

**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 September 30, 2020

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
(State or other jurisdiction of
incorporation or organization)

45-3464426
(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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of October 30, 2020, the registrant had 209,700,500 shares of common stock, \$0.001 par value per share, outstanding.

Table of Contents

	<u>Page</u>
PART I. FINANCIAL INFORMATION	2
Item 1. Financial Statements (Unaudited)	2
Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2020 and 2019	2
Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2020 and 2019	3
Condensed Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019	4
Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2020 and 2019	5
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019	6
Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	26
Item 4. Controls and Procedures	26
PART II. OTHER INFORMATION	27
Item 1. Legal Proceedings	27
Item 1A. Risk Factors	27
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	28
Item 3. Defaults Upon Senior Securities	28
Item 4. Mine Safety Disclosures	28
Item 5. Other Information	28
Item 6. Exhibits	29
Signatures	30

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, 2019 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; and
- difficulty meeting our sales growth objectives and innovation goals.

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 within our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 which was filed on March 10, 2020, 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 September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenues	\$ 797	\$ 705	\$ 2,286	\$ 2,083
Related party net revenues	26	36	89	114
Total net revenues	823	741	2,375	2,197
Cost of sales	(558)	(524)	(1,669)	(1,580)
Gross profit	265	217	706	617
Selling, general and administrative expenses	(97)	(76)	(260)	(231)
Other expense, net	(5)	(20)	(26)	(34)
Income from operations	163	121	420	352
Non-operating income, net	—	1	—	1
Interest expense, net	(13)	(39)	(57)	(174)
Income before income taxes	150	83	363	179
Income tax expense	(37)	(20)	(112)	(44)
Net income	\$ 113	\$ 63	\$ 251	\$ 135
Earnings per share:				
Basic	\$ 0.54	\$ 0.41	\$ 1.24	\$ 0.87
Diluted	\$ 0.54	\$ 0.41	\$ 1.24	\$ 0.87
Weighted average shares outstanding:				
Basic	209.7	155.5	202.7	155.5
Effect of dilutive securities	0.1	—	0.1	—
Diluted	<u>209.8</u>	<u>155.5</u>	<u>202.8</u>	<u>155.5</u>

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 September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 113	\$ 63	\$ 251	\$ 135
Other comprehensive income (loss), net of income taxes:				
Currency translation adjustment	—	—	(1)	—
Employee benefit plans	(1)	—	(1)	(1)
Other comprehensive income (loss), net of income taxes	(1)	—	(2)	(1)
Comprehensive income	\$ 112	\$ 63	\$ 249	\$ 134

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 September 30, 2020	As of December 31, 2019
Assets		
Cash and cash equivalents	\$ 351	\$ 102
Accounts receivable (net of allowance for doubtful accounts of \$1 and \$0)	288	13
Other receivables	7	7
Related party receivables	10	14
Inventories	401	418
Other current assets	22	16
Total current assets	1,079	570
Property, plant and equipment (net of accumulated depreciation of \$683 and \$642)	574	537
Operating lease right-of-use assets, net	68	42
Goodwill	1,879	1,879
Intangible assets, net	1,100	1,123
Other assets	24	9
Total assets	\$ 4,724	\$ 4,160
Liabilities		
Accounts payable	\$ 169	\$ 135
Related party payables	46	72
Related party accrued interest payable	—	18
Current portion of long-term debt	25	21
Accrued and other current liabilities	161	132
Total current liabilities	401	378
Long-term debt	2,313	1,990
Long-term related party borrowings	—	2,214
Long-term operating lease liabilities	58	35
Deferred income taxes	315	294
Long-term postretirement benefit obligation	49	48
Other liabilities	37	19
Total liabilities	\$ 3,173	\$ 4,978
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, \$0.001 par value; 2,000 shares authorized; 209.7 shares issued and outstanding	—	—
Additional paid-in capital	1,380	—
Net parent deficit	—	(823)
Accumulated other comprehensive income	3	5
Retained earnings	168	—
Total stockholders' equity	1,551	(818)
Total liabilities and stockholders' equity	\$ 4,724	\$ 4,160

See accompanying notes to the condensed consolidated financial statements.

Reynolds Consumer Products Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in millions)
(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, 2018	\$ —	\$ —	\$ —	\$ (1,034)	\$ 7	\$ (1,027)
Adoption of new accounting principle	—	—	—	(3)	3	—
Net income	—	—	—	17	—	17
Other comprehensive loss, net of income taxes	—	—	—	—	(1)	(1)
Net transfers (to) from Parent	—	—	—	12	—	12
Balance as of March 31, 2019	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,008)</u>	<u>\$ 9</u>	<u>\$ (999)</u>
Net income	—	—	—	55	—	55
Net transfers (to) from Parent	—	—	—	34	—	34
Balance as of June 30, 2019	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (919)</u>	<u>\$ 9</u>	<u>\$ (910)</u>
Net income	—	—	—	63	—	63
Other comprehensive loss, net of income taxes	—	—	—	—	—	—
Net transfers (to) from Parent	—	—	—	49	—	49
Balance as of September 30, 2019	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (807)</u>	<u>\$ 9</u>	<u>\$ (798)</u>
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 (to) 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	<u>\$ —</u>	<u>\$ 1,378</u>	<u>\$ (11)</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 1,370</u>
Net income	—	—	112	—	—	112
Other comprehensive income, net of income taxes	—	—	—	—	1	1
Other	—	1	—	—	—	1
Balance as of June 30, 2020	<u>\$ —</u>	<u>\$ 1,379</u>	<u>\$ 101</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ 1,484</u>
Net income	—	—	113	—	—	113
Other comprehensive loss, net of income taxes	—	—	—	—	(1)	(1)
Dividends (\$0.22 per share declared)	—	—	(46)	—	—	(46)
Other	—	1	—	—	—	1
Balance as of September 30, 2020	<u>\$ —</u>	<u>\$ 1,380</u>	<u>\$ 168</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 1,551</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	2019
Cash provided by (used in) operating activities		
Net income	\$ 251	\$ 135
Adjustments to reconcile net income to operating cash flows:		
Depreciation and amortization	72	63
Deferred income taxes	56	(9)
Unrealized losses (gains) on derivatives	1	(9)
Stock compensation expense	4	—
Change in assets and liabilities:		
Accounts receivable, net	(275)	1
Other receivables	—	9
Related party receivables	3	(57)
Inventories	17	(56)
Accounts payable	34	(17)
Related party payables	(23)	(84)
Related party accrued interest payable	(18)	121
Income taxes payable	2	50
Accrued and other current liabilities	28	1
Other assets and liabilities	(5)	(2)
Net cash provided by operating activities	147	146
Cash provided by (used in) investing activities		
Acquisition of property, plant and equipment	(85)	(74)
Advances to related parties	—	(170)
Repayments from related parties	—	151
Net cash used in investing activities	(85)	(93)
Cash provided by (used in) financing activities		
Proceeds from long-term debt, net of discounts	2,472	—
Repayment of long-term debt	(112)	—
Repayments of RGHL Group Credit Agreement	(8)	(16)
Advances from related parties	240	67
Repayments to related parties	(3,627)	(140)
Deferred debt transaction costs	(28)	(2)
Proceeds from IPO settlement facility	1,168	—
Repayment of IPO settlement facility	(1,168)	—
Issuance of common stock	1,410	—
Equity issuance costs	(69)	—
Dividends paid	(77)	—
Net transfers (to) from Parent	(14)	30
Net cash provided by (used in) financing activities	187	(61)
Effect of exchange rate on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	249	(8)
Cash and cash equivalents at beginning of period	102	23
Cash and cash equivalents at end of period	<u>\$ 351</u>	<u>\$ 15</u>

