NEWELL RUBBERMAID INC
Form 10-K
March 01, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO

SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED	COMMISSION FILE NUMBER
DECEMBER 31, 2009	1-9608

NEWELL RUBBERMAID INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (State or other jurisdiction of incorporation or organization)	36-3514169 (I.R.S. Employer Identification No.)
Three Glenlake Parkway Atlanta, Georgia (Address of principal executive offices)	30328 (Zip Code)

Registrant s telephone number, including area code: (770) 418-7000

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	**NAME OF EACH EXCHANGE ON WHICH REGISTERED**
Common Stock, $1 par value per share	New York Stock Exchange
	Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No þ

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 þ 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large Accelerated Filer þ	Accelerated Filer ¨
Non-Accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company ¨

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

There were 277.8 million shares of the Registrant s Common Stock outstanding (net of treasury shares) as of January 31, 2010. The aggregate market value of the shares of Common Stock (based upon the closing price on the New York Stock Exchange on June 30, 2009) beneficially owned by non-affiliates of the Registrant was approximately $2.89 billion. For purposes of the foregoing calculation only, which is required by Form 10-K, the Registrant has included in the shares owned by affiliates those shares owned by directors and officers of the Registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

* * *

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Definitive Proxy Statement for its Annual Meeting of Stockholders to be held May 11, 2010.

Table of Contents

TABLE OF CONTENTS

2

Table of Contents

PART I

ITEM 1. BUSINESS

Newell Rubbermaid or the Company refers to Newell Rubbermaid Inc. alone or with its wholly owned subsidiaries, as the context requires. When this report uses the words we or our, it refers to the Company and its subsidiaries unless the context otherwise requires.

Website Access to Securities and Exchange Commission Reports

The Company s Internet website can be found at *www.newellrubbermaid.com*. The Company makes available free of charge on or through its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as practicable after the Company files them with, or furnishes them to, the Securities and Exchange Commission.

GENERAL

Newell Rubbermaid is a global marketer of consumer and commercial products that touch the lives of people where they work, live and play. The Company s products are marketed under a strong portfolio of brands, including Rubbermaid®, Graco®, Aprica®, Levolor®, Calphalon®, Goody®, Sharpie®, Paper Mate®, Dymo®, Parker®, Waterman®, Irwin®, Lenox® and Technical Concepts . The Company s multi-product offering consists of well-known name-brand consumer and commercial products in three business segments: Home & Family; Office Products; and Tools, Hardware & Commercial Products.

Newell Rubbermaid s vision is to become a global company of Brands That Matter and great people, known for best-in-class results. The Company is committed to building consumer-meaningful brands through understanding the needs of consumers and using those insights to create innovative, highly differentiated product solutions that offer performance and value. To support its multi-year transformation into a best-in-class global consumer branding and marketing organization, the Company has adopted a strategy that focuses on optimizing the business and product portfolio, building consumer-meaningful brands on a global scale, and achieving best cost and efficiency in its operations.

Refer to the forward-looking statements section of Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the Company s forward-looking statements included in this report.

STRATEGIC INITIATIVES

Optimize the Portfolio

The Company continues to optimize its portfolio by reducing its exposure to non-strategic businesses and product lines, thereby enhancing the growth opportunities and profitability of the overall portfolio. The Company seeks to build a portfolio of businesses that satisfy several key strategic criteria, including consumer-meaningful brands, product categories that respond to innovation and product differentiation, strong margin and growth potential, global categories, favorable customer and channel dynamics, valued intellectual property and synergies with the Company s core product categories and competencies.

Using the above criteria, the Company routinely reviews its businesses and product offerings to assess their strategic fit. The Company has reduced its exposure to non-strategic product categories by rationalizing and exiting the low-margin, low-value-add areas of the business, which primarily include products where input costs are a higher percentage of the cost of the product and where the consumer s willingness to pay for innovation is low. The Company s strategic focus is on building strong, consumer-meaningful brands, and the non-strategic product categories are generally commoditized and are less responsive to brand investment and product innovation. Over the past several years, the Company has substantially exited the portion of the portfolio that falls into the commoditized category, including the rationalization and exit of certain resin-intensive, commoditized product categories in 2009. The recent portfolio optimization activities resulted in net sales being more than $300 million less in 2009 compared to 2008. Exiting non-strategic and commoditized product categories has allowed the Company to focus on its portfolio of Brands That Matter .

The Company will continue to evaluate the strategic fit of its products, and, when appropriate, strategic acquisitions that can accelerate the migration of its portfolio to faster-growing, higher-margin businesses with greater presence in international markets.

3

Table of Contents

Build Consumer-Meaningful Brands

The Company is committed to building consumer-meaningful brands by embracing a consumer-driven innovation process, developing best-in-class marketing and branding capabilities across the organization, and investing in strategic brand-building activities. As part of the consumer-driven innovation process, the Company invests in research and development to better understand its target consumers and their needs. The consumer insights gained from this investment are used to develop focused brand strategies and to create products that deliver meaningful solutions. In spite of the recent deterioration in the worldwide economy, the Company continued to invest in product development. While the Company s sales declined in 2009 compared to 2008, the Company invested more than $110 million in product development in 2009, similar to the level of investment in 2008. This continued focus on consumer-driven innovation and product development resulted in the launch and support of several notable new products in 2009, including:

- Rubbermaid Lock-its food storage containers, an extension of the brand s Easy Find Lids system, feature four locking tabs and a built-in rubberized gasket to create a secure seal that prevents spills and keeps food fresh.

