UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

OR

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

For the transition period from __________ to __________

Commission File Number: 001-39205

REYNOLDS CONSUMER PRODUCTS INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**45-3464426**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1900 W. Field Court
Lake Forest, Illinois 60045
(Address of principal executive offices) (Zip Code)

Telephone: (800) 879-5067
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.001 par value	REYN	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of April 30, 2021, the registrant had 209,758,602 shares of common stock, $0.001 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain statements that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those risks and uncertainties discussed in Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and as updated in our Quarterly Reports on Form 10-Q. You should specifically consider the numerous risks outlined in those “Risk Factors” sections. These risks and uncertainties include factors related to:

- changes in consumer preferences, lifestyle and environmental concerns;
- relationships with our major customers, consolidation of our customer bases and loss of a significant customer;
- competition and pricing pressures;
- loss of, or disruption at, any of our key manufacturing facilities;
- our suppliers of raw materials and any interruption in our supply of raw materials;
- loss due to an accident, labor issues, weather conditions, natural disaster, the emergence of a pandemic or disease outbreak, such as coronavirus or otherwise;
- the unknown duration and economic, operational and financial impacts of the global COVID-19 pandemic;
- costs of raw materials, energy and freight, including the impact of tariffs, trade sanctions and similar matters affecting our importation of certain raw materials;
- our ability to develop and maintain brands that are critical to our success;
- economic downturns in our target markets;
- difficulty meeting our sales growth objectives and innovation goals; and
- changes in market interest rates, or a phase-out or replacement of the LIBO rate as an interest rate benchmark.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We are under no duty to update any of these forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our prior statements to actual results or revised expectations.

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 which was filed on February 12, 2021, under Part I, Item 1A. “Risk Factors” and as updated in our Quarterly Reports on Form 10-Q.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Reynolds Consumer Products Inc.
Condensed Consolidated Statements of Income
(in millions, except for per share data)
(Unaudited)

	For the Three Months Ended March 31,	
	2021	2020
Net revenues	$ 732	$ 691
Related party net revenues	25	39
Total net revenues	**757**	**730**
Cost of sales	(565)	(541)
Gross profit	**192**	**189**
Selling, general and administrative expenses	(78)	(82)
Other expense, net	(3)	(15)
Income from operations	**111**	**92**
Interest expense, net	(12)	(27)
Income before income taxes	**99**	**65**
Income tax expense	(25)	(39)
Net income	**$ 74**	**$ 26**
Earnings per share:		
Basic	$ 0.35	$ 0.14
Diluted	$ 0.35	$ 0.14
Weighted average shares outstanding:		
Basic	209.7	188.8
Effect of dilutive securities	0.1	0.2
Diluted	209.8	189.0

See accompanying notes to the condensed consolidated financial statements.

Reynolds Consumer Products Inc.
Condensed Consolidated Statements of Comprehensive Income
(in millions)
(Unaudited)

	For the Three Months Ended March 31,	
	2021	2020
Net income	$ 74	$ 26
Other comprehensive income (loss), net of income taxes:		
Currency translation adjustment	—	(2)
Interest rate derivatives	3	—
Other comprehensive income (loss), net of income taxes	3	(2)
Comprehensive income	**$ 77**	**$ 24**

See accompanying notes to the condensed consolidated financial statements.

Reynolds Consumer Products Inc.
Condensed Consolidated Balance Sheets
(in millions, except for per share data)

	(Unaudited) As of March 31, 2021	As of December 31, 2020
Assets		
Cash and cash equivalents	$ 144	$ 312
Accounts receivable (net of allowance for doubtful accounts of $1 and $1)	283	292
Other receivables	5	9
Related party receivables	10	8
Inventories	507	419
Other current assets	22	13
Total current assets	**971**	**1,053**
Property, plant and equipment (net of accumulated depreciation of $710 and $692)	611	612
Operating lease right-of-use assets, net	62	61
Goodwill	1,879	1,879
Intangible assets, net	1,084	1,092
Other assets	32	25
Total assets	**$ 4,639**	**$ 4,722**
Liabilities		
Accounts payable	$ 203	$ 185
Related party payables	36	41
Current portion of long-term debt	25	25
Income taxes payable	34	6
Accrued and other current liabilities	126	175
Total current liabilities	**424**	**432**
Long-term debt	2,102	2,208
Long-term operating lease liabilities	52	51
Deferred income taxes	322	326
Long-term postretirement benefit obligation	54	53
Other liabilities	42	37
Total liabilities	**$ 2,996**	**$ 3,107**
Commitments and contingencies (Note 6)		
Stockholders' equity		
Common stock, $0.001 par value; 2,000 shares authorized; 210 shares issued and outstanding	—	—
Additional paid-in capital	1,380	1,381
Accumulated other comprehensive income	4	1
Retained earnings	259	233
Total stockholders' equity	**1,643**	**1,615**
Total liabilities and stockholders' equity	**$ 4,639**	**$ 4,722**

See accompanying notes to the condensed consolidated financial statements.

Reynolds Consumer Products Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in millions, except for per share data)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Net Parent (Deficit)	Accumulated Other Comprehensive Income	Total Equity (Deficit)
Balance as of December 31, 2019	**$ —**	**$ —**	**$ —**	**$ (823)**	**$ 5**	**$ (818)**
Net income	—	—	20	6	—	26
Other comprehensive loss, net of income taxes	—	—	—	—	(2)	(2)
Net transfers from Parent	—	—	—	855	—	855
Reclassification of net parent (deficit) in RCP	—	38	—	(38)	—	—
Issuance of common stock, net of costs	—	1,339	—	—	—	1,339
Dividends ($0.15 per share declared)	—	—	(31)	—	—	(31)
Other	—	1	—	—	—	1
Balance as of March 31, 2020	**$ —**	**$ 1,378**	**$ (11)**	**$ —**	**$ 3**	**$ 1,370**
Balance as of December 31, 2020	**$ —**	**$ 1,381**	**$ 233**	**$ —**	**$ 1**	**$ 1,615**
Net income	—	—	74	—	—	74
Other comprehensive income, net of income taxes	—	—	—	—	3	3
Dividends ($0.23 per share declared and paid)	—	—	(48)	—	—	(48)
Other	—	(1)	—	—	—	(1)
Balance as of March 31, 2021	**$ —**	**$ 1,380**	**$ 259**	**$ —**	**$ 4**	**$ 1,643**

See accompanying notes to the condensed consolidated financial statements.

