normalized EPS guidance will be greater than the sum of the normalized EPS for each quarter.

Our 2016 normalized EPS guidance range has the following assumptions built in $50 million to $80 million of cost synergies; a blended effective tax rate of 29% to 30%; and beginning in the second quarter of 2016, Newell Brands will exclude the amortization of intangible assets associated with acquisitions, including the Jarden acquisition from our calculation of normalized EPS.

There are two key factors that could influence the delivery of the 2016 full-year guidance. The first is business unit execution of their business plans. Both Companies are on track to deliver at the midpoint of the legacy ranges that underpin the Newell Brands full-year core sales growth guidance. That means legacy Jarden at 3% core sales growth and legacy Newell Rubbermaid at 4.5% core sales growth.

The second factor that could influence full-year guidance is the project renewal savings built into the legacy Newell Rubbermaid plans and the delivery of cost synergies associated with the combination.

Through the end of the first quarter, project renewal program to-date cost savings totaled $395 million and we delivered $35 million in savings in the first quarter. We are in full flight on project renewal and are well on our way to deliver over $100 million in savings that are built into our 2016 business plans.

Our work on cost synergies related to the combination is also in full flight. We have a clear line of sight to the 2016 cost synergies of $50 million to $80 million assumed in our normalized EPS guidance range.

While you should not expect us to provide quarterly guidance going forward, I will provide some detail today that should help you think through the math on normalized EPS for Q2 2016 and Q1 2017. In the second quarter of 2016, the share count will not reflect the run rate for the balance of the year. The Q2 share count will be a blend of 270 million shares for the first 15 days of the quarter and 497 million shares for the balance of the quarter, netting to a weighted average share count of approximately 460 million shares.

In the first quarter of 2017, while there will be a step up in our year-over-year income related to legacy Jarden , growth on legacy Newell, cost synergies, and project renewal savings, these benefits will be more than offset by a substantial year-over-year interest expense increase related to the transaction, the dilutive effect of nearly 230 million share increase in share count versus the prior year, and by the fact that Q1 is a seasonally smaller quarter for the legacy Jarden business. Despite the Q1 2017 dilution of normalized EPS versus Q1 2016, we expect the creation of Newell Brands to deliver at least high single-digit accretion over the Company's first 12 months.

So to close, we've had a great start to the year, 5.6% core sales growth, 11.1% normalized earnings-per-share growth, 25% earnings-per-share growth on a currency-neutral basis, and we start 2016 right where expected to be on both businesses in the first quarter. We've established new guidance for Newell Brands, with core sales growth of between 3% to 4% and normalized earnings per share of $2.75 to $2 90. This earnings range represents strong double-digit accretion in 2016 and at least high single-digit accretion on a forward-looking 12-month basis.

We've established clear capital allocation priorities, with debt repayment as our most important priority

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after capital investment in dividends. We have a clear line of sight to achieving our stated leverage ratio targets within two to three years at the latest. And after we get back in to our target leverage range, our highly cash-generative business will be put to work, complementing what is a strong organic agenda with value-creating investment of unallocated capital.

Our two organizations are coming together quite well, and I look forward to next week when the leaders from across Newell Brands will meet to start the journey toward unleashing the power of our new Company. We're a $16 billion consumer goods Companies with leading brands that reach consumers every day where they live, learn, work, and play. Brands that compete in large growing mobile categories that are unconsolidated, and as a result, offer tremendous market share consolidation potential.

The creation of Newell Brands more than doubles our scale in key retailers and geographies, and scale will enable sustained, strong levels of growth, especially when coupled with the broader application of our brand development, design, and innovation capabilities. $800 million in savings and cost synergies will provide the fuel for top-line and earnings growth and for further investment in our capabilities and our people.

As I've said since the announcement of the transaction in December, we were two strong Companies with very competitive performance and value-creation track records that have now come together to create one great company.

Together we will be stronger. Together we will be bigger and grow faster than our competitors. Together we are Newell Brands.

With that, I would like to open it up for questions.

QUESTIONS & ANSWERS

Operator:

(Operator Instructions)

Bill Chappell, SunTrust.

Bill Chappell (Analyst - SunTrust Robinson Humphrey):

First question on the synergy potential and especially in the first year.

I understand it's early days, but $50 million to $80 million I would imagine you could get a big chunk of that just from public company costs and senior management going away.

What makes that up? And how quickly can you get stuff like purchasing synergies and supply chain and other things? Or is that more 2017?

Mike Polk (CEO):

We should see benefits right away in purchasing. Let me unpack those numbers for your. So you're right, the low end of that range is within an arm's reach just based on corporate duplication synergies, particularly at the executive level. So the low end is fairly conservative, I'd agree. But the line of sight is there to get into that range solidly, and obviously, we're going to press to go as far as we possibly can in that range and beyond that range if it's accessible.

We've hit the ground running on the corporate duplication work, obviously, with Martin, Ian, and Jim moving into new roles, and we've begun the work the work in other corporate roles as well, with changes happening very quickly and more changes to come over the next number of weeks. The procurement

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teams are geared up and running, so this week actually, we had a procurement. We're doing the call today from Norwalk, in the Norwalk office today we had a Newell Brands global summit on procurement savings, ATK, leading network as an outside influencer.

But the teams from across all the businesses together in this office working this week to line out the road map category by category. So we're sprinting on procurement benefits as well. So we have a clear line of sight to those synergy numbers and we're quite hopeful that we can do better.

Bill Chappell (Analyst - SunTrust Robinson Humphrey):

Great. Second question. Maybe talk a little bit about what you're seeing in Brazil, both from your business and from Jarden's business, and the outlook expected this year.

Mike Polk (CEO):

Our Brazilian business has struggled, our tools business in Brazil in particular, and it's by far the biggest component of the new Newell Brands. You're talking about a business that's over $100 million there. And it's been a struggle, in particular, given currency movements to maintain margins, so we've price significantly in Brazil and have lost volume momentum there. So this is an ongoing struggle. It's also built into our guidance, but I think this is going to be a tough year for our tools business in Brazil.

