EDGEWELL PERSONAL CARE Co
Form 10-Q
May 03, 2018

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
or
o 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: 001-15401

EDGEWELL PERSONAL CARE COMPANY
(Exact name of registrant as specified in its charter)

Missouri	43-1863181
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
1350 Timberlake Manor Parkway	
Chesterfield, Missouri	63017
(Address of principal executive offices)	(Zip Code)

(314) 594-1900
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Emerging growth company o

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. o

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

Indicate number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common shares, $0.01 par value - 53,998,824 shares as of April 30, 2018.

EDGEWELL PERSONAL CARE COMPANY
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

EDGEWELL PERSONAL CARE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(unaudited, in millions, except per share data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
Net sales	$608.1	$611.0	$1,076.4	$1,096.0
Cost of products sold	306.0	301.4	574.0	558.4
Gross profit	302.1	309.6	502.4	537.6
Selling, general and administrative expense	103.5	103.9	200.7	197.7
Advertising and sales promotion expense	75.6	82.5	124.6	133.1
Research and development expense	15.5	17.5	31.6	33.8
Restructuring charges	3.7	5.5	3.7	12.4
Gain on sale of Playtex gloves	—	—	(15.9)	—
Interest expense associated with debt	18.2	17.3	36.0	34.7
Other (income) expense, net	(0.2)	(6.6)	2.8	(8.5)
Earnings before income taxes	85.8	89.5	118.9	134.4
Income tax provision	20.7	23.8	47.1	35.2
Net earnings	$65.1	$65.7	$71.8	$99.2
Earnings per share:				
Basic net earnings per share	$1.21	$1.14	$1.31	$1.72
Diluted net earnings per share	1.20	1.14	1.31	1.72
Statement of Comprehensive Income:				
Net earnings	$65.1	$65.7	$71.8	$99.2
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	16.4	10.0	25.9	(28.7)
Pension and postretirement activity, net of tax of $0.1, $0.4, $0.2 and $2.3	0.3	0.6	0.7	4.5
Deferred (loss) gain on hedging activity, net of tax of $0.8, $1.8, $0.7 and ($2.3)	(1.7)	(3.4)	(1.5)	4.5
Total other comprehensive income (loss), net of tax	15.0	7.2	25.1	(19.7)
Total comprehensive income	$80.1	$72.9	$96.9	$79.5

See accompanying Notes to Condensed Consolidated Financial Statements.

EDGEWELL PERSONAL CARE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions, except share data)

	March 31, 2018	September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	$243.6	$ 502.9
Trade receivables, less allowance for doubtful accounts of $7.5 and $4.3	258.3	224.1
Inventories	369.7	333.5
Other current assets	132.8	125.7
Total current assets	1,004.4	1,186.2
Property, plant and equipment, net	437.1	453.4
Goodwill	1,487.5	1,445.9
Other intangible assets, net	1,114.1	1,071.7
Other assets	36.1	31.6
Total assets	$4,079.2	$ 4,188.8
Liabilities and Shareholders' Equity		
Current liabilities		
Notes payable	21.6	19.4
Accounts payable	247.4	223.6
Other current liabilities	282.9	281.4
Total current liabilities	551.9	524.4
Long-term debt	1,404.1	1,525.4
Deferred income tax liabilities	151.3	181.8
Other liabilities	240.7	215.5
Total liabilities	2,348.0	2,447.1
Shareholders' equity		
Preferred shares, $0.01 par value, 10,000,000 authorized; none issued or outstanding	—	—
Common shares, $0.01 par value, 300,000,000 authorized; 65,251,989 issued; 53,997,569 and 56,017,537 outstanding	0.7	0.7
Additional paid-in capital	1,625.2	1,623.4
Retained earnings	1,034.3	952.9
Common shares in treasury at cost, 11,254,420 and 9,234,452	(822.7)	(703.9)
Accumulated other comprehensive loss	(106.3)	(131.4)
Total shareholders' equity	1,731.2	1,741.7
Total liabilities and shareholders' equity	$4,079.2	$ 4,188.8

See accompanying Notes to Condensed Consolidated Financial Statements.