- The Rubbermaid Hygen System, a comprehensive microfiber cleaning program from Rubbermaid Commercial Products, provides innovative solutions for proven performance in maintaining healthy, safe environments.

- The Graco Blossom 4-in-1 Seating System is designed to adjust to growing children s seating needs, transforming seamlessly from highchair to infant feeding booster to toddler booster to youth chair.

- Lenox s T2 Technology Reciprocating Saw Blades and Hacksaw Blades, the longest lasting blades on the market.

- Paper Mate s Flexgrip Ultra® ballpoint pens, Write Bros® ballpoint pens and DryLine® Grip correction tape, an updated line of environmentally friendlier writing essentials made of up to 80% recycled materials.

By embracing the consumer-driven innovation process, the Company will continue to introduce innovative new products that meet consumers needs, strengthen its brands and drive sustainable growth.

The Company continues to employ resources to create best-in-class branding and marketing capabilities across the Company. The Company has created a detailed blueprint and roadmap for achieving brand-building excellence over time. Each business unit is tasked with evaluating its brands against best-in-class metrics, using a common framework and methodology, and developing a comprehensive plan to achieve the targeted goals.

The Company is committed to investing in strategic brand-building activities such as research and development, marketing, and advertising and promotion to enhance consumer-driven innovation, create a more effective marketing organization and increase consumer awareness and demand for its products.

Achieve Best Cost and Efficiency

The Company s objective is to achieve best cost in operations and leverage its scale to accelerate adoption of best-in-class practices and reduce costs in nonmarket-facing activities. Achieving best cost across the organization will enable the Company to improve its competitive position, generate funds for increased investment in strategic brand-building initiatives, and preserve cash and liquidity. Through the Project Acceleration restructuring program and other initiatives, the Company has reduced the number of manufacturing facilities, increased the use of strategic sourcing partners and improved capacity utilization rates to deliver productivity savings. In order to achieve logistical excellence and optimize its geographic footprint, the Company continues to evaluate its supply chain to identify opportunities to realize efficiencies in purchasing, distribution and transportation. Through December 31, 2009, the Company has recognized approximately $160 million of cumulative annualized savings from Project Acceleration, and expects total savings in excess of $200 million once the program is fully implemented at the end of 2010. Project Acceleration is expected to result in cumulative restructuring costs of $475 million to $500 million over the life of the initiative. The Company has incurred $421 million of restructuring costs under Project Acceleration through December 31, 2009 and expects to incur between $60 million and $80 million of additional costs to complete Project Acceleration.

The Company has focused on optimizing its organizational structure to reduce structural selling, general and administrative (SG&A) expenses and better manage its working capital. The centerpiece of the Company s organizational structure is the Global Business Unit (GBU). Each of the Company s GBUs supports one or more of the Company s key brands worldwide, with a focus on developing and marketing differentiated products designed to meet consumers needs. The GBU structure positions the business units to leverage research and development, branding, marketing and innovation on a global basis and facilitates the Company s objective of optimizing working capital, as it facilitates better management of worldwide inventory levels. The Company continues to evaluate and optimize non-strategic SG&A expenditures throughout the organization to enable continuing investments in brand-building activities.

Table of Contents

The Company strives to leverage the common business activities and best practices of its GBUs, and to build one common culture of shared values with a focus on collaboration and teamwork. Through this initiative, the Company seeks to benefit from the cost reductions achieved through horizontal integration and economies of scale. To improve efficiency, enable greater sharing of best practices, and make it easier to leverage talent across the organization, the Company has co-located GBUs and corporate functions into one global headquarters building and has consolidated several offices for the European and Asia-Pacific regional headquarters, respectively. For similar reasons, the Company has established regional shared services centers to leverage nonmarket-facing functional capabilities such as Human Resources, Information Technology, Customer Service, Supply Chain Management and Finance. Through these centralization efforts, the Company is focused on building a common culture centered on consumer-focused brand building, collaboration, diversity and people development, and best-in-class results.

To further enhance productivity, the Company is in the process of migrating multiple legacy systems and users to a common SAP global information platform in a phased, multi-year rollout. SAP will enable the Company to integrate and manage its worldwide business and reporting processes more efficiently. To date, the North American operations of 10 of the Company s 13 GBUs have successfully gone live with their SAP implementation efforts, with the majority of the Company s remaining North American operations scheduled to go live in 2010.

BUSINESS SEGMENTS

In the first quarter of 2009, the GBUs within the previously reported Cleaning, Organization & Décor segment were reorganized into the Tools & Hardware and Home & Family segments. The Rubbermaid Commercial Products GBU was transferred to the newly named Tools, Hardware & Commercial Products segment, and the Rubbermaid Consumer Products (formerly the Rubbermaid Food & Home Products GBU) and Décor GBUs were transferred to the Home & Family segment. The reorganization allows the Company to realize structural SG&A and commercialization efficiencies. The Company s reportable segments reflect the Company s focus on building large consumer brands, promoting organizational integration, achieving operating efficiencies in sourcing and distribution and leveraging its understanding of similar consumer segments and distribution channels.