We've had like challenges on the Jarden side of our business. That said, both Companies have done well in Latin America in the first quarter, despite in the case of legacy Newell, the absence of Venezuela in the numbers and the challenges in Brazil. Newell's core growth in Brazil was actually down materially in the first quarter, so despite that, delivered 5.5% growth.

And Jarden has had some similar challenges there. I will say, within the Jarden numbers, one of the standout performances in the first quarter was JCS. So despite having a footprint that intersects with those dynamics that I was describing in Brazil, the business, in aggregate, did quite well.

Operator:

Dara Mohsenian, Morgan Stanley .

Dara Mohsenian (Analyst - Morgan Stanley):

Post-close, as you guys have been able to take a closer look at the Jarden business the last few weeks here, any positive or negative surprises on your side as you look at it? What kind of shape do you think the portfolio is in from a core sales growth standpoint and as you look at the innovation pipeline?

And also then on the synergy front, any updated thoughts on if you might integrate these Companies from a supply chain or manufacturing standpoint more than you were originally assuming and the synergies you've laid out? And if you do, what type of synergy level that could unlock?

Mike Polk (CEO):

We've been obviously, as you would imagine, we've been engaged, Bill and Mark in particular, Russ Torres, Rich Sansone, really engaged and getting up to speed on the Jarden businesses over the last number of months to the degree that we could. And since the15th, in much greater depth. And since the teams, in fact, all of the teams from across Newell and legacy Newell and legacy Jarden are together next week for the week. And we're really going to dive on each other's businesses.

We're going to share, we're going to learn, we're going to connect. We're going to get into this in a lot greater detail as we try to build out one integrated Company leadership team. So that's very exciting. It'll be fun on the social side, but more importantly, we will get into the details of the business.

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Jarden has had some really good momentum. As I mentioned, JCS had good growth in the first quarter on great growth a year-ago period, double-digit growth a year ago and very good growth in the first quarter on top of that. Yankee, again, double-digit growth the year-ago period, great growth in the first quarter on top of that.

So we've got some decent momentum in some of the most important assets that are in the Jarden portfolio. And as you can tell from our numbers, we've got similar momentum in our most strategically critical businesses, like writing.

So we feel terrific. We're right where we expected to be in the combination, and we're excited by the possibilities. We're going to go through the work over the summer of establishing portfolio priorities, just like we did when we got to Newell Rubbermaid . And obviously, JCS and Yankee will be priority businesses for us going forward, with writing and with food and beverage and the likely suspects that you're familiar with from the former Newell businesses.

But we'll go through that rigorous process of establishing portfolio priorities through the summer. We've got a Board meeting in a couple of weeks where we'll expose our approach to the Board, and then by the August Board meeting, we'll be ready to lock in our portfolio prioritization choices. And you should expect resources to align to those priorities.

We will invest heavily on the businesses with the greatest potential, the greatest right to win. And we'll ask the other businesses to win differently, to win in different ways than by leveraging the big investments in brand development and design and innovation that we will place on our priority businesses. So you should expect that logic that drove the choices within Newell Rubbermaid to drive the choices in the combined Newell brands.

That said, all businesses have to grow. All businesses have to have grow ahead of their markets; growth is the engine that powers the Company, and it's really critical for our teams to embrace that. And based on what I've seen, I think that's going to be a really easy thing for us to land as an integrated Company. The values, the operational intensity that underpins things that we've done over the last few years are clearly in place on the Jarden businesses, so I'm quite optimistic about there not being any cultural or social issues with us getting aligned on how we intend to operate.

With respect to synergies, obviously synergies are going to flow to margin. The work on Rubbermaid that's still left to do, the $300 million of savings we hope to get roughly $300 million; half of that will flow into investment. Where we put those investment bets, I'm quite agnostic about that. The fact that the savings are coming from -- that we would invest back are coming from legacy Newell Rubbermaid doesn't mean that the spending will happen there.

So we're going to make sure that our strategy yields a set of outcomes that are greater than the sum of the parts. So we're going to take money and put it in the businesses with the greatest right to win. I feel great about where we are at these really early stages. Everybody is sprinting. We're excited by the possibilities and energized by the work ahead.

Operator:

Lauren Lieberman, Barclays Capital.

Lauren Lieberman (Analyst - Barclays Capital):

I was wondering if you could talk a little bit about the exits. I think in the release, it sounded like it could be a combination from both legacy Companies. And then with what it is specific to Jarden , are those things that you think you'll -- is the same thing as fix-it businesses, the way that you address Western

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Europe or baby in your own portfolio? Thanks.

Mike Polk (CEO):

As you know, our inclination is to get into these businesses and choose to fix them rather than either sell them or exit them. In certain cases within our last five-year history at Newell Rubbermaid , we've made the choice to exit, as we did in Europe. It was a critical enabler that the exits we took on in Europe were critical enablers to us getting the cost structure down, particularly in our distribution transportation networks.

And as you know, the profitability went from less than $10 million in Europe in 2009 over $10 million in Europe, as a result of some of those choices. And of course, those savings come out because of those integrated choices on exits and on reprioritizing portfolio choices.

We're going to likely face into similar dynamics within the Jarden business. And while it's premature to specifically call out businesses that we would exit, because our inclination is to first go fix, over the summer and as we get more opportunity to connect with you, we will bring and shine a brighter light on the specifics that underpin the headline. It was important for us to lay that out for you so that you understood the core sales growth guidance and didn't misread the dynamics that are in bed within it.

So we'll see how this all plays out. There certainly are some assets on the Newell Rubbermaid side that we'd consider exiting as well. And if we got to the point where we made that choice, the first question we'd ask is could we sell them rather than exit them. But given that it's early and that we wanted to set core sale guidance expectations, we felt it appropriate to articulate the boundaries around the product-line exits that we may choose to implement.