Significant non-cash investing and financing activities

New leases resulted in the recognition of right-of-use assets and corresponding lease liabilities of \$34 million and \$4 million for the nine months ended September 30, 2020 and 2019, respectively. Refer to Note 1 – Summary of Significant Accounting Policies and Note 11 – Related Party Transactions for details of significant non-cash investing and financing activities.

See accompanying notes to the condensed consolidated financial statements.

Reynolds Consumer Products Inc.
Notes to Unaudited 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:

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 Reynolds Group Holdings Limited (“RGHL”) and not as a stand-alone entity. We represented the business that was reported as the Reynolds Consumer Products segment in the consolidated financial statements of RGHL and its subsidiaries (collectively, “RGHL Group” or the “Parent”). In connection with its initial public offering, RGHL is now known as Pactiv Evergreen Inc. 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 RGHL Group on February 4, 2020. 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, 2019, 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.

Our condensed consolidated statements of income include allocations of certain expenses for services provided by RGHL Group prior to our separation, including, but not limited to, general corporate expenses related to group wide functions including executive management, finance, legal, tax, information technology and a portion of a related party management fee incurred by RGHL Group. For the three and nine months ended September 30, 2020, total costs allocated to us for these functions were zero and \$2 million, respectively, compared to \$9 million and \$29 million in the comparable prior year periods. These costs were primarily included in selling, general and administrative expenses in our condensed consolidated statements of income. For the three and nine months ended September 30, 2020, these amounts included costs of zero and \$1 million, respectively, compared to \$7 million and \$17 million in the comparable prior year periods, that were not historically allocated to us as part of RGHL Group’s normal monthly reporting process. Additionally, for the three and nine months ended September 30, 2020 costs of zero and \$2 million, respectively, compared to \$11 million and \$12 million in the comparable prior year periods, were allocated to us related to the IPO process that cannot be deferred and offset against the IPO proceeds, which are included in other expense, net in our condensed consolidated statements of income. All of these expenses have been allocated on a basis considered reasonable by management, using either specific identification, such as direct usage or headcount when identifiable, or proportional allocations determined with reference to time incurred, relative to revenues, or other reasonable methods of allocation. Amounts allocated on a proportional basis relate to certain corporate functions and are reflective of the time and effort expended in the provision of these corporate functions to us.

Initial Public Offering:

On February 4, 2020, we completed our separation from RGHL 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 RGHL Group and IPO, we reclassified RGHL 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 RGHL 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 June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU and subsequent amendments to the initial guidance modify the impairment model to use an expected loss methodology in place of the previously used incurred loss methodology, which may result in earlier recognition of losses related to financial instruments. This change is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, and requires a cumulative effect adjustment to the balance sheet upon adoption. We adopted these requirements as of January 1, 2020 with no material impact on our condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs for internal-use software. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. We adopted the standard as of January 1, 2020 with no material impact on our condensed consolidated financial statements.

Accounting Guidance Issued But Not Yet Adopted:

In August 2018, the FASB issued 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 are currently evaluating the requirements of this guidance, which is expected to impact our disclosures but is not expected to impact the measurement and recognition of amounts in our 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. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

Note 3 – Inventories

Inventories consisted of the following:

	September 30, 2020	December 31, 2019
	(in millions)	
Raw materials	\$ 128	\$ 125
Work in progress	51	47
Finished goods	191	217
Spare parts	31	29
Inventories	\$ 401	\$ 418

Note 4 – Debt

Long-term debt consisted of the following:

	September 30, 2020	December 31, 2019
	(in millions)	
Term loan facility	\$ 2,363	\$ —
RGHL Group U.S. Term Loan	—	2,017
Deferred financing transaction costs	(22)	(4)
Original issue discounts	(3)	(2)
	2,338	2,011
Less: current portion	(25)	(21)
Long-term debt	\$ 2,313	\$ 1,990

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. Refer to Note 6 – Financial Instruments for further details.

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.

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 being payable on maturity. During the third quarter of 2020, 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 September 30, 2020, 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.

Reallocation of Borrowings Under the RGHL Group Credit Agreement

Amounts outstanding under the RGHL Group Credit Agreement were reallocated to an entity within RGHL Group and on February 4, 2020, we were fully and unconditionally released from the security and guarantee arrangements relating to RGHL Group’s borrowings.