Reynolds Consumer Products Inc.
Condensed Consolidated Statements of Cash Flows
(in millions)
(Unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash provided by (used in) operating activities		
Net income	$ 74	$ 26
Adjustments to reconcile net income to operating cash flows:		
Depreciation and amortization	26	24
Deferred income taxes	(6)	28
Unrealized losses on derivatives	—	4
Stock compensation expense	2	1
Change in assets and liabilities:		
Accounts receivable, net	9	(303)
Other receivables	4	(1)
Related party receivables	(2)	9
Inventories	(88)	(16)
Accounts payable	23	10
Related party payables	(4)	(20)
Related party accrued interest payable	—	(18)
Income taxes payable	29	11
Accrued and other current liabilities	(50)	(7)
Other assets and liabilities	(8)	(3)
Net cash provided by (used in) operating activities	**9**	**(255)**
Cash used in investing activities		
Acquisition of property, plant and equipment	(23)	(23)
Net cash used in investing activities	**(23)**	**(23)**
Cash (used in) provided by financing activities		
Repayment of long-term debt	(106)	—
Dividends paid	(48)	—
Proceeds from long-term debt, net of discounts	—	2,472
Repayments of PEI Group Credit Agreement	—	(8)
Advances from related parties	—	240
Repayments to related parties	—	(3,627)
Deferred debt transaction costs	—	(28)
Proceeds from IPO settlement facility	—	1,168
Repayment of IPO settlement facility	—	(1,168)
Issuance of common stock	—	1,410
Equity issuance costs	—	(69)
Net transfers to Parent	—	(14)
Net cash (used in) provided by financing activities	**(154)**	**376**
Effect of exchange rate on cash and cash equivalents	—	—
Net (decrease) increase in cash and cash equivalents	(168)	98
Cash and cash equivalents at beginning of period	312	102
Cash and cash equivalents at end of period	$ 144	$ 200

Significant non-cash investing and financing activities

Refer to Note 1 – Summary of Significant Accounting Policies and Note 10 – Related Party Transactions for details of significant non-cash investing and financing activities.

See accompanying notes to the condensed consolidated financial statements.

Note 1 – Summary of Significant Accounting Policies

Description of Business:

Reynolds Consumer Products Inc. and its subsidiaries (“we”, “us” or “our”) produce and sell products across three broad categories: cooking products, waste & storage products and tableware. We sell our products under brands such as Reynolds and Hefty, and also under store brands. Our product portfolio includes aluminum foil, wraps, disposable bakeware, trash bags, food storage bags and disposable tableware. We report four business segments: Reynolds Cooking & Baking; Hefty Waste & Storage; Hefty Tableware; and Presto Products.

Basis of Presentation:

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and notes required by GAAP for comprehensive annual financial statements.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2020, and should be read in conjunction with the disclosures therein. In our opinion, these interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to state fairly the financial condition, results of operations and cash flows for the periods presented. Operating results for interim periods are not necessarily indicative of annual operating results.

Prior to the completion of our Corporate Reorganization, as defined in our Registration Statement on Form S-1 (File No. 333-234731), and initial public offering (“IPO”) on February 4, 2020, we operated as part of Pactiv Evergreen Inc. (“PEI”) and not as a stand-alone entity. We represented the business that was previously reported as the Reynolds Consumer Products segment in the consolidated financial statements of PEI and its subsidiaries (collectively, “PEI Group” or the “Parent”). As part of our Corporate Reorganization, we reorganized the legal structure of our entities so they are all under a single parent entity, Reynolds Consumer Products Inc. In conjunction with our Corporate Reorganization and IPO, we separated from PEI Group on February 4, 2020.

Net Parent deficit represented the former Parent’s interest in our net assets. As a direct ownership relationship did not exist between the various entities of our previously combined group, a Net Parent deficit account was shown in our previously combined financial statements. The majority of transactions between us and PEI Group have a history of settlement or were settled for cash in conjunction with our separation from PEI Group and IPO. These transactions have been reflected in our condensed consolidated balance sheets as related party receivables and payables. Transactions that did not have a history of settlement were reflected in equity (deficit) in our previously combined balance sheets as Net Parent deficit and, when cash was utilized (contributed), in our condensed consolidated statements of cash flows as a financing activity in net transfers from (to) Parent.

Initial Public Offering:

On February 4, 2020, we completed our separation from PEI Group and the IPO of our common stock pursuant to a Registration Statement on Form S-1. In the IPO, we sold an aggregate of 54,245,500 shares of common stock, including 7,075,500 shares of common stock purchased by the underwriters on February 7, 2020 pursuant to their option to purchase additional shares, under the Registration Statement at a public offering price of $26.00 per share.

In conjunction with our separation from PEI Group and IPO, we reclassified PEI Group’s historical net investment in us to additional paid-in capital. Each share of our outstanding common stock, immediately prior to our IPO, was exchanged into 155,455 shares of common stock. In addition, certain related party borrowings owed to PEI Group were contributed as additional paid-in capital without the issuance of any additional shares.

Note 2 – New Accounting Standards

Recently Adopted Accounting Guidance:

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans.* This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This ASU is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. We adopted the standard as of January 1, 2021 with no material impact on our condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. This ASU removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. We adopted the standard as of January 1, 2021 with no material impact on our condensed consolidated financial statements.

Accounting Guidance Issued But Not Yet Adopted:

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions to applying the guidance on contract modifications, hedge accounting, and other transactions, to simplify the accounting for transitioning from the London Interbank Offered Rate, and other interbank offered rates expected to be discontinued, to alternative reference rates. This ASU was effective upon its issuance and can be applied prospectively through December 31, 2022. We are currently assessing the impact of this standard on our consolidated financial statements.

Note 3 – Inventories

Inventories consisted of the following:

	March 31, 2021	December 31, 2020
	(in millions)	
Raw materials	$ 152	$ 138
Work in progress	51	54
Finished goods	270	194
Spare parts	34	33
Inventories	**$ 507**	**$ 419**

Note 4 – Debt

Long-term debt consisted of the following:

	March 31, 2021	December 31, 2020
	(in millions)	
Term loan facility	$ 2,150	$ 2,257
Deferred financing transaction costs	(20)	(21)
Original issue discounts	(3)	(3)
	2,127	2,233
Less: current portion	(25)	(25)
Long-term debt	**$ 2,102**	**$ 2,208**

External Debt Facilities

In February 2020, we entered into new external debt facilities ("External Debt Facilities"), which consist of (i) a $2,475 million senior secured term loan facility ("Term Loan Facility"); and (ii) a $250 million senior secured revolving credit facility ("Revolving Facility"). In addition, on February 4, 2020 we entered into, and extinguished, a $1,168 million facility ("IPO Settlement Facility"). The proceeds from the Term Loan Facility and IPO Settlement Facility, net of transaction costs and original issue discounts, together with available cash, were used to repay accrued related party interest and a portion of the related party loans payable.

Borrowings under the External Debt Facilities bear interest at a rate per annum equal to, at our option, either a base rate or a LIBO rate plus an applicable margin of 1.75%. During September 2020, we entered into a series of interest rate swaps to hedge a portion of the interest rate exposure resulting from these borrowings.