Lauren Lieberman (Analyst - Barclays Capital):

If I could just ask one more question on tools. You talked about A&P being up, and my recollection is that both that business and commercial products or place where you've flirted with and committed some A&P dollars with mixed results in terms of the actual return. So was there anything in particular that you stepped up the advertising behind? Is it the new initiative or is it something where you have done before and seen the positive return?

Mike Polk (CEO):

This is an open question for us, particularly on tools. On commercial products, we've pulled back the spending to roughly 3%, 3.5% of revenue, and I think that's where you should expect us to keep it, unless we have some big news there that we want to punctuate.

As you know, we've learned that doing anthematic advertising didn't work, that we were better to advertise new items in the news. And that's where our advertising on tools has been focused, as we've launched new items in the back half of 2015 that have flowed into 2016.

But we're going to continue to ask questions about this, because particularly, in the light of the border portfolio, because they are businesses like Yankee, they are businesses like the appliance business. There are some other aspects of the Jarden portfolio that we feel could benefit from increased A&P support. So as we go through the process of making the portfolio choices across the total portfolio, some of those priorities that we had placed in legacy Newell may change as we take out a broader -- we broaden our perspective on the businesses with the greatest potential.

And so some of that money that might have historically been spent on tools could very well find their way to being spent on Yankee or appliance launches or on any number of other businesses that have interesting things going on. I think you should keep an open mind as to how we go through the process

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over the next few weeks and months towards probably a late summer articulation of those priorities to the broader market. And you will see us reallocate resources based on them, both human capital and money.

Lauren Lieberman (Analyst - Barclays Capital):

That's great, thank you. John, just housekeeping, what is the interest expense level for the full year that we should be using?

John Stipancich (CFO):

Overall for us, I think I would give you in terms of a rate is a little over about 4.04% overall on a pretax basis. In terms of dollars, about $400 million.

Operator:

Steve Powers, UBS.

Steve Powers (Analyst - UBS):

A great start on the Newell side. Maybe just a little more color, if you could, on what to expect over the balance of the year in terms of quarterly cadence. Likewise on the Jarden side, is there any key puts or takes to call out? If you could also quantify the amortization benefit of backing out those expenses from legacy Newell, that would help, unless I missed it.

And that really, my broader question, and you've touched upon it a little bit is just to ask you if I could talk a bit more about the process by which you're going to put together your plans looking out to FY17 and beyond. I know you going to be to meet next week and get in front of the Board by August, but could you just talk a little bit more about who's involved and the timing of likely decisions, the timing of communication, whether internally or externally, and really what your biggest priorities are in putting those plans together. Is it incremental cost synergies, revenue synergies, portfolio choices, getting the organization right? I'd just love to know more about how you're thinking about things as you embark on solidifying a combined Company strategy over the long term.

Mike Polk (CEO):

Steve, there are three questions there. I will deal with the first one, which is on, I think your question was focused on the Jarden businesses, but I'll give you my perspective on both with respect to the flow of growth through the year. And then I'll let John answer the questions on amortization and then I'll come back on process.

As you know, Jarden's Q1s are really -- is really a pretty light quarter with respect to its overall impact on the total trajectory of the business. The year-ago numbers, if you look at the year-ago numbers that they're bridging, first quarter a year ago I think had a 4.8% organic growth, second quarter 6% -- was it 6% or 7%? 7% and then 6% in the third quarter, and about 2% in the fourth quarter. And so the year-ago comparatives are tougher in the first three quarters than they are in the balance of the year.

That said, growth on the Jarden businesses should pick up through the year as they historically have. And as I've said, we've got good momentum and obviously a little bit of it easier comp in Q4 than we do in the early part of the year. Q4, obviously, most important quarter for Jarden , and I think we're well-positioned and the teams are well positioned to nail the activities that have to be hit -- executed in that window to deliver the outcomes. Of course, weather is always a variable in the fourth quarter for their businesses, and so we won't count on anything other than normal weather conditions. But I think we're in a good position to land right in the middle of that guidance range we've articulated.

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On the Newell side, got terrific momentum. I think particularly in the writing business where ex-Venezuela a year ago, our growth was probably around 6.5%-ish and to nail 8.8% in the first quarter without the benefit of Venezuela is a sign of building momentum.

We've launched all of our new items earlier in the year than we did last year. We've got interesting momentum now building in the Rubbermaid brand behind the launch of FreshWorks and Fasten&GO. And we've got a great launch coming in the back half of the year. So the year has the potential to be the renaissance year for the Rubbermaid brand, so we're excited about that.

We've got ongoing momentum on beverages. Baby put in another terrific quarter with over 9% core growth, and tools came in stronger, quite frankly, than we expected. Commercial was probably a little softer than we expected timing related. But in aggregate, a 5.6% growth in the first quarter is great, probably one of our strongest quarters in a long, long time. And given the underlying momentum being driven by new products and strengthened investment behind the brands, we are encouraged that should be able to continue.

We've guided to the middle of the guidance range on Newell Rubbermaid and we'll see. If things continue as they did in Q1, maybe there's some upside to that, but we'll have to see how the full year plays out. It's a little too early to get too excited, although, I'd much rather start the way we did than not.

So in aggregate, we're feeling pretty darn good about where we're at. Our expectations for the Jarden performance in the first quarter were virtually right in line with them. The complexion, obviously, within any of these businesses -- by business, how the numbers aggregate out is always a little bit different than you expect. But that's the normal, natural flow. John, with respect to amortization?

John Stipancich (CFO):

Steve, to answer your question, on the Newell side, the pickup in terms of normalized earnings associated with the normalization of the amortization of intangibles on a full-year basis is about $38 million. If you take the eight-and-a-half months this year, assuming that we're going to start it at that time period, it's about $24 million this year, and those are both pretax numbers.

Steve Powers (Analyst - UBS):

Perfect, thanks.

Mike Polk (CEO):

And then on process with respect to portfolio choices, we are together next week to come together as a leadership team. And the folks that will be there are the business unit leaders, their finance leaders, a number of their leadership teams, team members, and it is in part social to get to know each other, both sides of the family, and also to get into the businesses.