Fair Value of Our Long-Term Debt

The fair value of our long-term debt as of September 30, 2020, 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 – Income Taxes

Prior to our separation from RGHL Group and IPO, our U.S. operations were included in the U.S. federal consolidated and certain state and local tax returns filed by RGHL 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. Income tax payable balances as of December 31, 2019, were classified within “net parent deficit” on the condensed consolidated balance sheet since RGHL Group is legally liable for the tax. Upon separation from RGHL 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 and nine months ended September 30, 2020 incorporates an expected annualized effective tax rate of approximately 25% for both periods, excluding the impact of discrete items, compared to 24% and 25% in the comparable prior year periods. Our income tax expense for the nine months ended September 30, 2020 includes 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 RGHL Group, of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act on March 27, 2020. The retroactive components of the CARES Act are expected to change RGHL Group’s U.S. federal consolidated

tax return for the year ended December 31, 2019, which will reduce the benefits of future tax deductions that we received at the time of separation from RGHL Group.

Note 6 – Financial Instruments

Interest Rate Derivatives

During September 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 effective interest rate of 1.93% to 2.22%, including margin) for an aggregate notional amount of \$1,650 million to hedge a portion of the interest rate exposure resulting from our Term Loan Facility and classified these instruments as cash flow hedges. Our cash flow hedge contracts are for periods ranging from one to five years. The effective portion of the gain or loss on the open hedging instrument will be recorded in other comprehensive income and will be reclassified into earnings as interest expense, net when settled. The associated asset or liability on the open hedges is recorded at its fair value in other assets or other liabilities, as applicable.

Commodity Derivatives

Derivative commodity contracts were recorded at fair value in our condensed consolidated balance sheets and consisted of a liability of \$1 million, recorded in accrued and other current liabilities, and an asset of \$1 million, recorded in other current assets, as of September 30, 2020 and December 31, 2019, respectively.

Our commodity contracts are primarily commodity swaps and are all Level 2 financial assets and liabilities. Commodity derivatives are valued using an income approach based on the observable market commodity index prices less the contract rate multiplied by the notional amount or based on pricing models that rely on market observable inputs such as commodity prices. Our calculation of the fair value of these financial instruments takes into consideration the risk of non-performance, including counterparty credit risk. The majority of our derivative contracts do not have a legal right of set-off. We manage the credit risk in connection with our derivatives by limiting the amount of exposure with each counterparty and monitoring the financial condition of our counterparties.

For the three and nine months ended September 30, 2020, we recognized no unrealized gain or loss and an unrealized loss of \$1 million, respectively, compared to unrealized gains of \$1 million and \$9 million in the comparable prior year periods, in cost of sales in the condensed consolidated statements of income.

The following table provides the detail of outstanding commodity derivative contracts as of September 30, 2020:

Type	Unit of measure	Contracted volume	Contracted price range	Contracted date of maturity
Benzene swaps	U.S. liquid gallon	199,827	\$1.25-\$1.25	Nov 2020
Diesel swaps	U.S. liquid gallon	1,771,810	\$2.30-\$3.16	Oct 2020 - Jun 2021

Note 7 – 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 have established a 2020 incentive award 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. A maximum of 10.5 million shares of common stock are initially available for issuance under equity incentive awards granted pursuant to the plan. In the three and nine months ended September 30, 2020, zero and 0.3 million shares were granted, respectively.

At September 30, 2020, there were stock-based compensation awards representing approximately 0.5 million shares outstanding. For the three and nine months ended September 30, 2020, stock-based compensation expense was \$1 million and \$4 million, respectively, and zero in each of the comparable prior year periods.

Note 8 – 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 September 30, 2020, there were no legal proceedings pending other than those for which we have determined that the possibility of a material outflow is remote.

Note 9 – Segment Reporting

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 Chief Operating Decision Maker (“CODM”) monitors performance, allocates capital and makes strategic and operational decisions. 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, factoring discounts (pre-IPO), the allocated related party management fee (pre-IPO) and IPO and separation-related costs.

	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Segment Total	Unallocated(1)	Total
Three Months Ended September 30, 2020							
	(in millions)						
Net revenues	\$ 285	\$ 207	\$ 192	\$ 136	\$ 820	\$ 3	\$ 823
Intersegment revenues	—	2	—	—	2	(2)	—
Total segment net revenues	285	209	192	136	822	1	823
Adjusted EBITDA	63	65	43	28	199		
Depreciation and amortization	5	4	3	4	16	8	24

	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Segment Total	Unallocated(1)	Total
Three Months Ended September 30, 2019							
	(in millions)						
Net revenues	\$ 256	\$ 183	\$ 174	\$ 128	\$ 741	\$ —	\$ 741
Intersegment revenues	—	2	—	1	3	(3)	—
Total segment net revenues	256	185	174	129	744	(3)	741
Adjusted EBITDA	49	51	40	23	163		
Depreciation and amortization	5	3	1	5	14	7	21

	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Segment Total	Unallocated ⁽¹⁾	Total
Nine Months Ended September 30, 2020							
	(in millions)						
Net revenues	\$ 824	\$ 597	\$ 556	\$ 400	\$ 2,377	\$ (2)	\$ 2,375
Intersegment revenues	—	7	—	1	8	(8)	—
Total segment net revenues	824	604	556	401	2,385	(10)	2,375
Adjusted EBITDA	169	183	120	80	552		
Depreciation and amortization	15	12	10	13	50	22	72

	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Segment Total	Unallocated ⁽¹⁾	Total
Nine Months Ended September 30, 2019							
	(in millions)						
Net revenues	\$ 744	\$ 522	\$ 545	\$ 386	\$ 2,197	\$ —	\$ 2,197
Intersegment revenues	—	11	—	1	12	(12)	—
Total segment net revenues	744	533	545	387	2,209	(12)	2,197
Adjusted EBITDA	116	142	126	67	451		
Depreciation and amortization	13	9	5	15	42	21	63

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 September 30, 2020	\$ 416	\$ 235	\$ 146	\$ 196	\$ 993	\$ 3,731	\$ 4,724
As of December 31, 2019	395	251	137	182	965	3,195	4,160