The External Debt Facilities contain a springing financial covenant requiring compliance with a ratio of first lien net indebtedness to consolidated EBITDA, applicable solely to the Revolving Facility. The financial covenant is tested on the last day of any fiscal quarter only if the aggregate principal amount of borrowings under the Revolving Facility and drawn but unreimbursed letters of credit exceed 35% of the total amount of commitments under the Revolving Facility on such day.

We are currently in compliance with the covenants contained in our External Debt Facilities.

If an event of default occurs, the lenders under the External Debt Facilities are entitled to take various actions, including the acceleration of amounts due under the External Debt Facilities and all actions permitted to be taken by secured creditors.

Term Loan Facility

The Term Loan Facility matures in February 2027. The Term Loan Facility amortizes in equal quarterly installments of $6 million, which commenced in June 2020, with the balance payable on maturity. During the first quarter of 2021, we made a voluntary principal payment of $100 million related to our Term Loan Facility.

Revolving Facility

The Revolving Facility matures in February 2025 and includes a sub-facility for letters of credit. As of March 31, 2021, we had no outstanding borrowings under the Revolving Facility, and we had $7 million of letters of credit outstanding, which reduces the borrowing capacity under the Revolving Facility.

Fair Value of Our Long-Term Debt

The fair value of our long-term debt as of March 31, 2021, which is a Level 2 fair value measurement, approximates the carrying value due to the variable market interest rate and the stability of our credit profile.

Note 5 – Stock-based Compensation

We granted restricted stock units ("RSUs") in July 2019 to certain members of management, pursuant to retention agreements entered into with these employees (the "IPO Grants"). These RSUs vest upon satisfaction of both a performance-based vesting condition (the "IPO Condition") and a service-based vesting condition (the "Service Condition"). The IPO Condition was satisfied when we completed our IPO on February 4, 2020. The Service Condition will be satisfied with respect to one-third of an employee's RSUs on each anniversary from the date of our IPO for three consecutive years, subject to the employee's continued employment through the applicable vesting date.

In addition, in conjunction with our Corporate Reorganization and IPO, we established an equity incentive plan for purposes of granting stock-based compensation awards to certain of our senior management, our non-executive directors and to certain employees, to incentivize their performance and align their interests with ours. We have granted RSUs to certain employees and non-employee directors that have a service-based vesting condition. In addition, we granted performance stock units ("PSUs") to certain members of management that have a performance-based vesting condition. We account for forfeitures of outstanding but unvested grants in the period they occur. A maximum of 10.5 million shares of common stock were initially available for issuance under equity incentive awards granted pursuant to the plan. In the three months ended March 31, 2021, 0.2 million RSUs and 0.2 million PSUs were granted.

As of March 31, 2021, there were stock-based compensation awards representing approximately 0.6 million shares outstanding compared to 0.4 million shares outstanding as of December 31, 2020. For the three months ended March 31, 2021 and 2020, stock-based compensation expense was $2 million and $1 million, respectively.

Note 6 – Commitments and Contingencies

Legal Proceedings:

We are from time to time party to litigation, legal proceedings and tax examinations arising from our operations. Most of these matters involve allegations of damages against us relating to employment matters, personal injury and commercial or contractual disputes. We record estimates for claims and proceedings that constitute a present obligation when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of such obligation can be made. While it is not possible to predict the outcome of any of these matters, based on our assessment of the facts and circumstances, we do not believe any of these matters, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows. However, actual outcomes may differ from those expected and could have a material effect on our financial position, results of operations or cash flows in a future period.

As of March 31, 2021, there were no legal proceedings pending other than those for which we have determined that the possibility of a material outflow is remote.

Note 7 – Accumulated Other Comprehensive Income

The following table summarizes the changes in our balances of each component of accumulated other comprehensive income.

	Three Months Ended March 31, 2021	2020
	(in millions)	
Currency translation adjustments:		
Balance as of beginning of period	$ (6)	$ (6)
Currency translation adjustments	—	(2)
Other comprehensive income (loss)	—	(2)
Balance as of end of period	**$ (6)**	**$ (8)**
Employee benefit plans:		
Balance as of beginning of period	$ 8	$ 11
Other comprehensive income	—	—
Balance as of end of period	**$ 8**	**$ 11**
Interest rate derivatives:		
Balance as of beginning of period	$ (1)	$ —
Income arising during period	3	—
Other comprehensive income	3	—
Balance as of end of period	**$ 2**	**$ —**
Accumulated other comprehensive income		
Balance as of beginning of period	$ 1	$ 5
Other comprehensive income (loss)	3	(2)
Balance as of end of period	**$ 4**	**$ 3**

Note 8 – Income Taxes

Prior to our separation from PEI Group and IPO, our U.S. operations were included in the U.S. federal consolidated and certain state and local tax returns filed by PEI Group. We also file certain separate U.S. state and local and foreign income tax returns. For the periods prior to separation, income tax (expense) benefit and deferred tax balances are presented in these condensed consolidated financial statements as if we filed tax returns on a stand-alone basis. Upon separation from PEI Group, becoming a separate taxable entity and the change from carve-out financial statements to consolidated financial statements, we have remeasured certain deferred taxes. These adjustments have been recognized directly in equity.

Our income tax expense for the three months ended March 31, 2021 incorporated an expected annualized effective tax rate of approximately 24.5%, excluding the impact of discrete items, compared to 24.7% in the comparable prior year period. Our income tax expense for the three months ended March 31, 2020 included an incremental discrete expense of $23 million due to the remeasurement of our deferred tax asset associated with the deductibility of interest expense as a result of the enactment, subsequent to our separation from PEI Group, of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act on March 27, 2020. As a result of our inclusion in PEI Group's U.S. federal consolidated and certain state and local tax returns prior to our IPO, the completion of PEI Group's tax returns for the year ended December 31, 2020 may result in changes to deferred taxes we recognized as of February 4, 2020. Any future changes in these deferred taxes may impact our reported tax expense in a future period.

Note 9 – Segment Information

Our Chief Executive Officer, who has been identified as our Chief Operating Decision Maker ("CODM"), has evaluated how he views and measures our performance. In applying the criteria set forth in the standards for reporting information about segments in financial statements, we have determined that we have four reportable segments - Reynolds Cooking & Baking, Hefty Waste & Storage, Hefty Tableware and Presto Products. The key factors used to identify these reportable segments are the organization and alignment of our internal operations and the nature of our products. This reflects how our CODM monitors performance, allocates capital and makes strategic and operational decisions. Our segments are described as follows:

Reynolds Cooking & Baking

Our Reynolds Cooking & Baking segment produces branded and store brand foil, disposable aluminum pans, parchment paper, freezer paper, wax paper, plastic wrap, baking cups, oven bags and slow cooker liners. Our branded products are sold under the Reynolds Wrap, Reynolds KITCHENS and E-Z Foil brands in the United States and selected international markets, under the ALCAN brand in Canada and under the Diamond brand outside of North America.

Hefty Waste & Storage

Our Hefty Waste & Storage segment produces both branded and store brand trash and food storage bags. Our branded products are sold under the Hefty Ultra Strong, Hefty Strong Trash Bags, Hefty Renew and Hefty Slider Bags brands.