The Company s business segments for 2009 were as follows:

Segment	Key Brands	Description of Products
Home & Family	Rubbermaid®, Graco®, Aprica®, Levolor®, Calphalon®, Goody®	Infant and juvenile products such as car seats, strollers, highchairs, and playards; gourmet cookware, bakeware, cutlery and small kitchen electrics; hair care accessories; cabinet hardware, drapery hardware and window treatments; and indoor/outdoor organization, food storage, and home storage products
Office Products	Sharpie®, Paper Mate®, Dymo®, Parker®, Waterman®	Writing instruments, including markers, highlighters, pens, pencils, and fine writing instruments; office technology solutions such as label makers and printers, interactive teaching solutions, card-scanning solutions, and on-line postage; and art products
Tools, Hardware & Commercial Products	Lenox®, Irwin®, Rubbermaid® Commercial Products, Technical Concepts	Hand tools, power tool accessories, industrial bandsaw blades, propane torches, and manual paint applicators; window hardware; cleaning and refuse products, hygiene systems and material handling solutions

Home & Family

The Company s Home & Family segment comprises the following GBUs: Rubbermaid Consumer Products; Baby & Parenting Essentials; Décor; Culinary Lifestyles; and Beauty & Style. Rubbermaid Consumer Products designs, manufactures, packages and distributes indoor/outdoor organization products, and food and home storage products. Baby & Parenting Essentials designs, manufactures or sources, packages and distributes infant and juvenile products such as swings, highchairs, car seats, strollers and playards. Décor designs, manufactures or sources, packages and distributes window treatments, drapery hardware and cabinet hardware. Culinary Lifestyles primarily designs, manufactures or sources, packages and distributes aluminum and stainless steel cookware, bakeware, cutlery, small kitchen electrics, and kitchen gadgets and utensils. Beauty & Style designs, sources, packages and distributes hair care accessories and grooming products.

Rubbermaid Consumer Products primarily sells its products under the trademarks Rubbermaid®, Roughneck® and TakeAlongs®. Baby & Parenting Essentials primarily sells its products under the trademarks Graco®, Teutonia® and Aprica®. Décor primarily sells its products under the trademarks Levolor®, Kirsch® and Amerock®. Culinary Lifestyles primarily sells its products under the trademarks Calphalon®, Kitchen Essentials®, Cooking with Calphalon, Calphalon®One and Katana. Beauty & Style markets its products primarily under the trademarks Goody®, Ace® and Solano®.

Table of Contents

The Home & Family GBUs primarily market their products directly to mass merchants and specialty, grocery/drug and department stores.

Office Products

The Company s Office Products segment comprises the following GBUs: Markers, Highlighters, Art & Office Organization; Everyday Writing & Coloring; Technology; and Fine Writing & Luxury Accessories. These businesses primarily design, manufacture or source, package and distribute writing instruments and office solutions, primarily for use in the business and home.

Markers, Highlighters, Art & Office Organization products include permanent/waterbase markers, dry erase markers, highlighters, and art supplies and are primarily sold under the trademarks Sharpie®, Expo®, Sharpie® Accent®, Vis-à-Vis®, Eberhard Faber®, Berol® and Prismacolor®. Everyday Writing products include ballpoint pens and inks, roller ball pens, mechanical pencils and correction fluids and are primarily sold under the trademarks Paper Mate®, Uni-Ball® (used under exclusive license from Mitsubishi Pencil Co. Ltd. and its subsidiaries in North America), Sharpie®, Eberhard Faber®, Berol®, Reynolds® and Liquid Paper®. Technology products include on-demand labeling products, online postage, card scanning solutions and interactive teaching solutions, and are primarily sold under the trademarks Dymo®, Endicia, CardScan® and Mimio®. Fine Writing & Luxury Accessories products include fine writing instruments and luxury accessories and are primarily sold under the trademarks Parker®, Waterman® and Rotring®.

The Office Products GBUs primarily market their products directly to mass merchants, warehouse clubs, grocery/drug stores, office superstores, office supply stores, contract stationers and other retailers.

Tools, Hardware & Commercial Products

The Company s Tools, Hardware & Commercial Products segment comprises the following GBUs: Commercial Products; Construction Tools & Accessories; Industrial Products & Services; and Hardware. These businesses design, manufacture or source, package and distribute cleaning and refuse products, hygiene systems, hand tools and power tool accessories, industrial bandsaw blades, soldering tools and accessories, propane torches, manual paint applicator products, and window and door hardware.

Commercial Products primarily sells its cleaning and refuse products and hygiene systems under the trademarks Rubbermaid®, Brute® and Technical Concepts . Construction Tools & Accessories products include hand tools and power tool accessories primarily sold under the trademarks Irwin®, Vise-Grip®, Marathon®, Quick-Grip®, Unibit® and Strait-Line®. Industrial Products & Services products include cutting and drilling accessories and industrial bandsaw blades as well as soldering tools and accessories primarily sold under the Lenox® trademark. Hardware products include paint applicator products, propane torches and window and door hardware primarily sold under the trademarks Shur-Line®, BernzOmatic® and Bulldog®.

The Tools, Hardware & Commercial Products GBUs primarily market their products directly and through distributors to mass merchants, home centers, department/specialty stores, hardware and commercial products distributors, industrial/construction outlets, custom shops, select contract customers and other professional customers.

NET SALES BY BUSINESS SEGMENT

The following table sets forth the amounts and percentages of the Company s net sales for the years ended December 31, 2009, 2008 and 2007*(in millions, except percentages)* (including sales of acquired businesses from the time of acquisition), for the Company s three business segments.