- (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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Segment Adjusted EBITDA	\$ 199	\$ 163	\$ 552	\$ 451
Corporate / unallocated expenses	(7)	(1)	(33)	(10)
	192	162	519	441
<i>Adjustments to reconcile to GAAP income before income taxes</i>				
Depreciation and amortization	(24)	(21)	(72)	(63)
Interest expense, net	(13)	(39)	(57)	(174)
Factoring discount	—	(5)	—	(15)
Allocated related party management fee	—	(3)	—	(7)
IPO and separation-related costs	(5)	(11)	(26)	(12)
Unrealized gains (losses) on derivatives	—	1	(1)	9
Other	—	(1)	—	—
Consolidated GAAP income before income taxes	\$ 150	\$ 83	\$ 363	\$ 179

Information in Relation to Products

Net revenues by product line are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Waste and storage products (1)	\$ 343	\$ 311	\$ 997	\$ 908
Cooking products	285	256	824	744
Tableware	192	174	556	545
Unallocated	3	—	(2)	—
Net revenues	\$ 823	\$ 741	\$ 2,375	\$ 2,197

(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 – Accumulated Other Comprehensive Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Currency translation adjustments:				
Balance as of beginning of period	\$ (7)	\$ (7)	\$ (6)	\$ (7)
Currency translation adjustments	—	—	(1)	—
Other comprehensive income (loss)	—	—	(1)	—
Balance as of end of period	\$ (7)	\$ (7)	\$ (7)	\$ (7)
Employee benefit plans:				
Balance as of beginning of period	\$ 11	\$ 16	\$ 11	\$ 14
Adoption of new accounting principle	—	—	—	3
(Gains) and losses reclassified into net income:				
Amortization of actuarial gain	(1)	(1)	(1)	(2)
Tax benefit on reclassifications	—	1	—	1
Other comprehensive income (loss)	(1)	—	(1)	(1)
Balance as of end of period	\$ 10	\$ 16	\$ 10	\$ 16
Accumulated other comprehensive income				
Balance as of beginning of period	\$ 4	\$ 9	\$ 5	\$ 7
Adoption of new accounting principle	—	—	—	3
Other comprehensive income (loss)	(1)	—	(2)	(1)
Balance as of end of period	\$ 3	\$ 9	\$ 3	\$ 9

Note 11 – Related Party Transactions

We historically operated as part of RGHL Group. In preparation for our IPO, RGHL Group transferred its interest in us to Packaging Finance Limited (“PFL”). PFL owns the majority of our outstanding common stock and is the sole shareholder of RGHL Group. In addition to the allocation of expenses for certain services related to group wide functions provided by RGHL Group discussed in Note 1 – Summary of Significant Accounting Policies, other transactions between us and RGHL Group are described below.

Transactions Related to our Separation from RGHL Group

On January 30, 2020, we repurchased all of the U.S. accounts receivable that we previously sold through RGHL 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 RGHL Group Credit Agreement were reallocated to an entity within RGHL Group and on February 4, 2020, we were fully and unconditionally released from the security and guarantee arrangements relating to RGHL Group’s borrowings. This reallocation resulted in a payment to RGHL 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 RGHL 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 RGHL Group.

On February 4, 2020, we entered into a transition services agreement with Reynolds Group Holdings Inc. whereby RGHL 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 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 and nine months ended September 30, 2020, we incurred \$3 million and \$8 million, respectively, related to transition services which were included in selling, general and administrative expenses in our condensed consolidated statements of income.

On-going Related Party Transactions

For the three and nine months ended September 30, 2020, revenues from products sold to RGHL Group were \$26 million and \$89 million, respectively, compared to \$36 million and \$114 million in the comparable prior year periods. For the three and nine months ended September 30, 2020, products purchased from RGHL Group were \$83 million and \$244 million, respectively, compared to \$119 million and \$353 million in the comparable prior year periods. For the three and nine months ended September 30, 2020, RGHL Group charged us freight and warehousing costs of \$16 million and \$62 million, respectively, compared to \$35 million and \$106 million in the comparable prior year periods, which were included in cost of sales. The resulting related party receivables and payables are settled regularly with RGHL Group in the normal course of business. Furthermore, \$34 million and \$57 million of the dividends paid during the three and nine months ended September 30, 2020, respectively, were paid to PFL.

Note 12 – Subsequent Events

Quarterly Cash Dividend

On October 28, 2020, our Board of Directors approved a cash dividend of \$0.22 per common share to be paid on November 30, 2020 to shareholders of record on November 16, 2020.

Term Loan Facility

Subsequent to September 30, 2020, we made a voluntary principal payment of \$100 million related to our Term Loan Facility.

Except as described above, there have been no events subsequent to September 30, 2020 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 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 combined financial statements and the accompanying notes contained in our Annual Report on Form 10-K for the year ended December 31, 2019.

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.

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

Our Separation from RGHL Group

Prior to our Corporate Reorganization and IPO completed on February 4, 2020, we operated as part of RGHL Group’s broader corporate organization rather than as a stand-alone public company. RGHL Group performed or supported various corporate services for us, including executive management, supply chain, information technology, legal, finance and accounting, human resources, risk management, tax, treasury and other services. In addition, we have sold products to, and purchased products from, RGHL Group. Historically, these transactions involving RGHL Group may not have always been consummated on terms equivalent to those in an arm’s-length transaction. Sales to RGHL Group of products that we manufacture have been reflected as related party net revenues in our condensed consolidated financial statements. Certain related party transactions are reflected as related party receivables and payables in our condensed consolidated balance sheets and are settled in cash. Prior to our Corporate Reorganization and IPO, certain related party transactions with RGHL Group were settled by either non-cash capital contributions from RGHL Group to us or non-cash capital distributions from us and were included as part of RGHL Group’s net investment in our condensed consolidated balance sheets. We also utilize manufacturing and warehousing facilities and resources managed by RGHL Group to conduct our business. The expenses associated with these transactions are included in cost of sales in our condensed consolidated statements of income. We believe that the assumptions and methodologies underlying the allocation of these expenses from RGHL Group are reasonable. However, such allocations do not necessarily reflect what the results of operations and financial position would have been had we operated as a stand-alone public company during the periods presented.