Hefty Tableware

Our Hefty Tableware segment sells both branded and store brand disposable and compostable plates, bowls, platters, cups and cutlery. Our Hefty branded products include dishes and party cups.

Presto Products

Our Presto Products segment primarily sells store brand products in four main categories: food storage bags, trash bags, reusable storage containers and plastic wrap. Our Presto Products segment also includes our specialty business, which serves other consumer products companies by providing Fresh-Lock and Slide-Rite resealable closure systems.

Information by Segment

We present segment adjusted EBITDA ("Adjusted EBITDA") as this is the financial measure by which management and our CODM allocate resources and analyze the performance of our reportable segments.

Adjusted EBITDA represents each segment's earnings before interest, tax, depreciation and amortization and is further adjusted to exclude unrealized gains and losses on commodity derivatives and IPO and separation-related costs.

Total assets by segment are those assets directly associated with the respective operating activities, comprising inventory, property, plant and equipment and operating lease right-of-use assets. Other assets, such as cash, accounts receivable and intangible assets, are monitored on an entity-wide basis and not included in segment information that is regularly reviewed by our CODM.

Transactions between segments are at negotiated prices.

Three Months Ended March 31, 2021	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Segment Total	Unallocated(1)	Total
	(in millions)						
Net revenues	$ 272	$ 192	$ 170	$ 126	**$ 760**	$ (3)	**$ 757**
Intersegment revenues	—	2	—	—	**2**	(2)	**—**
Total segment net revenues	272	194	170	126	**762**	(5)	**757**
Adjusted EBITDA	53	44	34	18	**149**		
Depreciation and amortization	5	4	4	5	**18**	8	**26**

Three Months Ended March 31, 2020	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Segment Total	Unallocated(1)	Total
	(in millions)						
Net revenues	$ 243	$ 189	$ 178	$ 127	**$ 737**	$ (7)	**$ 730**
Intersegment revenues	—	3	—	—	**3**	(3)	**—**
Total segment net revenues	243	192	178	127	**740**	(10)	**730**
Adjusted EBITDA	40	55	35	23	**153**		
Depreciation and amortization	6	4	3	4	**17**	7	**24**

Segment assets consisted of the following:

	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Segment Total	Unallocated(1)	Total
	(in millions)						
As of March 31, 2021	$ 475	$ 268	$ 167	$ 217	**$ 1,127**	$ 3,512	**$ 4,639**
As of December 31, 2020	433	248	157	204	**1,042**	3,680	**4,722**

(1) Unallocated includes the elimination of intersegment revenues, other revenue adjustments and certain corporate costs, depreciation and amortization and assets not allocated to segments. Unallocated assets are comprised of cash, accounts receivable, other receivables, entity-wide property, plant and equipment, entity-wide operating lease right-of-use assets, goodwill, intangible assets, related party receivables and other assets.

The following table presents a reconciliation of segment Adjusted EBITDA to GAAP income before income taxes:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in millions)	
Segment Adjusted EBITDA	$ 149	$ 153
Corporate / unallocated expenses	(9)	(18)
	140	135
Adjustments to reconcile to GAAP income before income taxes		
Depreciation and amortization	(26)	(24)
Interest expense, net	(12)	(27)
IPO and separation-related costs	(3)	(14)
Unrealized losses on derivatives	—	(4)
Other	—	(1)
Consolidated GAAP income before income taxes	**$ 99**	**$ 65**

Information in Relation to Products

Net revenues by product line are as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in millions)	
Waste and storage products (1)	$ 318	$ 316
Cooking products	272	243
Tableware	170	178
Unallocated	(3)	(7)
Net revenues	**$ 757**	**$ 730**

(1) Waste and storage products are comprised of our Hefty Waste & Storage and Presto Products segments.

Our different product lines are generally sold to a common group of customers. For all product lines, there is a relatively short time period between the receipt of the order and the transfer of control over the goods to the customer.

Note 10 – Related Party Transactions

We historically operated as part of PEI Group. In preparation for our IPO, PEI Group transferred its interest in us to Packaging Finance Limited ("PFL"). PFL owns the majority of our outstanding common stock and owns the majority of the outstanding common stock of PEI Group. Transactions between us and PEI Group are described below.

Ongoing Related Party Transactions

For the three months ended March 31, 2021, revenues from products sold to PEI Group were $25 million, compared to $39 million in the comparable prior year period. For the three months ended March 31, 2021, products purchased from PEI Group were $74 million, compared to $83 million in the comparable prior year period. For the three months ended March 31, 2021, PEI Group charged us freight and warehousing costs of $14 million, compared to $26 million in the comparable prior year period, which were included in cost of sales. The resulting related party receivables and payables are settled regularly with PEI Group in the normal course of business.

Furthermore, $36 million of the dividends paid during the three months ended March 31, 2021, were paid to PFL.

Transactions Related to our Separation from PEI Group

On January 30, 2020, we repurchased all of the U.S. accounts receivable that we previously sold through PEI Group's securitization facility for $264 million, $240 million of which was settled in cash and the remaining amount used to settle certain current related party receivables. The cash to purchase these receivables was provided by an increase in related party borrowings, which was subsequently settled as discussed below.

On January 30, 2020, our outstanding borrowings, net of deferred financing transaction costs and original issue discounts plus accrued interest incurred under the PEI Group Credit Agreement were reallocated to an entity within PEI Group and on February 4, 2020, we were fully and unconditionally released from the security and guarantee arrangements relating to PEI Group's borrowings. This reallocation resulted in a payment to PEI Group of $8 million for accrued interest and an increase of $2,001 million in related party borrowings, which was subsequently settled as discussed below.

On February 4, 2020, we repaid $3,627 million of related party borrowings and $22 million of related party accrued interest owed to PEI Group and capitalized, as additional paid-in capital without the issuance of any additional shares, the remaining $831 million balance of the related party borrowings owed to PEI Group.

On February 4, 2020, we entered into a transition services agreement with a subsidiary of PEI Group, whereby PEI Group will continue to provide certain administrative services to us, including information technology services; accounting, treasury, financial reporting and transaction support; human resources; procurement; tax, legal and compliance related services; and other corporate services for up to 24 months. In addition, we entered into a transition services agreement with Rank Group Limited (an affiliate of PEI Group) whereby, upon our request, Rank Group Limited will provide certain administrative services to us, including financial reporting, consulting and compliance services, insurance procurement and human resources support, legal and corporate secretarial support, and related services for up to 24 months. For the three months ended March 31, 2021, we incurred $2 million related to transition services which were included in selling, general and administrative expenses in our condensed consolidated statements of income compared to $3 million for the three months ended March 31, 2020.

Note 11 – Subsequent Events

Quarterly Cash Dividend

On April 29, 2021, our Board of Directors approved a cash dividend of $0.23 per common share to be paid on May 27, 2021 to shareholders of record on May 13, 2021.