So each business will go through a business review that all of the other businesses will learn from, as well as management. And then Bill and Mark and the teams will do a much deeper dive on the Jarden businesses toward the end of the week. That information, that work, that thinking will all inform the portfolio choice activities that will go through the summer.

This is an analytical process; it's not subjective, so we're going to look at market mapping globally. We're going to look -- at we've begun this work; we're going to look at market and category growth rates globally. We'll look at the strength of brands by geography. We've got that research in flight already, to understand where brands have leverage.

And the intersection of people's thinking on the businesses with th broad analytical macro-view of

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geography, category, and channel dynamics, plus brand strength will inform, and the competitive strength will inform where we place their bets. And obviously margins and financial attractiveness contribute to that whole bit of analysis.

So there will be lots of folks inputting. There will be a few folks that are doing the analytical rigor through the summer. End of June, my team will get together for a week, my direct team, to talk about the results, to talk about the path forward. That strategic work will be refined through July to the August Board meeting and then we'll probably come public with bits of that in early September. And then all of our choices will be -- for 2017 will be informed by that piece of work. You should expect us to be reallocating resources to the businesses with the highest potential as part of our 2017 planning process.

Steve Powers (Analyst - UBS):

Perfect, thank you for the perspective.

Operator:

John Faucher, JPMorgan .

John Faucher (Analyst - JPMorgan):

One of the concerns that I do hear from investors is a question of whether the cultures can merge and how you take something -- again, you guys have more of an operating culture versus the holding company culture. And can you talk a little bit about what you've learned from that standpoint and how you feel that meshing of the two cultures within the organizations is going to play out?

Mike Polk (CEO):

I would say, John, that our cultures are more similar than you might think. Maybe our business models were quite different, but when you -- when I engage with Jarden folks, we went out last night after getting ready for this call to this little pub around the corner. We were watching the draft. And there was a group of Newell people and a group of Jarden people there. They were -- it was the same dynamic; it was as if this group had been together for a long time.

This is a pretty operationally intense group of leaders that I've met so far, and so I don't think that's going to be the issue. The business models are different, so I think socializing the changes associated with that in the places where we choose to make change I think will be -- shouldn't be underestimated, but it won't be governed by culture.

Our performance expectations -- expectations are high for the combined entity, so we all have to raise the bar. The performance that we have delivered over the last number of years, while it's been pretty darn good relative to the industry, and if you look at Martin and teams track record on value creation, it's way at the top of the league table. But the combination, we've said that we're going to be stronger together than either of us were apart, and that's the rationale for the deal.

So expectations are high, our performance needs to rise. Our expectations of each other need to be really high, and we need to align around that. I think that's probably one of the most important bits of change management that has to happen quickly, that looking backwards and judging performance cannot be a forward-looking basis for what great looks like. Great has to look better than what we've done as individual Companies in the past.

And so we're going to raise the bar on each other, and we're going to established great clarity around what outcomes we're looking for. Growth is the engine that powers this Company, and it has to be going forward. We're going to get great margin development through the synergies and by maximizing the mix

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through the portfolio choices we work. But growth is undoubtedly the engine that's going to fire this Company going forward.

And we've guided 3% to 4%, which I think will be competitive results, given the exits we'll likely embrace. But going forward, I think we can consistently deliver at the high end of that range once we get through this transitional period. And we need to put the building blocks in place as a Company to deliver that, to sustain that, and maybe even beyond that going forward.

So that's the change management piece of work that needs to happen, that's the social -- that's the messaging that needs to be embraced, and people need to make the choices to whether they are ready to enlist and line up behind that ambition, which I think based on what I see, it's going to be no problem. It's going to be very exciting. It's going to be also a lot of fun.

John Faucher (Analyst - JPMorgan):

Great, one follow-up would be on the top-line synergy question in terms of you guys haven't really talked about that. Is it still too early to get a handle where you can drive more of the top-line synergies or is that beginning to come into focus?

Mike Polk (CEO):

No, we are pretty clear about where those opportunities are; we talked about some of them outside. Depending on the rate of exit, some of that may be -- may get masked in those numbers, but I -- we haven't built really any of that into the guidance we've provided at this point. So to the degree that we can get the quickly, we'll get some upside to the numbers or maybe we get to the high end of the range if we get the revenue synergies to start to track.

You think about the revenue synergies, there are three buckets cross-sell, the opportunity for cross-sell, the opportunity for accelerated international deployment, and the opportunity to lead at the category level by applying the best of both Companies' capabilities to the category growth agenda. Those three are listed in the relative speed with which they are accessible. So channel cross sell is accessible to us pretty much immediately; it's just a question of getting customer alignment around taking assets from one business and putting them into channels that other businesses have access to.

The most telegraphic example of that is the commentary we've shared on beverages taking Contigo, and Avex, and Rubbermaid and thinking about which portions of that portfolio are most relevant to the outdoor channel and leveraging Coleman selling systems to get -- and giving Coleman credit for selling the assets, quite frankly. But letting them sell down their vertical. Brands like particularly Avex and Contigo, I would guess, and maybe Bubba.

And so that's an example of one thing that's available to us. And there are many, many, many others like that. Those things come early. International cross sell probably takes us six to nine months, maybe a little longer to get activated, and then just like the work that happened at Newell Rubbermaid , it took us 18 to 24 months to get a growth yield on the application of Newell's brand, development, design, and innovation model. And where we apply that model within the Jarden portfolio, I would expect it takes that long to get impact as well. So there's a sequence to these three different buckets of revenue synergies with general channel cross-sell offering the greatest opportunity in the near term.

Operator:

Kevin Grundy, Jefferies.

Kevin Grundy (Analyst - Jefferies & Co.):

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Mike, can we come back to the Jarden side of business? So the 2% organic sales growth in the quarter said was in line with what you had expected. It was probably a shade below market expectation. Can you specifically talk a little bit about of some of the factors, understanding that it's a light seasonal quarter for Jarden . But talk a little bit specifically some of the factors that are driving the slowdown. The comp did get considerably easier this quarter relative to last.