In conjunction with our separation from RGHL Group, we entered into a transition services agreement with Reynolds Group Holdings Inc. whereby RGHL 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 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 RGHL Group may be materially different from the arrangements that we have entered into as part of our separation from RGHL Group.

On February 4, 2020, in conjunction with our Corporate Reorganization and IPO, we entered into the External Debt Facilities, consisting of the Term Loan Facility and the Revolving Facility, and repaid portions of the related party borrowings owed to RGHL Group that were reflected on our condensed consolidated balance sheet. RGHL Group contributed the remaining balance of related party borrowings owed by us to RGHL 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 RGHL Group’s Credit Agreement was reallocated and we were released as a borrower and guarantor from such facilities and released as a guarantor of RGHL Group’s outstanding senior notes.

Impact of COVID-19

As we manufacture and sell products that are essential to the daily lives of consumers, we have been classified as an “essential business” and our operations have remained open throughout the COVID-19 pandemic. We have implemented policies and procedures designed to protect our employees and our customers, including implementing recommendations from the Centers for Disease Control and Prevention for social distancing in our plants, screening employees for increased temperature at certain locations, providing masks and/or face coverings, engagement of third-party vendors to clean and sanitize facilities, implementing a work from home policy for all employees who can do so, and enhanced leave policies to ensure employees experiencing symptoms of COVID-19 stay at home. As the pandemic progresses, 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 in the three and nine months ended September 30, 2020 as a result of COVID-19, they have not been material to our results of operations. However, these costs may not be representative of what we expect to incur moving forward.

We continue to experience an increase in demand from 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, 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 in North America. We do not currently anticipate that the COVID-19 pandemic will materially impact our liquidity over the next 12 months.

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 unrealized gains and losses on commodity derivatives, factoring discounts (pre-IPO), the allocated related party management fee (pre-IPO) 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 the sum of IPO and separation-related costs, the impact of tax legislation changes under the CARES Act enacted on March 27, 2020 and any unrealized gains or losses on commodity derivatives.

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 metrics 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 metrics 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 is a reconciliation of our net income, the most directly comparable GAAP financial measure, to Adjusted EBITDA for each of the periods indicated:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Net income – GAAP	\$ 113	\$ 63	\$ 251	\$ 135
Income tax expense	37	20	112	44
Interest expense, net	13	39	57	174
Depreciation and amortization	24	21	72	63
Factoring discount (1)	—	5	—	15
Allocated related party management fee (2)	—	3	—	7
IPO and separation-related costs (3)	5	11	26	12
Unrealized (gains) losses on derivatives (4)	—	(1)	1	(9)
Other	—	1	—	—
Adjusted EBITDA (Non-GAAP)	\$ 192	\$ 162	\$ 519	\$ 441

- (1) Reflects the loss on sale that we incurred when we sold our U.S. trade receivables through RGHL Group’s securitization facility. Our participation in this facility ceased upon the completion of our Corporate Reorganization and IPO.
- (2) Reflects our allocation, from RGHL Group, of a management fee that is charged by Rank Group Limited to RGHL Group, which ceased upon the completion of our Corporate Reorganization and IPO.
- (3) 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.
- (4) Reflects the mark-to-market movements in our commodity derivatives. For further information, refer to Note 6 - Financial Instruments in our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

The following is a reconciliation of our net income and diluted EPS, the most directly comparable GAAP financial measures, to Adjusted Net Income and Adjusted EPS for each of the periods indicated:

	<u>Three Months Ended September 30, 2020</u>		
	Net Income	Diluted Shares	Diluted EPS
(In millions, except for per share data)			
As Reported – GAAP	\$ 113	210	\$ 0.54
Adjustments:			
IPO and separation-related costs (1)	4	210	0.02
Unrealized gains on derivatives (1)	—	210	0.00
Adjusted (Non-GAAP)	\$ 117	210	\$ 0.56

	<u>Nine Months Ended September 30, 2020</u>		
	Net Income	Diluted Shares	Diluted EPS
(In millions, except for per share data)			
As Reported – GAAP	\$ 251	203	\$ 1.24
Assume full period impact of IPO shares (2)	—	7	—
Total	251	210	1.20
Adjustments:			
Impact of tax legislation change from the CARES Act	23	210	0.11
IPO and separation-related costs (1)	19	210	0.09
Unrealized losses on derivatives (1)	1	210	0.00
Adjusted (Non-GAAP)	\$ 294	210	\$ 1.40

- (1) Amounts are after tax calculated using a tax rate of 25% for both the three and nine months ended September 30, 2020, which is our effective tax rate excluding the one-time discrete expense associated with the legislation change from the CARES Act.
- (2) Represents incremental shares required to adjust the weighted average shares outstanding for the period to the actual shares outstanding as of September 30, 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 due to the additional shares issued as a result of the IPO in the period.

Results of Operations – Three Months Ended September 30, 2020

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 September 30:						
2020	\$ 285	\$ 209	\$ 192	\$ 136	\$ 1	\$ 823
2019	256	185	174	129	(3)	741
Adjusted EBITDA for the three months ended September 30: (1)						
2020	\$ 63	\$ 65	\$ 43	\$ 28	\$ (7)	\$ 192
2019	49	51	40	23	(1)	162

- (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 September 30, 2020 Compared with the Three Months Ended September 30, 2019

Total Reynolds Consumer Products

(In millions, except for %)	For the Three Months Ended September 30,					
	2020	% of Revenue	2019	% of Revenue	Change	% Change
Net revenues	\$ 797	97%	\$ 705	95%	\$ 92	13%
Related party net revenues	26	3%	36	5%	(10)	(28)%
Total net revenues	823	100 %	741	100 %	82	11 %
Cost of sales	(558)	(68)%	(524)	(71)%	(34)	(6)%
Gross profit	265	32 %	217	29 %	48	22 %
Selling, general and administrative expenses	(97)	(12)%	(76)	(10)%	(21)	(28)%
Other expense, net	(5)	(1)%	(20)	(3)%	15	75%
Income from operations	163	20 %	121	16 %	42	35 %
Non-operating income, net	—	—	1	0%	(1)	(100)%
Interest expense, net	(13)	(2)%	(39)	(5)%	26	67%
Income before income taxes	150	18 %	83	11 %	67	81 %
Income tax expense	(37)	(4)%	(20)	(3)%	(17)	(85)%
Net income	\$ 113	14 %	\$ 63	9 %	\$ 50	79 %
Adjusted EBITDA (1)	\$ 192	23 %	\$ 162	22 %	\$ 30	19 %