Purchase of Leased Building

On April 28, 2021, we purchased a building that was previously accounted for as a leased asset for $24 million. The termination of the lease did not have a material impact on our consolidated balance sheet.

Except as described above, there have been no events subsequent to March 31, 2021 which would require accrual or disclosure in these condensed consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our management's discussion and analysis is intended to help the reader understand our results of operations and financial condition and is provided as an addition to, and should be read in connection with, our condensed consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q and our consolidated financial statements and the accompanying notes contained in our Annual Report on Form 10-K for the year ended December 31, 2020. Tabular dollars are presented in millions.

Description of the Company and its Business Segments

We are a market-leading consumer products company with a presence in 95% of households across the United States. We produce and sell products across three broad categories: cooking products, waste & storage products and tableware. We sell our products under iconic brands such as Reynolds and Hefty and also under store brands that are strategically important to our customers. Overall, across both our branded and store brand offerings, we hold the #1 or #2 U.S. market share position in the majority of product categories in which we participate. We have developed our market-leading position by investing in our product categories and consistently developing innovative products that meet the evolving needs and preferences of the modern consumer.

Our mix of branded and store brand products is a key competitive advantage that aligns our goal of growing the overall product categories with our customers' goals and positions us as a trusted strategic partner to our retailers. Our Reynolds and Hefty brands have preeminent positions in their categories and carry strong brand recognition in household aisles.

We manage our operations in four operating and reportable segments: Reynolds Cooking & Baking, Hefty Waste & Storage, Hefty Tableware and Presto Products:

- Reynolds Cooking & Baking: Through our Reynolds Cooking & Baking segment, we produce branded and store brand foil, disposable aluminum pans, parchment paper, freezer paper, wax paper, plastic wrap, baking cups, oven bags and slow cooker liners. Our branded products are sold under the Reynolds Wrap, Reynolds KITCHENS and E-Z Foil brands in the United States and selected international markets, under the ALCAN brand in Canada and under the Diamond brand outside of North America.
- Hefty Waste & Storage: Through our Hefty Waste & Storage segment, we produce both branded and store brand trash and food storage bags. Our branded products are sold under the Hefty Ultra Strong, Hefty Strong Trash Bags, Hefty Renew and Hefty Slider Bags brands.
- Hefty Tableware: Through our Hefty Tableware segment, we sell both branded and store brand disposable and compostable plates, bowls, platters, cups and cutlery. Our Hefty branded products include dishes and party cups.
- Presto Products: Through our Presto Products segment, we primarily sell store brand products in four main categories: food storage bags, trash bags, reusable storage containers and plastic wrap. Our Presto Products segment also includes our specialty business, which serves other consumer products companies by providing Fresh-Lock and Slide-Rite resealable closure systems.

Our Separation from PEI Group

On February 4, 2020 we separated from PEI Group and completed our IPO as a stand-alone public entity. In conjunction with our separation from PEI Group, we entered into a transition services agreement with a subsidiary of PEI Group whereby PEI Group will continue to provide certain administrative services to us, including information technology services; accounting, treasury, financial reporting and transaction support; human resources; procurement; tax, legal and compliance related services; and other corporate services for up to 24 months beginning on February 4, 2020. In addition, we entered into a transition services agreement with Rank Group Limited whereby, upon our request, Rank Group Limited will provide certain administrative services to us, including financial reporting, consulting and compliance services, insurance procurement and human resources support, legal and corporate secretarial support, and related services for up to 24 months. At the conclusion of these transitional arrangements, we will have to perform these services with internal resources or contract with third party providers. The previous arrangements we had with PEI Group may be materially different from the arrangements that we have entered into as part of our separation from PEI Group.

On February 4, 2020, in conjunction with our Corporate Reorganization and IPO, we entered into new external debt facilities ("External Debt Facilities"), consisting of a $2,475 million senior secured term loan facility ("Term Loan Facility") and a $250 million senior secured revolving credit facility ("Revolving Facility"), and repaid portions of the related party borrowings owed to PEI Group that were reflected on our balance sheet prior to that date. PEI Group contributed the remaining balance of related party borrowings owed by us to PEI Group as additional paid-in capital without the issuance of any additional shares prior to the closing of our IPO. In addition, all indebtedness that we had borrowed under PEI Group's Credit Agreement was reallocated and we were released as a borrower and guarantor from such facilities and released as a guarantor of PEI Group's outstanding senior notes.

Impact of COVID-19

As previously discussed, in connection with the COVID-19 pandemic, we implemented policies and procedures designed to protect our employees and our customers, including implementing recommendations from the Centers for Disease Control and Prevention. As the pandemic evolves, we remain committed to adapting our policies and procedures to ensure the safety of our employees and compliance with federal, state and local regulations.

While we have experienced increased costs as a result of COVID-19, including in the three months ended March 31, 2021, such increased costs were not material to our results of operations. However, these costs may not be representative of what we may incur moving forward. Further, although we have not to date experienced notable supply chain or customer base disruptions related to COVID-19, those and other negative impacts remain potential risks as the ongoing and future effects of the pandemic are difficult to predict. See the “Risk Factors” section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for a further discussion of risks related to the COVID-19 pandemic.

We continue to see a fundamental shift to more at-home use of our products driven by the consumer response to the COVID-19 pandemic. The duration and magnitude of the increased demand remains unknown, particularly as vaccine rollouts continue, and its ongoing impact on our operations may not be consistent with our experiences to date. At this time, we are unable to predict with any certainty the nature, timing or magnitude of any changes in future sales and/or earnings attributable to the impact of COVID-19 and efforts to reduce its spread. In addition, since the COVID-19 pandemic has been ongoing for over a year, quarterly results in 2021 will have comparisons against results in 2020 that benefited significantly from the shift to more at-home use of our products and related increases in demand, which may not be sustained in 2021.

We do not currently anticipate that the COVID-19 pandemic will materially impact our liquidity over the next 12 months.

Overview

In the three months ended March 31, 2021, net revenues increased 4% compared to the three months ended March 31, 2020, primarily driven by higher pricing through a combination of fewer trade promotions and price increases in response to increased commodity costs. In addition, the severe winter storms affecting certain parts of the United States in February 2021 negatively impacted volume in the first quarter of 2021, particularly in our Hefty Waste & Storage and Presto Products segments. We estimate that February's storms negatively impacted net revenues by approximately two percentage points and expect there will be some level of continuing impacts from February's storms over the short term.

We have experienced significant cost pressures in the first quarter of 2021 and cost increases are expected to continue. Price increases have been implemented and a second round is underway, with plans for a third round to be implemented in the third quarter of 2021. On an annualized basis, aggregated pricing actions are expected to cover the increases in input costs, but we expect to see some near term margin pressure as the pricing actions get implemented before expanding sequentially in the third and fourth quarters of 2021.