And then maybe specifically, talk a little bit about your line of sight here in terms of why things do get better to do the midpoint or the 3%, if you will, as comes to get tougher over the next couple of quarters. And then I have a follow-up. Thanks.

Mike Polk (CEO):

Yes, no problem. So you're right. The Q4 growth rate that they had to comp Q4 [2014] growth rate was about 11.4%; Q1 growth rate that the legacy Jarden business had to comp was about 4.7%. One of the big reasons this gets easier going forward is because of the uncertainty, the veil of uncertainty the comes with a transaction like this that was overhanging the Jarden team in the first quarter goes away.

We become human, accessible, and involved. And so don't underestimate the impact of that on a businesses' ability to execute. So that's certainly an overhang in Q1, and that's why we were quite conservative in both businesses, quite conservative in the way they thought about the underlying performance.

We've got momentum where it counts on the Jarden business right now. You've got momentum in Yankee. You've got momentum in JCS. Within some of the other segments or groups, you've got businesses that are looking quite interesting at the moment.

You have some other factors that overhang the first quarter, like the impact of a different weather experience in the winter sports area. And that's just the reality of mother nature that we've got to deal with. And so that clearly has some impact on some of the businesses.

And while I won't get into very specific business unit numbers today, you can expect us going forward, as we get into this, to punctuate the specifics for you on a forward-looking basis. So why do things accelerate going forward? Things accelerate going forward because the uncertainty and the overhang on the organization connected to the combination of Newell and Jarden is behind us.

We build enthusiasm behind the combination of the potential for Newell Brands. We engage and get into the details of their business and think about how we optimize the deployment of resources across the total portfolio, so we plus up the winners and keep leaning our shoulders into them with more resource. We don't give up much, I don't think, in certain another areas within Newell Rubbermaid , if we were to shift resources around and lean our shoulder into a couple of Jarden businesses.

And then we get on with fixing some of the businesses that are underperforming. And while I will get into the specifics within the Jarden portfolio of that, because it's just a little bit premature to be talking about that stuff publicly, we're going to get in. We do profit interventions when they're required. We did it on baby, we did it on Europe within Newell Rubbermaid , we were very public that we were doing it, and you can count on us to articulate those when we're ready to.

But those-- think about the baby business. The baby business was declining 10% in the first half of 2011, and then it was flat on the full year. And we got that business back to 10% compounded growth in 2012, 2013. Last year we grew 6% plus on that business, last two quarters around 9%. So when you get involved and get into the details and you unpack issues, you can fix them.

So there's a couple of businesses like that, that requires some intervention on the Jarden side, and there

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are a couple of businesses on the Newell side that we're involved with. We've talked about tools and it's starting to yield the outcomes we hoped, and we'll keep our eye and apply the pressure and get involved and help resolve some of the issues wherever they exist.

And so it's the combination of those things that give us the confidence that we can get right smack dab in the middle of the guidance range for the full year.

Kevin Grundy (Analyst - Jefferies & Co.):

That's helpful. Then the follow-up, Mike, is on working capital. You've been very clear that your guidance doesn't assume any improvements there, either on the Newell side or on the Jarden side. But when you screen the group, both Newell and Jarden come in bottom quartile relative to the consumer staples group.

Now, some of this maybe structural, but you also mentioned too it's a bigger focus. So operating cash flow will be a component of executive comp this year. Can you talk a little bit about the opportunity, I know there's been a race to the finish line to get the deal done, et cetera? Can you talk a little bit about the opportunity and whether that will be something you will put a number on at some point in the future?

Mike Polk (CEO):

Let me start where you ended; yes, we will put a number on it in the future. You look at the inventory days, you say, man, there's an opportunity in both Companies. There is a structural difference, so you cannot benchmark companies that source finished goods against companies that are 100% self-manufactured; you're never going to get inventory days to match up.

So you're naturally going to be longer. And the reason that obviously make sense is you don't have the fixed assets in your manufacturing base. So you accept a longer working capital hit on inventory days for the sake of avoiding a fixed asset base. So they are always going to be longer.

Do they need to be as long as they are? Absolutely not. There's absolutely no reason that we can't do better than we have up until now on the Newell Rubbermaid side, forecasting our business and having the confidence to call the upside in managing the flow of product along the entire value chain into inventories.

So we've got work going on with respect to complexity reduction, which will be an enabler to getting inventories down, but we haven't really leaned our shoulder into that yet. I think we have an opportunity to extend payables, as well, both sides, and we're going to focus on that as part of our procurement work. We have a lot of levers to pull on working capital.

Cash matters a ton, it always has, but it really does over the next couple of years. And it always should, because cash going forward, once we get delevered, becomes the complementary investment tool we've got to strengthen our aggregate performance on top of what we hope to be a very strong, organic performance. And so it matters a ton.

We're going to do this. This is the bit that we haven't focused on as much as we could, and we're going to get it right and we will put some numbers around it so you can hold us accountable for (inaudible).

Kevin Grundy (Analyst - Jefferies & Co.):

Good luck.

Operator:

Bill Schmitz, Deutsche Bank.

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Bill Schmitz (Analyst - Deutsche Bank):

Can you just talk about some of the milestones and dates for some of the typical merger integration stumbling blocks? So when you'll have the pro forma management structure, the [GPU] structures, maybe the employment contracts to make sure you keep some of the key people. And then when you're going to decide who's going to cover the key accountants and who's going to have to leave? And then lastly, just when you will have the full systems cut over?

Mike Polk (CEO):

Structure follows strategy, so the strategy work on portfolio through the summer is a really important first step in getting to having a discussion about organization design, route to market, all those things. So I think you should not expect us to move over the summer on choices like that.

Top leadership team coming together. There was a question before on supply chain; we're in the market looking for a supply chain leader for the total Company. We hope to get that done over the next couple of months. We are forming and storming the teams now.