	2009	% of Total	2008	% of Total	2007	% of Total
Home & Family	$ 2,377.2	42.6%	$ 2,654.8	41.0%	$ 2,610.8	40.7%
Office Products	1,674.7	30.0	1,990.8	30.8	2,026.2	31.6
Tools, Hardware & Commercial Products	1,525.7	27.4	1,825.0	28.2	1,770.3	27.7
Total Company	$ 5,577.6	100.0%	$ 6,470.6	100.0%	$ 6,407.3	100.0%

Sales to Wal-Mart Stores, Inc. and subsidiaries, which includes Sam s Club, amounted to approximately 12% of consolidated net sales for the year ended December 31, 2009 and 13% of consolidated net sales for each of the years ended December 31, 2008 and 2007, substantially across all segments. For more detailed segment information, including operating income and identifiable assets by segment, refer to Footnote 19 of the Notes to Consolidated Financial Statements.

Table of Contents

OTHER INFORMATION

Multi-Product Offering

The Company s broad product offering in multiple categories permits it to more effectively meet the needs of its customers. With families of leading brand names and profitable and innovative new products, the Company can assist volume purchasers in selling a more profitable product mix. As a potential single source for an entire product line, the Company can use program merchandising to improve product presentation, optimize display space for both sales and income and encourage impulse buying by retail consumers.

Customer Marketing and Service

The Company strives to develop long-term, mutually beneficial partnerships with its customers and become their supplier and brand of choice. To achieve this goal, the Company has a value-added marketing program that offers a family of leading brand name consumer products, tailored sales programs, innovative merchandising support, in-store services and responsive top management.

The Company strives to enhance its relationships with customers through exceptional customer service. The Company s ability to provide superior customer service is a result of its supply chain, information technology and marketing and merchandising programs that are designed to enhance the sales and profitability of its customers and provide consistent on-time delivery of its products.

A critical element of the Company s customer service is consistent on-time delivery of products to its customers. Retailers are pursuing a number of strategies to deliver the highest-quality, best-cost products to their customers. Retailers frequently purchase on a just-in-time basis in order to reduce inventory carrying costs and increase returns on investment. As retailers shorten their lead times for orders, manufacturers and suppliers need to more closely anticipate consumer buying patterns. The Company supports its retail customers just-in-time inventory strategies through more responsive sourcing, manufacturing and distribution capabilities and electronic communications.

Foreign Operations

Information regarding the Company s 2009, 2008 and 2007 foreign operations and financial information by geographic area is included in Footnote 19 of the Notes to Consolidated Financial Statements and is incorporated by reference herein. Information regarding risks relating to the Company s foreign operations is set forth in Part I, Item 1A of this report and is incorporated by reference herein.

The Company s Office Products segment has operations in Venezuela, and the primary currency used by the Venezuelan operations to transact business is the Venezuelan Bolivar. Through December 1, 2009, the Company used the official exchange rate in Venezuela to translate its Venezuelan operations financial statements into U.S. Dollars, and using the official exchange rate, the Venezuelan operations generated net sales of approximately $65 million and operating income of approximately $25 million in 2009. Based on the challenges the Company has faced in repatriating Venezuelan earnings to the U.S. and other facts and circumstances, the Company adopted the parallel rate to translate its Venezuelan financial statements into U.S. Dollars, effective December 1, 2009. In December 2009, the parallel exchange rate of Venezuelan Bolivars to U.S. Dollars was approximately three times the official rate. Due solely to the change in exchange rates used to translate Venezuelan Bolivar financial statements in December 2009 (i) net assets, including cash, declined approximately $30 million during the quarter ended December 31, 2009 and (ii) the Company s 2010 sales and operating income are anticipated to decline an estimated 1% and 3%, respectively, compared to the year ended December 31, 2009 due to the ongoing translation of the Venezuela Bolivar at the parallel rate.

Effective January 1, 2010, Venezuela s economy has been characterized as highly inflationary because its three-year cumulative inflation has exceeded 100%. As a result, changes in the U.S. Dollar value of the Company s Venezuelan Bolivar net assets attributable to fluctuations in the parallel rate will be recorded as gains or losses in the statement of operations rather than in other comprehensive income (loss) in stockholders equity.

Raw Materials and Sourced Finished Goods

The Company has multiple foreign and domestic sources of supply for substantially all of its material requirements. The raw materials and various purchased components required for its products have generally been available in sufficient quantities. The Company s product offerings require the purchase of resin, corrugate and metals, including steel, stainless steel, zinc, aluminum and gold. The Company s resin purchases are principally comprised of polyethylene and polypropylene in roughly equal quantities. Over the long-term, the Company has experienced inflation in raw material prices, and the Company expects inflation pressures in 2010. The Company has reduced the volume of its resin purchases through rationalizing and exiting product lines.

Table of Contents

The Company is also placing increasing reliance on third-party manufacturers as a source for finished goods. In a limited number of cases, such manufacturers supply substantially all of the finished goods for a product line. In particular, the Home & Family segment s Baby & Parenting Essentials GBU relies on a third-party manufacturer for a significant portion of certain of its products.

See Management s Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

Backlog

The dollar value of unshipped factory orders is not material.

Seasonal Variations

The Company s sales and operating income in the first quarter are generally lower than any other quarter during the year, driven principally by reduced demand for certain of the Company s products in the quarter.

Patents and Trademarks

The Company has many patents, trademarks, brand names and trade names that are, in the aggregate, important to its business. The Company s most significant registered trademarks are Rubbermaid®, Graco®, Aprica®, Levolor®, Calphalon®, Goody®, Sharpie®, Pa Dymo®, Parker®, Waterman®, Irwin®, Lenox®, and Technical Concepts .