Non-GAAP Measures

In this Quarterly Report on Form 10-Q we use the non-GAAP financial measures “Adjusted EBITDA”, “Adjusted Net Income” and “Adjusted EPS”, which are measures adjusted for the impact of specified items and are not in accordance with GAAP.

We define Adjusted EBITDA as net income calculated in accordance with GAAP, plus the sum of income tax expense, net interest expense, depreciation and amortization and further adjusted to exclude, as applicable, unrealized gains and losses on commodity derivatives and IPO and separation-related costs. We define Adjusted Net Income and Adjusted EPS as Net Income and Earnings Per Share calculated in accordance with GAAP, plus, as applicable, the sum of unrealized gains and losses on commodity derivatives, IPO and separation-related costs and the impact of a tax legislation change under the CARES Act enacted on March 27, 2020.

We present Adjusted EBITDA because it is a key measure used by our management team to evaluate our operating performance, generate future operating plans and make strategic decisions. In addition, our chief operating decision maker uses Adjusted EBITDA of each reportable segment to evaluate the operating performance of such segments. We use Adjusted Net Income and Adjusted EPS as supplemental measures to evaluate our business’ performance in a way that also considers our ability to generate profit without the impact of certain items. Accordingly, we believe presenting these measures provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors.

Non-GAAP information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. In addition, our non-GAAP financial measures may not be the same as or comparable to similar non-GAAP financial measures presented by other companies.

The following table presents a reconciliation of our net income, the most directly comparable GAAP financial measure, to Adjusted EBITDA:

	Three Months Ended March 31, 2021	2020
	(in millions)	
Net income – GAAP	**$ 74**	**$ 26**
Income tax expense	25	39
Interest expense, net	12	27
Depreciation and amortization	26	24
IPO and separation-related costs (1)	3	14
Unrealized losses on derivatives (2)	—	4
Other	—	1
Adjusted EBITDA (Non-GAAP)	**$ 140**	**$ 135**

(1) Reflects costs related to the IPO process, as well as costs related to our separation to operate as a stand-alone public company. These costs are included in Other expense, net in our condensed consolidated statements of income.

(2) Reflects the mark-to-market movements in our commodity derivatives.

The following table presents a reconciliation of our net income and diluted EPS, the most directly comparable GAAP financial measures, to Adjusted Net Income and Adjusted Diluted EPS:

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
(In millions, except for per share data)	**Net Income**	**Diluted Shares**	**Diluted EPS**	**Net Income**	**Diluted Shares**	**Diluted EPS**
As Reported - GAAP	**$ 74**	**210**	**$ 0.35**	**$ 26**	**189**	**$ 0.14**
Assume full period impact of IPO shares (1)	—	—	—	—	21	—
Total	74	210	0.35	26	210	0.12
Adjustments:						
IPO and separation-related costs (2)	2	210	0.01	11	210	0.05
Impact of tax legislation change from the CARES Act	—	—	—	23	210	0.11
Unrealized losses on derivatives (2)	—	—	—	3	210	0.02
Adjusted (Non-GAAP)	**$ 76**	**210**	**$ 0.36**	**$ 63**	**210**	**$ 0.30**

(1) Represents incremental shares required to adjust the weighted average shares outstanding for the period to the actual shares outstanding as of March 31, 2020. We utilize the shares outstanding at period end as if they had been outstanding for the full period rather than weighted average shares outstanding over the course of the period as it is a more meaningful calculation that provides consistency in comparability.

(2) Amounts are after tax, calculated using a tax rate of 25.0% and 24.7% for the three months ended March 31, 2021 and 2020, respectively, which is our effective tax rate excluding the 2020 one-time discrete expense associated with the legislation change from the CARES Act.

Results of Operations – Three Months Ended March 31, 2021

The following discussion should be read in conjunction with our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Detailed comparisons of revenue and results are presented in the discussions of the operating segments, which follow our consolidated results discussion.

Aggregation of Segment Revenue and Adjusted EBITDA

(In millions)	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Unallocated(2)	Total Reynolds Consumer Products
Net revenues for the three months ended March 31:						
2021	$ 272	$ 194	$ 170	$ 126	$ (5)	$ 757
2020	243	192	178	127	(10)	730
Adjusted EBITDA for the three months ended March 31: (1)						
2021	$ 53	$ 44	$ 34	$ 18	$ (9)	$ 140
2020	40	55	35	23	(18)	135

(1) Adjusted EBITDA is a non-GAAP measure. See “Non-GAAP Measures” for details, including a reconciliation between net income and Adjusted EBITDA.

(2) The unallocated net revenues include elimination of intersegment revenues and other revenue adjustments. These transactions arise primarily from sales by Hefty Waste & Storage to Presto Products. The unallocated Adjusted EBITDA represents corporate expenses which are not allocated to our segments.

Three Months Ended March 31, 2021 Compared with the Three Months Ended March 31, 2020

Total Reynolds Consumer Products

	For the Three Months Ended March 31,					
(In millions, except for %)	2021	% of Revenue	2020	% of Revenue	Change	% Change
Net revenues	$ 732	97%	$ 691	95%	$ 41	6%
Related party net revenues	25	3%	39	5%	(14)	(36)%
Total net revenues	**757**	**100%**	**730**	**100%**	**27**	**4%**
Cost of sales	(565)	(75)%	(541)	(74)%	(24)	(4)%
Gross profit	**192**	**25%**	**189**	**26%**	**3**	**2%**
Selling, general and administrative expenses	(78)	(10)%	(82)	(11)%	4	5%
Other expense, net	(3)	(0)%	(15)	(2)%	12	80%
Income from operations	**111**	**15%**	**92**	**13%**	**19**	**21%**
Interest expense, net	(12)	(2)%	(27)	(4)%	15	56%
Income before income taxes	**99**	**13%**	**65**	**9%**	**34**	**52%**
Income tax expense	(25)	(3)%	(39)	(5)%	14	36%
Net income	**$ 74**	**10%**	**$ 26**	**4%**	**$ 48**	**185%**
Adjusted EBITDA (1)	**$ 140**	**18%**	**$ 135**	**18%**	**$ 5**	**4%**

(1) Adjusted EBITDA is a non-GAAP measure. See “Non-GAAP Measures” for details, including a reconciliation between net income and Adjusted EBITDA.

Components of Change in Net Revenues for the Three Months Ended March 31, 2021 vs. the Three Months Ended March 31, 2020

	Price	Volume/Mix	Total
Reynolds Cooking & Baking	6%	6%	12%
Hefty Waste & Storage	4%	(3)%	1%
Hefty Tableware	5%	(9)%	(4)%
Presto Products	3%	(4)%	(1)%
Total RCP	**5%**	**(1)%**	**4%**

Total Net Revenues. Total net revenues increased by $27 million, or 4%, to $757 million. The increase was primarily driven by higher pricing as a result of fewer trade promotions in the current year period and pricing increases in response to increased commodity costs. Higher volume in our Reynolds Cooking & Baking segment as a result of increased at-home usage was more than offset by lower volume in our Hefty Tableware segment as well as the impact of severe winter storms affecting certain parts of the United States during the 2021 period primarily impacting our Hefty Waste & Storage and Presto Products segments.