With respect to our business unit leaders, I feel pretty good about their engagement, so I don't think there's huge risk there. And with respect to the org design, again, it will flow from the portfolio choices, which will come out of the August Board meeting and then we'll ill make some decisions on how exactly we want it -- how exactly we apply the agreements we get there and what choices we make.

I wouldn't expect us to do it all in one swing. I think you should think about us applying some of the work, getting experience with what are a set of pretty intuitive combinations you would expect from us, and then learning from that and moving sequentially. I think one of the most important things we've got to do is leverage our scale and channels in geographies, and so that will inform -- and customers, that will inform some of the things we think about as well.

Bill Schmitz (Analyst - Deutsche Bank):

How about the systems cut over?

Mike Polk (CEO):

Systems. We've got 32 different ERP systems within Jarden , legacy Jarden , so this is going to be a very important part of our overall integration work. There's a whole work stream around this. I think we'll end up providing great visibility to you over time of all the work streams. I

'm very happy exposing where the work is happening. It's a little early to do that, but you should expect us to be getting -- to balancing the cash investment required against the return but getting to as a streamlined level of ERP systems such that information flow happens more systemically, as opposed to through -- as opposed to having human intervention drive the flow of information. And we very successfully did that at Newell.

We are now -- we went live on SAP in Asia-Pacific in the first quarter, actually in April, or at least to four or five countries in Asia-Pacific, and we'll sequentially fill out the rest of the map over the balance of this year. And Newell will effectively be done, Russia and Turkey, two outliers. But on balance, 99% on the same ERP system. So will begin to take that one on as well as part of our agenda.

We have not counted on a cost synergies yet from that work, and this will be an area that likely falls into the second tranche of savings beyond the first $500 million.

Bill Schmitz (Analyst - Deutsche Bank):

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I think right now you have a daily sales dashboard at Newell. Do you have the same thing for Jarden ?

Mike Polk (CEO):

Yes, it's called 1-800 -- I don't need one, first of all, I shouldn't be doing that. I've got to confess to you, that's probably not what a CEO should be doing, but I do like it. I'm a junkie for the data, because numbers have always been words to me. But we don't have that today at Jarden , but we have a really sophisticated, connected process where if I wanted it, I could probably get it. But that dashboard doesn't exist today in that dynamic a way. But it didn't exist at Newell Rubbermaid when we started either; we built it.

Bill Schmitz (Analyst - Deutsche Bank):

One last quick one. I think that Jarden employees are reasonably more highly compensated than some of the legacy Newell guys. So are you willing to pay up to keep the critical people, and what does that mean for the broader Company?

Mike Polk (CEO):

Yes, we've kept everything the same on a Jarden side in 2016, and we will when the grants come for fo -- for leaders coming out of the May Board meeting, it will be exactly what they would have expected had the transaction not occurred. You just have to accept that there are differences.

Over time, we will figure out how to bring the Companies together and our principles are going to be very simple. We are going to pay people at the median of the pay -- at the 50th percentile pay, and we're going to -- when we need extraordinary talent in key roles, critical roles tend to get paid more. And, that's fine; I don't have any issues with that. But our principles are that we pay at the 50th percentile, and for extraordinary talent and critical roles, we'll go higher than that.

But of course, you can make a lot of money here if you perform. The whole comp philosophy for the Company is that you can double up basically, if you just outperform your objectives. People can make a lot of money on the Newell Rubbermaid site if they nail their numbers. And that's the philosophy We'll embed, we want to embed the pay-for-performance culture.

I don't think it's really that dissimilar, because this has certainly been a pay-for-performance culture on the Jarden site as well. The mechanisms are different. We'll, over time, get that sorted.

Operator:

Wendy Nicholson, Citi.

Wendy Nicholson (Analyst - Citi Investment Research):

I have a couple questions. First, on the writing business. This is two quarters in a row where we've seen the margin come down, and I know you called out the Elmer's seasonality, as well as currency headwinds> But can you just remind us your outlook for the full year, do you think operating margins for the writing segment, net of the China expansion, which by the way can you comment if that's still on track? Are margins for the writing segment going to be where they were last year or do you think they will be down for the full year?

Mike Polk (CEO):

Let me -- I will deal with both of those. Let me deal with the second question first. So China is on track for a Q4 launch. Start marketing around back to school, which is in February of 2017, but pipeline and route to market work in the fourth quarter of 2016, which is where we've always had it planned.

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And very excited about the prospects of Sharpie and Paper Mate into one big market, which is in Shanghai. So really looking forward to that and excited about the potential of our writing business in China over time. So that's fine and progressing, and Kristie and Vic Misawa who are --Kristie Juster, who is the President of Writing Segment, and Vic Misawa, who's the SVP of Writing Brand Development are working hand in hand to get the launch to occur. So that's right on track.

With respect to writing margins, we're going to continue to invest in writing. The Elmer's, I will make sure Nancy gets back to you on what exactly the Elmer's impact has been on margin for the writing segment. It's pretty material.

The other thing that you have to remember is that in our public numbers, we have Venezuela in the year-ago period, and in the current period, we don't. Venezuelan margins were higher than fleet average margins. So I wouldn't want you to think about this as us being willing to accept margin declines. These are structural mix-related issues in the year-over-year numbers.

We hold people accountable for margin development on a pegged-rate basis, so while we reported actual rates, we -- people's incentive structures are based at constant currency. And we're doing fine in that respect. Although, I will tell you that as we extend the shoulders of the business into new geographies, there's going to be an A&P investment requirement that will dilute operating margins for a period of time. But you how we operate; we're happy to do that for a period of time before getting the growth yield, and we'll pull that money out and move it somewhere else at some point in the future. You saw that on the baby business, in terms of the operating margin development of baby in the first quarter.

There's also a currency-related impact, given how we source componentry related to the end dollar that's impacting gross margins. We don't want to price for that. So we've got -- there's some inside baseball things that contribute to that, that are external factor related that we don't always choose to price to recover. So I'm not stressed about writing margins at all.