Customers / Competition

The Company s principal customers are large mass merchandisers, such as discount stores, home centers, warehouse clubs and office superstores, and commercial distributors. The rapid growth of these large mass merchandisers, together with changes in consumer shopping patterns, have contributed to a significant consolidation of the consumer products retail industry and the formation of dominant multi-category retailers that have strong negotiating power with suppliers. This environment limits the Company s ability to recover cost increases through selling prices.

Current trends among retailers include fostering high levels of competition among suppliers, demanding innovative new products and requiring suppliers to maintain or reduce product prices and deliver products with shorter lead times. Other trends, in the absence of a strong new product development effort or strong end-user brands, are for the retailer to import generic products directly from foreign sources and to source and sell products, under their own private label brands, that compete with products of the Company. The combination of these market influences has created an intensely competitive environment in which the Company s principal customers continuously evaluate which product suppliers to use, resulting in pricing pressures and the need for strong end-user brands, the ongoing introduction of innovative new products and continuing improvements in category management and customer service. The Company competes with numerous manufacturers and distributors of consumer products, many of which are large and well- established.

The Company s principal methods of meeting its competitive challenges are creating and maintaining consumer-meaningful brands and differentiated products; delivering superior customer service and consistent on-time delivery; outsourcing certain production to low-cost suppliers and lower-cost countries where appropriate; and experienced management.

The Company has also positioned itself to respond to the competitive challenges in the retail environment by developing strong relationships with large, high-volume purchasers. The Company markets its strong multi-product offering through virtually every category of high-volume retailer, including discount, drug, grocery and variety chains; warehouse clubs; department, hardware and specialty stores; home centers; office superstores; and contract stationers. The Company s largest customer, Wal-Mart (which includes Sam s Club), accounted for approximately 12% of net sales in 2009, across substantially all GBUs. The Company s top ten customers in 2009 included (*in alphabetical order*): Bed Bath & Beyond, Lowe s, Office Depot, OfficeMax, Staples, Target, The Home Depot, Toys R Us, W.W. Grainger and Wal-Mart.

Environmental Matters

Information regarding the Company s environmental matters is included in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of this report and in Footnote 20 of the Notes to Consolidated Financial Statements and is incorporated by reference herein.

Research and Development

Information regarding the Company s research and development costs for each of the past three years is included in Footnote 1 of the Notes to Consolidated Financial Statements and is incorporated by reference herein.

Table of Contents

Employees

As of December 31, 2009, the Company had approximately 19,500 employees worldwide, of whom approximately 2,700 are covered by collective bargaining agreements or are located in countries which have collective arrangements decreed by statute.

ITEM 1A. RISK FACTORS

The factors that are discussed below, as well as the matters that are generally set forth in this report on Form 10-K and the documents incorporated by reference herein, could materially and adversely affect the Company s business, results of operations and financial condition.

The Company is subject to risks related to its dependence on the strength of retail, commercial and industrial sectors of the economy in various parts of the world.

The Company s business depends on the strength of the retail, commercial and industrial sectors of the economy in various parts of the world, primarily in North America, and to a lesser extent Europe, Central and South America, and Asia. These sectors of the economy are affected primarily by factors such as consumer demand and the condition of the retail industry, which, in turn, are affected by general economic conditions. With continuing challenging economic conditions in the U.S. and elsewhere, there has been considerable pressure on consumer demand, and the resulting impact on consumer spending has had and may continue to have a material adverse effect on demand for the Company s products as well as its financial condition and results of operations. Consumer demand and the condition of these sectors of the economy may also be impacted by other external factors such as war, terrorism, geopolitical uncertainties, public health issues, natural disasters and other business interruptions. The impact of these external factors is difficult to predict, and one or more of the factors could adversely impact the Company s business.

In recent years, the retail industry in the U.S. and, increasingly, elsewhere has been characterized by intense competition among retailers. Because such competition, particularly in weak retail economies, can cause retailers to struggle or fail, the Company must continuously monitor, and adapt to changes in, the profitability, creditworthiness and pricing policies of its customers. A failure by one of the Company s large retail customers would adversely impact the Company s sales and operating cash flows.

The Company is subject to intense competition in a marketplace dominated by large retailers.

The Company competes with numerous other manufacturers and distributors of consumer and commercial products, many of which are large and well-established. The Company s principal customers are large mass merchandisers, such as discount stores, home centers, warehouse clubs and office superstores, and commercial distributors. The rapid growth of these large mass merchandisers, together with changes in consumer shopping patterns, have contributed to the formation of dominant multi-category retailers that have strong negotiating power with suppliers. Current trends among retailers include fostering high levels of competition among suppliers, demanding innovative new products and requiring suppliers to maintain or reduce product prices, and delivering products with shorter lead times. Other trends are for retailers to import products directly from foreign sources and to source and sell products, under their own private label brands, that compete with the Company s products.

The combination of these market influences has created an intensely competitive environment in which the Company s principal customers continuously evaluate which product suppliers to use, resulting in downward pricing pressures and the need for big, consumer-meaningful brands, the ongoing introduction and commercialization of innovative new products, continuing improvements in customer service, and the maintenance of strong relationships with large, high-volume purchasers. The Company also faces the risk of changes in the strategy or structure of its major retailer customers, such as overall store and inventory reductions and retailer consolidation. However, the intense competition in the retail sector combined with the overall economic environment may result in a number of retailers experiencing financial difficulty or failing in the future. As a result of these factors, the Company may experience a loss of sales, reduced profitability and a limited ability to recover cost increases through price increases.

If the Company is unable to commercialize a continuing stream of new products that create consumer demand, the Company s ability to compete in the marketplace may be adversely impacted.