Cost of Sales. Cost of sales increased by $24 million, or 4%, to $565 million. The increase was driven by increased material costs and increases in manufacturing and logistics costs primarily as a result of supply chain disruption caused by the winter storms.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $4 million, or 5%, to $78 million primarily due to lower discretionary spending, including advertising and other controllable costs, partially offset by higher personnel costs.

Other Expense, Net. Other expense, net decreased by $12 million, or 80%, to $3 million. The decrease was primarily attributable to separation-related costs associated with our IPO incurred in the prior year period.

Interest Expense, Net. Interest expense, net decreased by $15 million, or 56%, to $12 million. The decrease was primarily due to lower interest expense as a result of principal payments under our Term Loan Facility and the change in our debt structure as a result of our IPO in the first quarter of 2020. Prior to the IPO we had related party debt and associated interest expense that was replaced with our External Debt Facilities in conjunction with the IPO.

Income Tax Expense. We recognized income tax expense of $25 million on income before income taxes of $99 million (an effective tax rate of 25.0%) for the three months ended March 31, 2021 compared to income tax expense of $39 million on income before income taxes of $65 million (an effective tax rate of 60.0%) for the three months ended March 31, 2020. The decrease in the effective tax rate was due to the recognition of a $23 million discrete tax expense associated with the remeasurement of our deferred taxes as a result of the legislation change from the CARES Act in the prior year period. Excluding the impact of this, our effective tax rate was 24.7% for the three months ended March 31, 2020.

Adjusted EBITDA. Adjusted EBITDA increased by $5 million, or 4%, to $140 million. The increase in Adjusted EBITDA was primarily due to the increased pricing, as noted above, partially offset by higher material, manufacturing and logistics costs.

Segment Information

Reynolds Cooking & Baking

	For the Three Months Ended March 31,			
(In millions, except for %)	**2021**	**2020**	**Change**	**% Change**
Total segment net revenues	$ 272	$ 243	$ 29	12%
Segment Adjusted EBITDA	53	40	13	33%
Segment Adjusted EBITDA Margin	19%	16%		

Total Segment Net Revenues. Reynolds Cooking & Baking total segment net revenues increased by $29 million, or 12%, to $272 million. The increase in net revenues was primarily driven by higher volume as a result of continued heightened demand driven by increased at-home usage and higher pricing, mostly driven by fewer promotional programs in the current year period.

Adjusted EBITDA. Reynolds Cooking & Baking Adjusted EBITDA increased by $13 million, or 33%, to $53 million. The increase in Adjusted EBITDA was primarily driven by the increased revenue, as noted above, partially offset by higher material, manufacturing and logistics costs.

Hefty Waste & Storage

(In millions, except for %)	For the Three Months Ended March 31, 2021	2020	Change	% Change
Total segment net revenues	$ 194	$ 192	$ 2	1%
Segment Adjusted EBITDA	44	55	(11)	(20)%
Segment Adjusted EBITDA Margin	23%	29%		

Total Segment Net Revenues. Hefty Waste & Storage total segment net revenues increased by $2 million, or 1%, to $194 million. The increase in net revenues was primarily driven by higher pricing in response to increased commodity costs and fewer trade promotions, mostly offset by lower volume as a result of severe winter storms impacting certain parts of the United States during the 2021 period.

Adjusted EBITDA. Hefty Waste & Storage Adjusted EBITDA decreased by $11 million, or 20%, to $44 million. The decrease in Adjusted EBITDA was primarily driven by higher material, manufacturing and logistics costs partially offset by lower discretionary spend.

Hefty Tableware

(In millions, except for %)	For the Three Months Ended March 31, 2021	2020	Change	% Change
Total segment net revenues	$ 170	$ 178	$ (8)	(4)%
Segment Adjusted EBITDA	34	35	(1)	(3)%
Segment Adjusted EBITDA Margin	20%	20%		

Total Segment Net Revenues. Hefty Tableware total segment net revenues decreased by $8 million, or 4%, to $170 million. The decrease in net revenues was primarily driven by lower volume which was partially offset by higher pricing in the current year period as a result of fewer trade promotions.

Adjusted EBITDA. Hefty Tableware Adjusted EBITDA decreased by $1 million, or 3%, to $34 million. The decrease in Adjusted EBITDA was primarily driven by higher material and manufacturing costs, partially offset by higher pricing, as noted above.

Presto Products

(In millions, except for %)	For the Three Months Ended March 31, 2021	2020	Change	% Change
Total segment net revenues	$ 126	$ 127	$ (1)	(1)%
Segment Adjusted EBITDA	18	23	(5)	(22)%
Segment Adjusted EBITDA Margin	14%	18%		

Total Segment Net Revenues. Presto Products total segment net revenues decreased by $1 million, or 1%, to $126 million. The decrease in net revenues was primarily driven by lower volume as a result of severe winter storms impacting certain parts of the United States during the 2021 period mostly offset by increased pricing in response to increased commodity costs.

Adjusted EBITDA. Presto Products Adjusted EBITDA decreased by $5 million, or 22%, to $18 million. The decrease in Adjusted EBITDA was primarily driven by increased material and manufacturing costs.

Historical Cash Flows

The following table discloses our cash flows for the periods presented:

(In millions)	For the Three Months Ended March 31, 2021	2020
Net cash provided by (used in) operating activities	$ 9	$ (255)
Net cash used in investing activities	(23)	(23)
Net cash (used in) provided by financing activities	(154)	376
(Decrease) increase in cash and cash equivalents	**$ (168)**	**$ 98**

Cash provided by (used in) operating activities

Net cash from operating activities changed by $264 million, from an outflow of $255 million for the three months ended March 31, 2020 to an inflow of $9 million for the three months ended March 31, 2021. The change was primarily driven by a $312 million increase in accounts receivable, $240 million of which was related to accounts receivables previously sold through PEI Group's securitization facility prior to our separation from PEI Group, and an increase in net income, partially offset by higher inventory during the current period due to inventory replenishment, the impact of higher commodity prices and a decrease in accrued and other current liabilities.

Cash used in investing activities

Net cash used in investing activities was flat at $23 million and consisted of the acquisition of property, plant and equipment in both periods.

Cash (used in) provided by financing activities

Net cash from financing activities changed by $530 million, from an inflow of $376 million for the three months ended March 31, 2020 to an outflow of $154 million in the three months ended March 31, 2021. The change was primarily attributable to the principal repayments of the Term Loan Facility and dividends paid during the 2021 period compared to the IPO related activities during the prior period, which included proceeds received from the IPO and the drawdown of the Term Loan Facility, partially offset by repayments of related party balances.