We've got a big project going on in writing complexity that will enhance margins going forward, gross margins going forward. I think that's probably something that we should illuminate for you guys over the next six to nine months. We've talked about writing complexity, but to understand the manufacturing footprint and the changes we're making there might bring some color to the margin development forward-looking story.

Wendy Nicholson (Analyst - Citi Investment Research):

That all sounds fair, but that concept of complexity, if you will, leads me to my second question which is a follow-up to the discussion about the product-line exits. Number one, I didn't hear you clarify of the, let's call it $300 million, how much is in the core business versus how much is Jarden . Have you done that?

Mike Polk (CEO):

No, we've got a pretty good perspective. I'd say the majority will be on the Jarden site, but it's not an unsubstantial amount that could potentially be on Newell Rubbermaid side. So you know we're continuing to do the work of consumer storage. We not done with that yet.

There are some aspects of our baby business that could benefit us to pull back on, so there's bits and pieces. There's some things in consumer cleaning within the Rubbermaid brand, as we get Rubbermaid more focused around food storage, food preservation, food on the go, where the margins -- we have to go through the full work of understanding how costs get allocated to business to understand the real underlying profitability and the cash impact of these businesses.

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But those are all areas that we're going to intensely focus on to understand whether certain aspects of the Rubbermaid business might be better served exiting, and baby as well. So still some opportunity in baby Europe in particular. These are things we'd go after.

And on the Jarden side, I just don't want to declare too early until we get into this a little bit more deeply with them. But there are perspectives we've got coming out of the first couple of weeks and the couple of months prior to that, that are worth reflecting on.

Wendy Nicholson (Analyst - Citi Investment Research):

And that's my last question, my philosophical question, which is you've said very clearly that you've got a ton of work to do. And it sounds like you've got specific plans and timing for completing that work and articulating it to us and all that kind of stuff. I'm a little surprised that you would tell us a number at all at this point, because I would think that if anything, that number, let's call it $200 million of product-line exits from Jarden , is at risk of going up significantly. And I'm curious as to why you chose to give us that number today. Because I would imagine a product-line impact in the second quarter is going to be relatively minimal, and it just seems like it's a number that could be awfully premature.

Mike Polk (CEO):

Well, it's a fair question, and it's a good question. As you undoubtedly know about us, we don't just pull numbers out; we build them from bottom-up. We have a pretty clear sense of what we do. I just think it would be premature to declare that.

These are businesses that are probably unsellable. That doesn't mean there aren't other businesses that you might think about from a portfolio management perspective going forward. So it's just one piece of the puzzle.

And then as I said, our inclination is to try to fix businesses, so this doesn't mean these are the only businesses that are margin challenged. So then the question becomes why share that this early? Because I want to set guidance expectations on core sales growth. And because of how we define core sales growth versus how organic sales growth was defined, it's important for us to pivot from the 3% to 5% organic guidance to the 2% to 4% core guidance on the Jarden businesses and explain that and give you the reasons why we're doing that. And that that's because organic sales excluded the impact of product-line exits and core sales includes the impact of product-line exits.

So being explicit and saying that we were exiting $250 million to $30 million of business over the next two to three years gives you some ability to understand -- a better ability to understand the core sales assumptions and not get freaked out about the fact that we might be guiding down on Jarden . We're not at all doing that. What we're doing is saying we're going to get to one approach to guiding underlying performance in the business, which is the core sales number. That's the mechanism by which we do it.

Fair question, though, Wendy, and I appreciate it, respect it, and you can count on us to get quite specific shortly.

Wendy Nicholson (Analyst - Citi Investment Research):

Sounds great. Terrific. Thanks, Mike.

Operator:

Joe Altobello, Raymond James.

Joe Altobello (Analyst - Raymond James & Associates, Inc.):

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First question, Mike, and obviously it's still early; you guys have only owned Jarden now for two weeks here. But as you look at the organization and the structure there, and you think about the plan that you guys are going to present to the Board in the coming summer, how similar is the playbook that you guys have in place for Jarden compared to what you had five years ago when you first got to Newell?

Mike Polk (CEO):

It's a little bit different in that the Newell Rubbermaid business wasn't growing when we started. So you've got a different scenario here where you've got both Newell Rubbermaid and Jarden legacy businesses growing nicely. So the context is a little bit different.

The application of the capability of the agenda is going to be really exciting. I think the work that the legacy Jarden folks have done on the direct to consumer e-commerce is really exciting. I just got an email from Hope Margala's team on Yankee Candle, and I called my daughters right away, because you can customize a Yankee candle jar with pictures of your family from Mother's Day. I was like girls, we got to -- if we want to get it delivered by Mother's Day, we've got to do it this weekend. That's just brilliant.

And we don't do that. We weren't thinking that creatively on our direct-to-consumer e-commerce front. And so there's some stuff on that side that's so applicable. I just ordered -- one of the first things I did was order -- I built online a customized Rawlings baseball mitt, and I just got it two weeks ago. And it's so exciting. My wife saw it. My wife doesn't even know anything about baseball, wants a baseball mitt customized for her.

So there's some really exciting things that Jarden has done that we haven't been that creative about on the Newell Rubbermaid side. So we have tremendous opportunity to apply that capability.

On the other side, we have a terrific design and innovation machine going now on Newell Rubbermaid ; 5.6 core sales growth is a big number when 75% of your revenues in US GDP growth is 0.5%. Now why are we growing 5.6%? It's because we've got these innovations that are coming through the funnel and hitting the marketplace with impact. We can apply that capability to many aspects of the Jarden portfolio, and you should expect us to apply that.

Now that's the Newell playbook working for Jarden , and the Jarden playbook working for Newell. So the best of both capabilities applied across the total portfolio is what we're going to go do, with a real passion around brands and growth. This idea that growth is the engine that fires this Company is really important for people to embrace.