The Company s long-term success in the competitive retail environment depends on its ability to develop and commercialize a continuing stream of innovative new products that create consumer demand. The Company also faces the risk that its competitors will introduce innovative new products that compete with the Company s products. The Company s strategy includes investment in new product development and a focus on innovation. There are, nevertheless, numerous uncertainties inherent in successfully developing and commercializing innovative new products on a continuing basis, and new product launches may not deliver expected growth in sales or operating income.

If the Company does not continue to develop and maintain consumer-meaningful brands, its operating results may suffer.

The Company s ability to compete successfully also depends increasingly on its ability to develop and maintain consumer-meaningful brands so that the Company s retailer customers will need the Company s products to meet consumer demand. Consumer-meaningful

Table of Contents

brands allow the Company to realize economies of scale in its operations. The development and maintenance of such brands requires significant investment in brand-building and marketing initiatives. While the Company plans to increase its expenditures for advertising and other brand-building and marketing initiatives over the long term, the increased investment may not deliver the anticipated results.

Price increases in raw materials and sourced products could harm the Company s financial results.

The Company purchases raw materials, including resin, principally polyethylene and polypropylene, corrugate, steel, gold, zinc, brass and aluminum, which are subject to price volatility and inflationary pressures. The Company attempts to reduce its exposure to increases in those costs through a variety of programs, including periodic purchases, future delivery purchases, long-term contracts and sales price adjustments. Where practical, the Company uses derivatives as part of its risk management process. Also, as part of its strategy to achieve best total cost, the Company increasingly relies on third-party manufacturers as a source for its products. These manufacturers are also subject to price volatility and inflationary pressures, which may, in turn, result in an increase in the amount the Company pays for sourced products. Raw material and sourced product price increases may more than offset the Company s productivity gains and could materially impact the Company s financial results.

The Company s plans to continue to improve productivity and streamline operations may not be successful, which would adversely affect its ability to compete.

The Company s success depends on its ability to continuously improve its manufacturing operations to gain efficiencies, reduce supply chain costs and streamline non-strategic selling, general and administrative expenses in order to produce products at a best-cost position and allow the Company to invest in innovation and brand building. Project Acceleration includes the anticipated closures of certain manufacturing and distribution facilities. In addition, the Company continuously explores ways to best leverage its functional capabilities such as Human Resources, Information Technology, Customer Service, Supply Chain Management and Finance in order to improve efficiency and reduce costs. The Company runs the risk that Project Acceleration and other corporate initiatives aimed at streamlining operations and processes, cost reduction, and improving overall financial results may not be completed substantially as planned, may be more costly to implement than expected, or may not have the positive effects anticipated. It is also possible that other major productivity and streamlining programs may be required after such projects are completed. In addition, disruptions in the Company s ability to supply products on a timely basis, which may be incidental to any problems in the execution of Project Acceleration or other programs, could adversely affect the Company s future results.

If the Company is unable to make strategic acquisitions and to integrate its acquired businesses, the Company s future growth could be adversely impacted.

Although the Company has, in recent years, increasingly emphasized internal growth rather than growth by acquisition, the Company s ability to continue to make strategic acquisitions and to integrate the acquired businesses successfully, including obtaining anticipated cost savings and operating income improvements within a reasonable period of time, remain important factors in the Company s future growth. Furthermore, the Company s ability to finance major acquisitions may be adversely affected by the Company s financial position and uncertainty in global credit markets. In addition, significant additional borrowings would increase the Company s borrowing costs and could adversely affect its credit rating and could constrain the Company s future access to capital.

Circumstances associated with the Company s potential divestitures and product line rationalizations could adversely affect the Company s results of operations and financial condition.

The Company continues to evaluate the performance and strategic fit of its businesses and products and may decide to sell or discontinue a business or product line based on such an evaluation. A decision to divest or discontinue a business or product line may result in asset impairments, including those related to goodwill and other intangible assets, and losses upon disposition, both of which could have an adverse effect on the Company s results of operations and financial condition. In addition, the Company may encounter difficulty in finding buyers (or prospective buyers may have difficulty obtaining financing) or executing alternative exit strategies at acceptable prices and terms and in a timely manner. Divestitures and business discontinuations could involve additional risks, including the following:

difficulties in the separation of operations, services, products and personnel;

the diversion of management s attention from other business concerns;

the assumption of certain current or future liabilities in order to induce a buyer to complete a divestiture;

the disruption of the Company s business;

and the potential loss of key employees.

The Company may not be successful in managing these or any other significant risks that it may encounter in divesting or discontinuing a business or product line.

The Company is subject to risks related to its international operations and sourcing model.

International operations, especially in Europe, but also in Asia, Central and South America and Canada, are important to the Company s business. The Company is expanding from a U.S.-centric business model to one that includes international growth as an increasing focus. In addition, as the Company increasingly sources products in low-cost countries, particularly in Asia, it is exposed to additional risks and uncertainties. Foreign operations can be affected by factors such as currency devaluation; other currency fluctuations; tariffs; nationalization; exchange controls; interest rates; limitations on foreign investment in local business; and other political, economic and regulatory risks and difficulties. The Company also faces risks due to the transportation and logistical complexities inherent in increased reliance on foreign sourcing.

Venezuelan government approval for currency conversion into U.S. Dollars has recently been delayed, resulting in higher cash balances within the Company s Venezuelan subsidiary, which totaled $17 million at the parallel exchange rate as of December 31, 2009 ($44 million at the official rate at September 30, 2009). In addition, Venezuela was designated as a highly inflationary economy effective January 2010, and accordingly, future gains and losses resulting from the conversion of the net assets of subsidiaries operating in Venezuela or other highly inflationary economies into U.S. Dollars are recorded in earnings, which will adversely affect the Company s results of operations.