- (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 September 30, 2020 vs. the Three Months Ended September 30, 2019

	Price	Volume/Mix	Total
Reynolds Cooking & Baking	—%	11%	11%
Hefty Waste & Storage	(3)%	16%	13%
Hefty Tableware	2%	8%	10%
Presto Products	—%	5%	5%
Total RCP	(1)%	12%	11%

Total Net Revenues. Total net revenues increased by \$82 million, or 11%, to \$823 million. The increase was primarily driven by increased consumer demand from a fundamental shift to more at-home use of our products and the impact of several new products, partially offset by a \$10 million decline in related party revenue.

Cost of Sales. Cost of sales increased by \$34 million, or 6%, to \$558 million. The increase was primarily due to increased demand, as noted above, partially offset by lower material and manufacturing costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$21 million, or 28%, to \$97 million primarily due to higher advertising and personnel costs.

Other Expense, Net. Other expense, net decreased by \$15 million, or 75%, to \$5 million. The decrease was primarily attributable to the factoring discount on the sale of our U.S. trade receivables through RGHL Group's securitization facility and the allocated related party management fee in the comparable prior period partially offset by IPO and separation-related costs during the current period.

Interest Expense, Net. Interest expense, net decreased by \$26 million, or 67%, to \$13 million. The decrease was primarily due to 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) Benefit. We recognized income tax expense of \$37 million on income before income taxes of \$150 million (an effective tax rate of 25%) for the three months ended September 30, 2020 compared to income tax expense of \$20 million on income before income taxes of \$83 million (an effective tax rate of 24%) for the three months ended September 30, 2019. The increase in the effective tax rate was due an increase in non-deductible items.

Adjusted EBITDA. Adjusted EBITDA increased by \$30 million, or 19% to \$192 million. The increase in Adjusted EBITDA was primarily due to increased revenue and lower material and manufacturing costs, which were partially offset by higher selling, general and administrative expenses, as discussed above.

Segment Information

Reynolds Cooking & Baking

(In millions, except for %)	For the Three Months Ended September 30,			
	2020	2019	Change	% Change
Total segment net revenues	\$ 285	\$ 256	\$ 29	11%
Segment Adjusted EBITDA	63	49	14	29%
Segment Adjusted EBITDA Margin	22%	19%		

Total Segment Net Revenues. Reynolds Cooking & Baking total segment net revenues increased by \$29 million, or 11%, to \$285 million. The increase in net revenues was primarily driven by increased consumer demand, partially offset by a decline in related party revenue.

Adjusted EBITDA. Reynolds Cooking & Baking Adjusted EBITDA increased by \$14 million, or 29%, to \$63 million. The increase in Adjusted EBITDA was primarily driven by increased revenue, as noted above, and lower material and manufacturing costs, partially offset by higher advertising costs.

Hefty Waste & Storage

(In millions, except for %)	For the Three Months Ended September 30,			
	2020	2019	Change	% Change
Total segment net revenues	\$ 209	\$ 185	\$ 24	13%
Segment Adjusted EBITDA	65	51	14	27%
Segment Adjusted EBITDA Margin	31%	28%		

Total Segment Net Revenues. Hefty Waste & Storage total segment net revenues increased by \$24 million, or 13%, to \$209 million. The increase in net revenues was primarily driven by increased consumer demand.

Adjusted EBITDA. Hefty Waste & Storage Adjusted EBITDA increased by \$14 million, or 27%, to \$65 million. The increase in Adjusted EBITDA was primarily driven by increased revenue and lower material and manufacturing costs, partially offset by higher advertising costs.

Hefty Tableware

(In millions, except for %)	For the Three Months Ended September 30,			
	2020	2019	Change	% Change
Total segment net revenues	\$ 192	\$ 174	\$ 18	10%
Segment Adjusted EBITDA	43	40	3	8%
Segment Adjusted EBITDA Margin	22%	23%		

Total Segment Net Revenues. Hefty Tableware total segment net revenues increased by \$18 million, or 10%, to \$192 million. The increase in net revenues was primarily driven by increased consumer demand and the impact of several new products.

Adjusted EBITDA. Hefty Tableware Adjusted EBITDA increased by \$3 million, or 8%, to \$43 million. The increase in Adjusted EBITDA was primarily driven by increased revenue, as discussed above, partially offset by increased advertising and logistics costs.

Presto Products

(In millions, except for %)	For the Three Months Ended September 30,			
	2020	2019	Change	% Change
Total segment net revenues	\$ 136	\$ 129	\$ 7	5%
Segment Adjusted EBITDA	28	23	5	22%
Segment Adjusted EBITDA Margin	21%	18%		

Total Segment Net Revenues. Presto Products total segment net revenues increased by \$7 million, or 5%, to \$136 million. The increase in net revenues was primarily driven by increased consumer demand.

Adjusted EBITDA. Presto Products Adjusted EBITDA increased by \$5 million, or 22%, to \$28 million. The increase in Adjusted EBITDA was primarily driven by increased revenue and lower material and manufacturing costs.

Results of Operations – Nine Months Ended September 30, 2020

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 nine months ended September 30:						
2020	\$ 824	\$ 604	\$ 556	\$ 401	\$ (10)	\$ 2,375
2019	744	533	545	387	(12)	2,197
Adjusted EBITDA for the nine months ended September 30: (1)						
2020	\$ 169	\$ 183	\$ 120	\$ 80	\$ (33)	\$ 519
2019	116	142	126	67	(10)	441

- (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.