Liquidity and Capital Resources

Our principal sources of liquidity are existing cash and cash equivalents, cash generated from operating activities and available borrowings under the Revolving Facility.

External Debt Facilities

On February 4, 2020, in conjunction with our Corporate Reorganization and IPO, we entered into the External Debt Facilities which consist of a $2,475 million Term Loan Facility and a Revolving Facility that provides for additional borrowing capacity of up to $250 million, reduced by amounts used for letters of credit.

As of March 31, 2021, the outstanding balance under the Term Loan Facility was $2,150 million. As of March 31, 2021, we had no outstanding borrowings under the Revolving Facility, and we had $7 million of letters of credit outstanding, which reduces the borrowing capacity under the Revolving Facility.

The initial borrower under the External Debt Facilities is Reynolds Consumer Products LLC (the "Borrower"). The Revolving Facility includes a sub-facility for letters of credit. In addition, the External Debt Facilities provide that the Borrower has the right at any time, subject to customary conditions, to request incremental term loans or incremental revolving credit commitments in amounts and on terms set forth therein. The lenders under the External Debt Facilities are not under any obligation to provide any such incremental loans or commitments, and any such addition of or increase in loans is subject to certain customary conditions precedent and other provisions.

Interest rate and fees

Borrowings under the External Debt Facilities bear interest at a rate per annum equal to, at our option, either a base rate or a LIBO rate plus an applicable margin of 1.75%.

During the year ended December 31, 2020, we entered into a series of interest rate swaps which fixed the LIBO rate to an annual rate of 0.18% to 0.47% (for an annual effective interest rate of 1.93% to 2.22%, including margin) for an aggregate notional amount of $1,650 million. These interest rate swaps hedge a portion of the interest rate exposure resulting from our Term Loan Facility for periods ranging from one to five years.

Prepayments

The Term Loan Facility contains customary mandatory prepayments, including with respect to excess cash flow, asset sale proceeds and proceeds from certain incurrences of indebtedness.

The Borrower may voluntarily repay outstanding loans under the Term Loan Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBO rate loans. During the quarter ended March 31, 2021, we made a voluntary principal payment of $100 million related to the Term Loan Facility.

Amortization and maturity

The Term Loan Facility matures in February 2027. The Term Loan Facility amortizes in equal quarterly installments of $6 million, which commenced in June 2020, with the balance payable on maturity. The Revolving Facility matures in February 2025.

Guarantee and security

All obligations under the External Debt Facilities and certain hedge agreements and cash management arrangements provided by any lender party to the External Debt Facilities or any of its affiliates and certain other persons are unconditionally guaranteed by the Reynolds Consumer Products Inc. ("RCPI"), the Borrower (with respect to hedge agreements and cash management arrangements not entered into by the Borrower) and certain of RCPI's existing and subsequently acquired or organized direct or indirect material wholly-owned U.S. restricted subsidiaries, with customary exceptions including, among other things, where providing such guarantees is not permitted by law, regulation or contract or would result in material adverse tax consequences.

All obligations under the External Debt Facilities and certain hedge agreements and cash management arrangements provided by any lender party to the External Debt Facilities or any of its affiliates and certain other persons, and the guarantees of such obligations, are secured, subject to permitted liens and other exceptions, by: (i) a perfected first-priority pledge of all the equity interests of each wholly-owned material restricted subsidiary of RCPI, the Borrower or a subsidiary guarantor, including the equity interests of the Borrower (limited to 65% of voting stock in the case of first-tier non-U.S. subsidiaries of RCPI, the Borrower or any subsidiary guarantor) and (ii) perfected first-priority security interests in substantially all tangible and intangible personal property of RCPI, the Borrower and the subsidiary guarantors (subject to certain other exclusions).

Certain covenants and events of default

The External Debt Facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of the restricted subsidiaries of RCPI to:

- incur additional indebtedness and guarantee indebtedness;
- create or incur liens;
- engage in mergers or consolidations;
- sell, transfer or otherwise dispose of assets;
- pay dividends and distributions or repurchase capital stock;
- prepay, redeem or repurchase certain indebtedness;
- make investments, loans and advances;
- enter into certain transactions with affiliates;
- enter into agreements which limit the ability of our restricted subsidiaries to incur restrictions on their ability to make distributions; and
- enter into amendments to certain indebtedness in a manner materially adverse to the lenders.

The External Debt Facilities contain a springing financial covenant requiring compliance with a ratio of first lien net indebtedness to consolidated EBITDA, applicable solely to the Revolving Facility. The financial covenant is tested on the last day of any fiscal quarter only if the aggregate principal amount of borrowings under the Revolving Facility and drawn but unreimbursed letters of credit exceed 35% of the total amount of commitments under the Revolving Facility on such day.

If an event of default occurs, the lenders under the External Debt Facilities are entitled to take various actions, including the acceleration of amounts due under the External Debt Facilities and all actions permitted to be taken by secured creditors.

We are currently in compliance with the covenants contained in our External Debt Facilities.

During the quarter ended March 31, 2021, our Board of Directors declared and paid a quarterly cash dividend of $0.23 per share. On April 29, 2021, our Board of Directors declared a quarterly cash dividend of $0.23 per share, to be paid on May 27, 2021. We expect to continue paying cash dividends on a quarterly basis; however, future dividends are at the discretion of our Board of Directors and will depend upon our earnings, capital requirements, financial condition, contractual limitations (including under the Term Loan Facility) and other factors.

We believe that our projected cash position, cash flows from operations and borrowings under the External Debt Facilities are sufficient to meet the needs of our business for at least the next 12 months.

Critical Accounting Policies and Estimates

Accounting policies and estimates are considered critical when they require management to make subjective and complex judgments, estimates and assumptions about matters that have a material impact on the presentation of our financial statements and accompanying notes. For a description of our critical accounting policies and estimates, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

See “Item 7A: Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. During the three months ended March 31, 2021, there have been no material changes in our exposure to market risk.

Item 4. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2021, our disclosure controls and procedures were effective.

b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The information required to be set forth under this heading is incorporated by reference from Note 6 - Commitments and Contingencies, to the condensed consolidated financial statements included in Part I, Item 1.

Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2020)
3.2	Amended and Restated By-Laws (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2020)
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REYNOLDS CONSUMER PRODUCTS INC.
(Registrant)

By: /s/ Chris Mayrhofer
Chris Mayrhofer
Senior Vice President and Controller
(Principal Accounting Officer)
May 5, 2021

Exhibit 31.1

CERTIFICATION

I, Lance Mitchell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Reynolds Consumer Products Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

By: /s/ Lance Mitchell
Lance Mitchell
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Michael Graham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Reynolds Consumer Products Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

By: /s/ Michael Graham
Michael Graham
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Reynolds Consumer Products Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lance Mitchell, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 5, 2021

By: /s/ Lance Mitchell
Lance Mitchell
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Reynolds Consumer Products Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Graham, Chief Financial Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 5, 2021

By: /s/ Michael Graham
Michael Graham
Chief Financial Officer