The inability to obtain raw materials and finished goods in a timely manner from suppliers would adversely affect the Company s ability to manufacture and market its products.

The Company purchases raw materials to be used in manufacturing its products. In addition, the Company is placing increasing reliance on third-party manufacturers as a source for finished goods. The Company typically does not enter into long-term contracts with its suppliers or sourcing partners. Instead, most raw materials and sourced goods are obtained on a purchase order basis. In addition, in some instances the Company maintains single-source or limited-source sourcing relationships, either because multiple sources are not available or the relationship is advantageous due to performance, quality, support, delivery, capacity or price considerations. Financial, operating or other difficulties encountered by the Company s suppliers and/or sourcing partners or changes in the Company s relationships with them could result in manufacturing or sourcing interruptions, delays and inefficiencies, and prevent the Company from manufacturing or obtaining the finished goods necessary to meet customer demand.

Complications in connection with the Company s current information system initiative may adversely impact its results of operations, financial condition and cash flows.

The Company is in the process of replacing various business information systems worldwide with an enterprise resource planning system from SAP. To date, the North American operations of 10 of the Company s 13 GBUs have successfully gone live with their SAP implementation efforts, with the majority of the Company s remaining North American operations scheduled to go live in 2010. These go-lives are the first major milestones in a multi-year implementation that will occur in several phases, primarily based on geographic region and segment. This activity involves the migration of multiple legacy systems and users to a common SAP information platform. Throughout this process, the Company is changing the way it conducts business and employees roles in processing and utilizing information. In addition, this conversion will impact certain interfaces with the Company s customers and suppliers, resulting in changes to the manner in which the Company takes orders, procures materials, schedules production, remits billings, makes payments and performs other business functions. Based upon the complexity of this initiative, there is risk that the Company will be unable to complete the implementation in accordance with its timeline and will incur additional costs. The implementation could result in operating inefficiencies, and the implementation could impact the Company s ability to perform necessary business transactions. All of these risks could adversely impact the Company s results of operations, financial condition and cash flows.

Impairment charges could have a material adverse effect on the Company s financial results.

Future events may occur that would adversely affect the reported value of the Company s assets and require impairment charges. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions, the impact of the economic environment on the Company s sales and customer base, the unfavorable resolution of litigation, including patent infringement litigation involving Endicia, a material adverse change in the Company s relationship with significant customers or business partners, or a sustained decline in the Company s stock price.

The Company continues to evaluate the impact of economic and other developments on the Company and its business units to assess whether impairment indicators are present. In early 2009, the Company s total market capitalization temporarily declined below the Company s consolidated stockholders equity balance. If the Company s total market capitalization is below reported consolidated stockholders equity at a future reporting date or for a sustained period, the Company considers this an indicator of potential impairment of goodwill. The Company utilizes market capitalization in corroborating its assessment of the fair value of its reporting units. As a result, the Company may be required to perform impairment tests based on changes in the economic environment and other factors, and these tests could result in additional impairment charges in the future.

The Company s businesses are subject to regulation in the U.S. and abroad.

Changes in laws, regulations and related interpretations may alter the environment in which the Company does business. This includes changes in environmental, competitive and product-related laws, as well as changes in accounting standards, taxation and other regulations. Accordingly, the Company s ability to manage regulatory, tax and legal matters (including environmental, human resource, product liability, patent, and intellectual property matters), and to resolve pending legal matters without significant liability could require the Company to take significant reserves in excess of amounts accrued to date or pay significant fines during a reporting period, which could materially impact the Company s results. In addition, new regulations may be enacted in the U.S. or abroad that may require the Company to incur additional personnel-related, environmental, or other costs on an ongoing basis or incur fines or penalties for noncompliance, any of which could adversely affect the Company s results of operations. Lastly, as a U.S.-based multi-national company, the Company is also subject to tax regulations in the U.S. and multiple foreign jurisdictions, some of which are interdependent. For example, certain income that is earned and taxed in countries outside the U.S. is not taxed in the U.S., provided those earnings are indefinitely reinvested outside the U.S. If these or other tax regulations should change, the Company s financial results could be impacted.

The resolution of the Company s tax contingencies may result in additional tax liabilities, which could adversely impact the Company s cash flows and results of operations.

The Company is subject to income tax in the U.S. and numerous jurisdictions outside the U.S. Significant estimation and judgment is required in determining the Company s worldwide provision for income taxes. In the ordinary course of the Company s business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. Although the Company believes its tax estimates are reasonable, the final outcome of tax audits and related litigation could be materially different than that reflected in its historical income tax provisions and accruals. There can be no assurance that the resolution of any audits or litigation will not have an adverse effect on future operating results.

Conversion of the Company s convertible senior notes due 2014 may dilute the ownership interests of stockholders at the time of conversion and the Company s stock price may be impacted by note hedge and warrant transactions it entered into in connection with the issuance of the convertible senior notes.

Upon conversion of some or all of the Company s convertible senior notes due 2014, the ownership interests of stockholders may be diluted. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of the Company s common stock. In addition, the Company entered into note hedge transactions with various financial institutions, at the time of issuance of the convertible senior notes, with the objective of reducing the potential dilutive effect of issuing common stock upon conversion of the notes. The Company also entered into separate warrant transactions with the same financial institutions. The warrant transactions could separately have a dilutive effect to the extent that the market value per share of common stock exceeds the strike price of the warrants.