And we mean growth through brilliant commercial execution and through brilliant brand development, and we're going to do both of those. And I think when we're done and we look back with the benefit of three or four or five, six, seven years, we'll say, man, we really did do what we said by taking the best of both talent pools and the best of both capabilities and applying them as broadly as they are relevant across the portfolio.

It doesn't mean -- and we're more sophisticated than this, it does not mean that every capability is applicable to every business. And that's fine and it doesn't disable the skill leverage that we've got through the combination when you accept that. It's just smart management.

And so you should expect us to push hard to make the Company leaner and meaner, to scale functions for efficiency in the business partnering areas, and to scale functions for impact across the total enterprise for growth. But we're going to maintain intimacy at the point of demand creation, which is where the selling happens and where the consumer engages with our brands.

And if you step back from design types of concepts and focus on principles, that's the type of thing that

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will inform choices on specific design choices. That's what's going to drive us.

This is a Company -- when we get the brand research back from this summer, I suspect -- and when we expose it to you, you're going to be blown away by the quality of the brands in this portfolio. I was within Newell Rubbermaid relative to brands I've worked on before, and I've worked on great brands, I've worked Oreo, I worked on Dove, I worked on Axe, I worked on Ritz. I've worked on Maxwell House. I've worked on great brands, Kraft .

So, but these brands are really way stronger than people perceive them to be, and I suspect that when we get the brand equity work back on brands like Oster and brands like Yankee and brands like Rawlings, brands like Coleman, you'll see these great assets. Some of them perhaps latent and under-leveraged, but great assets just like we saw in Newell Rubbermaid . Graco , Graco is by far the highest equity score of any brand I've worked on, higher than Dove.

My energy level is really high because I'm so excited by unlocking the possibilities here with the teams. I'm really excited by the prospects of us applying the best of what both Companies have to offer across the total portfolio.

Joe Altobello (Analyst - Raymond James & Associates, Inc.):

Got it, very helpful. One last housekeeping question for Stip. In terms of a tax of 29% to 30% this year, is that a good tax rate use going forward or is there more of an opportunity to get that down to more of the legacy Newell tax rate?

John Stipancich (CFO):

We didn't build in anything in our synergies, Joe, for getting tax rate down, but you should expect us to run like hell to get a better rate based upon historically what we've done on the Newell side. So I would tell you there's certainly some upside, and we've already started the work on trying to figure out how to bring some of the Jarden stuff into our structure and so forth and try to maximize the structure for the new entity.

Mike Polk (CEO):

That said, Joe, I wouldn't take the old guidance that we had on Newell Rubbermaid for around 23%-ish rate. I think we'll find the opportunities; like John said, there are going to be plenty of them. I would assume that we're going to get them gradually as opposed to overnight.

Joe Altobello (Analyst - Raymond James & Associates, Inc.):

Good luck.

Operator:

Olivia Tong, Bank of America Merrill Lynch.

Olivia Tong (Analyst - BoA Merrill Lynch):

First on the Jarden organic sales, you guys were pretty explicit about the 2% to 4% is the 2016 target. But can you talk about what you think, do you think you get back to the [standalone] target of 3% to 5%? Is that the right run rate on a go-forward basis from 2017 on?

And then in terms of the businesses that are slated for sale, are you going to start characterizing your businesses, the Jarden businesses into the Win Bigger versus incubate categories to give us visibility into how you think about different businesses like you did when you first came to Newell?

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Mike Polk (CEO):

Let me start with the last part. I think you should count on us for to articulate for you portfolio roles coming out of -- coming into the fall, we will be in the position to probably talk to that. We won't use the same language. This is a whole new Company for both sides, and so we'll brand it maybe a little differently, but it will be the same basic where-to-play choices. We'll realign, obviously, the portfolio choices to the new portfolio. So yes is the answer on that piece of the question.

Your question on 2017 guidance, we haven't guided 2017 growth. I will tell you though that the $250 million to $300 million of exits that we've talked about were over two to three years. And if you do the math on that, you'd see that those exits will govern the opportunity to break out on the high end probably through 2017.

So what is the right long-term guidance? We haven't gotten to that yet. I want to go through the work over the summer. We will pull together an integrated, forward-looking model that gives you that long-term guidance. You can capture some of that through the comments I was making through 2018 on cash and cash capital allocation. You can back into some numbers if you chose to. But I wouldn't want to begin to start to articulate the acceleration stage metrics. It's just too early.

Olivia Tong (Analyst - BoA Merrill Lynch):

Got it. And then on A&P up 40 basis points, still very strong improvement, but perhaps maybe not as aggressive as you were last year. So is this just a function of the base getting bigger or is there some timing of initiatives? And how do think about the spend for the remainder of the year?

Mike Polk (CEO):

I think we may -- it depends on how allocate A&P across the total portfolio, but if we had been -- if Newell Rubbermaid had been a standalone Company this year, we would've increased A&P BPs at least as much as we increased them last year in 2016. So I guided to 5.5%, if you member, in the fall. The A&P ratio, we delivered about 5%, so it would've been another 50 BPs in the full year and I think you should assume that's a good number in your base case assumptions about the legacy Newell Rubbermaid businesses. If we do choose to spend some of the renewal savings back on brands like Yankee or Oster, we'll let you know so that you can adjust your models.

Olivia Tong (Analyst - BoA Merrill Lynch):

Thanks, Mike.

Operator:

Jason Gere, KeyBanc Capital Markets.

Jason Gere (Analyst - KeyBanc Capital Markets):

I will actually make this really quick because I think every question has been discussed. I will actually turn it back over to you, Mike, and congratulations on the quarter and look forward to talking to you soon.

Mike Polk (CEO):

Great, thanks, Jason. On behalf of everybody in Newell Brands, the 60,000 employees at Newell Brands, we appreciate all the support and the good and challenging and fair questions. And we look forward to engaging with you in the next opportunity. Thanks again.

Operator:

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A replay of today's call will be available later today on our website, NewellBrands.com.

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