Nine Months Ended September 30, 2020 Compared with the Nine Months Ended September 30, 2019

Total Reynolds Consumer Products

(In millions, except for %)	For the Nine Months Ended September 30,					
	2020	% of Revenue	2019	% of Revenue	Change	% Change
Net revenues	\$ 2,286	96%	\$ 2,083	95%	\$ 203	10%
Related party net revenues	89	4%	114	5%	(25)	(22)%
Total net revenues	2,375	100%	2,197	100%	178	8%
Cost of sales	(1,669)	(70)%	(1,580)	(72)%	(89)	(6)%
Gross profit	706	30%	617	28%	89	14%
Selling, general and administrative expenses	(260)	(11)%	(231)	(11)%	(29)	(13)%
Other expense, net	(26)	(1)%	(34)	(2)%	8	24%
Income from operations	420	18%	352	16%	68	19%
Non-operating income, net	—	—	1	0%	(1)	(100)%
Interest expense, net	(57)	(2)%	(174)	(8)%	117	67%
Income before income taxes	363	15%	179	8%	184	103%
Income tax expense	(112)	(5)%	(44)	(2)%	(68)	(155)%
Net income	\$ 251	11%	\$ 135	6%	\$ 116	86%
Adjusted EBITDA (1)	\$ 519	22%	\$ 441	20%	\$ 78	18%

- (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 Nine Months Ended September 30, 2020 vs. the Nine Months Ended September 30, 2019

	Price	Volume/Mix	Total
Reynolds Cooking & Baking	(3)%	14%	11%
Hefty Waste & Storage	(2)%	15%	13%
Hefty Tableware	1%	1%	2%
Presto Products	(1)%	5%	4%
Total RCP	(2)%	10%	8%

Total Net Revenues. Total net revenues increased by \$178 million, or 8%, to \$2,375 million. The increase in net revenues was largely due to changes in consumer behavior driven by the COVID-19 pandemic. In the nine months ended September 30, 2020, all business segments experienced elevated consumer demand associated with a fundamental shift to more at-home use of our products. This was

partially offset by the exit from certain low margin store branded business in the prior year, a decline in related party revenue and lower pricing.

Cost of Sales. Cost of sales increased by \$89 million, or 6%, to \$1,669 million. The increase was primarily due to increased revenue, as noted above, partially offset by lower material and manufacturing costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$29 million, or 13%, to \$260 million primarily due to higher personnel and advertising costs.

Other Expense, Net. Other expense, net decreased by \$8 million, or 24%, to \$26 million. The decrease was primarily attributable to the factoring discount on the sale of our U.S. trade receivables through RGHL Group's securitization facility and the allocated related party management fee in the comparable prior period, partially offset by IPO and separation-related costs during the current period.

Interest Expense, Net. Interest expense, net decreased by \$117 million, or 67%, to \$57 million. The decrease was primarily due to 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) Benefit. We recognized income tax expense of \$112 million on income before income taxes of \$363 million (an effective tax rate of 31%) for the nine months ended September 30, 2020 compared to income tax expense of \$44 million on income before income taxes of \$179 million (an effective tax rate of 25%) for the nine months ended September 30, 2019. The increase 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. Excluding the impact of this, our effective tax rate was 25% for the nine months ended September 30, 2020.

Adjusted EBITDA. Adjusted EBITDA increased by \$78 million, or 18%, to \$519 million. The increase in Adjusted EBITDA was primarily due to increased revenue and lower material and manufacturing costs, partially offset by higher selling, general and administrative expenses, as discussed above.

Segment Information

Reynolds Cooking & Baking

(In millions, except for %)	For the Nine Months Ended September 30,			
	2020	2019	Change	% Change
Total segment net revenues	\$ 824	\$ 744	\$ 80	11%
Segment Adjusted EBITDA	169	116	53	46%
Segment Adjusted EBITDA Margin	21%	16%		

Total Segment Net Revenues. Reynolds Cooking & Baking total segment net revenues increased by \$80 million, or 11%, to \$824 million. The increase in net revenues was primarily driven by increased consumer demand, partially offset by a decline in related party revenue and lower pricing.

Adjusted EBITDA. Reynolds Cooking & Baking Adjusted EBITDA increased by \$53 million, or 46%, to \$169 million. The increase in Adjusted EBITDA was primarily driven by increased revenue and lower material and manufacturing costs, partially offset by lower pricing, as noted above.

Hefty Waste & Storage

(In millions, except for %)	For the Nine Months Ended September 30,			
	2020	2019	Change	% Change
Total segment net revenues	\$ 604	\$ 533	\$ 71	13%
Segment Adjusted EBITDA	183	142	41	29%
Segment Adjusted EBITDA Margin	30%	27%		

Total Segment Net Revenues. Hefty Waste & Storage total segment net revenues increased by \$71 million, or 13%, to \$604 million. The increase in net revenues was primarily driven by increased consumer demand.

Adjusted EBITDA. Hefty Waste & Storage Adjusted EBITDA increased by \$41 million, or 29%, to \$183 million. The increase in Adjusted EBITDA was primarily driven by increased revenue, as noted above, and lower material and manufacturing costs.

Hefty Tableware

(In millions, except for %)	For the Nine Months Ended September 30,			
	2020	2019	Change	% Change
Total segment net revenues	\$ 556	\$ 545	\$ 11	2%
Segment Adjusted EBITDA	120	126	(6)	(5)%
Segment Adjusted EBITDA Margin	22%	23%		

Total Segment Net Revenues. Hefty Tableware total segment net revenues increased by \$11 million, or 2%, to \$556 million. The increase in net revenues was primarily due to increased consumer demand and the impact of several new products. As it relates to the COVID-19 demand, we experienced elevated demand in our first quarter at the onset of the pandemic. During the second quarter, we experienced a decline in revenue due to fewer large gatherings, particularly around summer holidays and end of school events, as well as lower demand for business and restaurant items sold by certain retail partners. In the third quarter of 2020, there was a modest increase as certain COVID-19 – related restrictions were eased.

Adjusted EBITDA. Hefty Tableware Adjusted EBITDA decreased by \$6 million, or 5%, to \$120 million. The decrease in Adjusted EBITDA was primarily driven by increased advertising and logistics costs.