In connection with establishing an initial hedge for the note hedge and warrant transactions, these financial institutions or their affiliates entered into various derivative transactions with respect to the Company s common stock. These entities or their affiliates are likely to modify their hedge positions from time to time prior to conversion or maturity of the convertible senior notes by entering into or unwinding various derivative transactions with respect to the Company s common stock and/or purchasing and selling shares of the Company s common stock. Any of these transactions and activities could adversely affect the value of the Company s common stock. For additional information on the convertible senior notes and related note hedge and warrant transactions, please refer to Footnotes 9 and 10 of the Company s Consolidated Financial Statements.

Product liability claims or regulatory actions could adversely affect the Company s financial results or harm its reputation or the value of its end-user brands.

Claims for losses or injuries purportedly caused by some of the Company s products arise in the ordinary course of the Company s business. In addition to the risk of substantial monetary judgments, product liability claims or regulatory actions could result in negative publicity that could harm the Company s reputation in the marketplace, adversely impact the value of its end-user brands, or result in an increase in the cost of producing the Company s products. The Company could also be required to recall possibly defective products, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, potential product liability claims are subject to a self-insured retention or could be excluded under the terms of the policy.

If the Company is unable to access the capital markets to refinance its maturing short-term debt, its borrowing costs could increase.

As of December 31, 2009, the Company had $493.5 million of short-term debt that it could be required to refinance or repay within the next 12 months. Although the Company s capital markets transactions and financing activities in 2009 addressed a substantial portion of the Company s then outstanding short-term debt obligations, it is possible that the Company may seek to address its remaining short-term obligations through the capital markets or other arrangements. However, access to the capital markets cannot be assured, particularly given uncertainties in the global credit markets, and although the Company believes that alternative arrangements will be available to refinance these obligations, such arrangements could result in an increase in the Company s borrowing costs.

A reduction in the Company s credit ratings could materially and adversely affect its business, financial condition and results of operations.

The Company s current senior debt credit ratings from Moody s Investors Service, Standard & Poor s and Fitch Ratings are Baa3, BBB- and BBB, respectively. Its current short-term debt credit ratings from Moody s Investors Service, Standard & Poor s and Fitch Ratings are P-3, A-3 and F-2, respectively. Standard & Poor s has a stable outlook, and Moody s and Fitch maintain a negative outlook on their ratings. The Company cannot be sure that any of its current ratings will remain in effect for any given period of time or that a rating will not be lowered by a rating agency if, in its judgment, circumstances in the future so warrant. A downgrade by Moody s or Standard & Poor s, which would reduce the Company s senior debt below investment grade, would increase the Company s borrowing costs, which would adversely affect the Company s financial results. The Company would likely be required to pay a higher interest rate in future financings, and its potential pool of investors and funding sources could decrease. If the Company s short-term ratings were to be lowered, it would further limit, or eliminate entirely, the Company s access to the commercial paper market. The ratings from credit agencies are not recommendations to buy, sell or hold the Company s securities, and each rating should be evaluated independently of any other rating.

The level of returns on pension and postretirement plan assets and the actuarial assumptions used for valuation purposes could affect the Company s earnings and cash flows in future periods. Changes in government regulations could also affect the Company s pension and postretirement plan expenses and funding requirements.

The funding obligations for the Company s pension plans are impacted by the performance of the financial markets, particularly the equity markets, and interest rates. Funding obligations are determined under government regulations and are measured each year based on the value of assets and liabilities on a specific date. If the financial markets do not provide the long-term returns that are expected under the governmental funding calculations, the Company could be required to make larger contributions. The equity markets can be, and recently have been, very volatile, and therefore the Company s estimate of future contribution requirements can change dramatically in relatively short periods of time. Similarly, changes in interest rates and legislation enacted by governmental authorities can impact the timing and amounts of contribution requirements. An adverse change in the funded status of the plans could significantly increase the Company s required contributions in the future and adversely impact its liquidity.

Assumptions used in determining projected benefit obligations and the fair value of plan assets for the Company s pension and other postretirement benefit plans are determined by the Company in consultation with outside actuaries. In the event that the Company determines that changes are warranted in the assumptions used, such as the discount rate, expected long-term rate of return on assets, or expected health care costs, the Company s future pension and postretirement benefit expenses could increase or decrease. Due to changing market conditions or changes in the participant population, the assumptions that the Company uses may differ from actual results, which could have a significant impact on the Company s pension and postretirement liabilities and related costs and funding requirements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The following table shows the location and general character of the principal operating facilities owned or leased by the Company. The properties are listed within their designated business segment: Home & Family; Office Products; and Tools, Hardware & Commercial Products. These are the primary manufacturing locations, administrative offices and distribution warehouses of the Company. The Company s headquarters are in Atlanta, Georgia, and the Company also maintains sales offices throughout the U.S. and the world. Most of the Company s idle facilities, which are excluded from the following list, are subleased, pending lease expiration, or are for sale. The Company s properties currently in use are generally in good condition, well-maintained, and are suitable and adequate to carry on the Company s business.

BUSINESS SEGMENT	LOCATION	CITY	OWNED OR	GENERAL CHARACTER

			LEASED	
HOME & FAMILY				
	OH	Perrysburg	O	Cookware
	OH	Toledo	L	Cookware

Table of Contents

BUSINESS SEGMENT	LOCATION	CITY	OWNED OR LEASED	GENERAL CHARACTER
	OH	Bedford Heights	L	