Presto Products

(In millions, except for %)	For the Nine Months Ended September 30,			
	2020	2019	Change	% Change
Total segment net revenues	\$ 401	\$ 387	\$ 14	4%
Segment Adjusted EBITDA	80	67	13	19%
Segment Adjusted EBITDA Margin	20%	17%		

Total Segment Net Revenues. Presto Products total segment net revenues increased by \$14 million, or 4%, to \$401 million. The increase in net revenues was primarily due to increased consumer demand, partially offset by the exit from certain low margin store branded business in the prior year.

Adjusted EBITDA. Presto Products Adjusted EBITDA increased by \$13 million, or 19%, to \$80 million. The increase in Adjusted EBITDA was primarily driven by increased revenue, as noted above, and lower material and manufacturing costs.

Historical Cash Flows

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

(In millions)	For the Nine Months Ended September 30,	
	2020	2019
Net cash provided by operating activities	\$ 147	\$ 146
Net cash used in by investing activities	(85)	(93)
Net cash provided by (used in) financing activities	187	(61)
Increase (decrease) in cash and cash equivalents	\$ 249	\$ (8)

Cash provided by operating activities

Net cash provided by operating activities increased by \$1 million to \$147 million in the nine months ended September 30, 2020. The change was primarily driven by an increase in net income, a lower net investment in inventory and changes in related party receivables and payables, partially offset by a \$275 million increase in accounts receivable, \$240 million of which was related to accounts receivables previously sold through RGHL Group's securitization facility prior to our separation from RGHL Group.

Cash used in investing activities

Net cash used in investing activities decreased by \$8 million to \$85 million in the nine months ended September 30, 2020. The net decrease was primarily attributable to cash advanced to RGHL Group as part of wider RGHL Group cash management activities in the prior year period. In addition to these related party items, cash outflows related to the acquisition of property, plant and equipment that increased by \$11 million, or 15%. This change was primarily attributable to taking operational ownership of two facilities previously managed by a related party in conjunction with the IPO and expenditures associated with additional capacity in response to the increased demand we have experienced.

Cash provided by (used in) financing activities

Net cash from financing activities changed by \$248 million, from an outflow of \$61 million for the nine months ended September 30, 2019 to an inflow of \$187 million for the nine months ended September 30, 2020. The change in cash flows from financing activities was primarily attributable to proceeds received from the IPO and the drawdown of the Term Loan Facility partially offset by repayments of related party balances, principal repayments of the Term Loan Facility and dividends paid during the 2020 period.

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.

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 September 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 effective interest rate of 1.93% to 2.22%, including margin) for an aggregate notional amount of \$1,650 million to 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 September 30, 2020, we made a voluntary principal payment of \$100 million related to the Term Loan Facility. Subsequent to September 30, 2020, 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 being payable on maturity. The Revolving Facility matures in February 2025.

Outstanding borrowings

As of September 30, 2020, 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. As of September 30, 2020, the outstanding balance under the Term Loan Facility was \$2,363 million.

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 Reynolds Consumer Products Inc. (“RCPI”), the Borrower (with respect to hedge agreements and cash management arrangements entered into by affiliates of 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.

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, 2019.

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, 2019. Other than the risk below, during the nine months ended September 30, 2020, there have been no material changes in our exposure to market risk.

Interest Rate Risk

During September 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 effective interest rate of 1.93% to 2.22%, including margin) for an aggregate notional amount of \$1,650 million to hedge a portion of the interest rate exposure resulting from our Term Loan Facility and classified these instruments as cash flow hedges. Our cash flow hedge contracts are for periods ranging from one to five years.

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 September 30, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2020, 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 September 30, 2020 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 8 - Commitments and Contingencies, to the Condensed Consolidated Financial Statements included in Part I, Item 1.

Item 1A. Risk Factors.

Other than the risk factor below, 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, 2019.

The outbreak of COVID-19 and associated responses could adversely impact our business and results of operations.

The COVID-19 pandemic has significantly impacted economic activity and markets throughout the world. In response, governmental authorities have implemented numerous measures in an attempt to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders and business shutdowns.

The COVID-19 pandemic, including the measures instituted by governmental authorities and associated responses, have and could continue to adversely impact our business and results of operations in a number of ways, including but not limited to:

- a shutdown, disruption or less than full utilization of one or more of our manufacturing, warehousing or distribution facilities, or disruption in our supply chain or customer base, including but not limited to, as a result of illness, government restrictions or other workforce disruptions;
- the failure of third parties on which we rely, including but not limited to, those that supply our raw materials and other necessary operating materials, co-manufacturers and independent contractors, to meet their obligations to us, or significant disruptions in their ability to do so;
- new or escalated government or regulatory responses in markets where we manufacture, sell or distribute our products, or in the markets of third parties on which we rely, could prevent or disrupt our business operations;
- the continuation of higher costs in certain areas such as front-line employee compensation, as well as incremental costs associated with newly added health screenings, temperature checks and enhanced cleaning and sanitation protocols to protect our employees, which we expect could continue or could increase in these or other areas;
- significant reductions or volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship; or other COVID-19 related restrictions impacting consumer behavior;
- an inability to respond to or capitalize on increased demand, including challenges and increased costs associated with adding capacity and related staffing issues; and
- a change in demand for or availability of our products as a result of retailers, distributors, or carriers modifying their inventory, fulfillment or shipping practices.

These and other impacts of the COVID-19 pandemic could have the effect of heightening many of the other risk factors disclosed in our Annual Report on Form 10-K. The ultimate impact depends on the severity and duration of the current COVID-19 pandemic and actions taken by governmental authorities and other third parties in response, each of which is uncertain, rapidly changing and difficult to predict. Any of these disruptions could adversely impact our business and results of operations.

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
Vice President and Corporate Controller (Principal
Accounting Officer)
November 12, 2020

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)) 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) n/a;
 - (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: November 12, 2020

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

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)) 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) n/a;
 - (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: November 12, 2020

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

**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 September 30, 2020 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: November 12, 2020

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

**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 September 30, 2020 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: November 12, 2020

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