EDGEWELL PERSONAL CARE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
Cash Flow from Operating Activities		
Net earnings	$71.8	$99.2
Non-cash restructuring costs	—	2.8
Depreciation and amortization	49.2	46.9
Share-based compensation expense	9.3	11.4
(Gain) / loss on sale of assets	(13.6)	3.9
Deferred compensation payments	(9.1)	(25.7)
Deferred income taxes	(22.5)	(2.8)
Other, net	(4.9)	(12.2)
Changes in operating assets and liabilities	(6.8)	(108.4)
Net cash from operating activities	73.4	15.1
Cash Flow from Investing Activities		
Capital expenditures	(27.6)	(30.4)
Acquisitions, net of cash acquired	(90.3)	(34.0)
Playtex gloves sale	19.0	—
Proceeds from sale of assets	4.7	5.9
Net cash used by investing activities	(94.2)	(58.5)
Cash Flow from Financing Activities		
Cash proceeds from debt with original maturities greater than 90 days	305.0	181.0
Cash payments on debt with original maturities greater than 90 days	(427.0)	(393.0)
Net (decrease) increase in debt with original maturities of 90 days or less	(1.2)	1.2
Common shares purchased	(124.4)	(58.5)
Employee shares withheld for taxes	(2.1)	(15.5)
Excess tax benefits from share-based payments	—	2.0
Net cash used by financing activities	(249.7)	(282.8)
Effect of exchange rate changes on cash	11.2	(9.8)
Net decrease in cash and cash equivalents	(259.3)	(336.0)
Cash and cash equivalents, beginning of period	502.9	738.9
Cash and cash equivalents, end of period	$243.6	$402.9

See accompanying Notes to Condensed Consolidated Financial Statements.

EDGEWELL PERSONAL CARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, in millions, except per share data)

Note 1 - Background and Basis of Presentation
Background
Edgewell Personal Care Company, and its subsidiaries (collectively, "Edgewell" or the "Company"), is one of the world's largest manufacturers and marketers of personal care products in the wet shave, sun and skin care, feminine care and infant care categories. Edgewell has a portfolio of over 25 brands and a global footprint in more than 50 countries.
The Company conducts its business in the following four segments:

- Wet Shave consists of products sold under the Schick®, Wilkinson Sword®, Edge®, Skintimate®, Shave Guard and Personna® brands, as well as non-branded products. Our wet shave products include razor handles and refillable blades, disposable shave products and shaving gels and creams.
- Sun and Skin Care consists of Banana Boat® and Hawaiian Tropic® sun care products, Bulldog® and Jack Black® men's skin care products, Wet Ones® wipes and Playtex® household gloves until the sale of the gloves business in October 2017. Refer to Note 2 for additional details regarding the acquisition of Jack Black, L.L.C. ("Jack Black") and Note 3 for additional details on the sale of the Playtex household gloves business.
- Feminine Care includes tampons, pads and liners sold under the Playtex Gentle Glide® and Sport®, Stayfree®, Carefree® and o.b.® brands.
- All Other includes infant care products, such as bottles, cups and pacifiers, under the Playtex®, OrthoPro® and Binky® brand names, as well as the Diaper Genie® and Litter Genie® disposal systems.

Basis of Presentation
The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries and have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"), under the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ materially from those estimates. All intercompany balances and transactions have been eliminated in consolidation and, in the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included in the interim results reported. The fiscal year-end balance sheet data was derived from audited consolidated financial statements, but do not include all of the annual disclosures required by GAAP; accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements included in its Annual Report on Form 10-K filed with the SEC on November 20, 2017.
Acquisition of Jack Black. On March 1, 2018, the Company completed the acquisition of Jack Black, a luxury men's skincare products company based in the United States. The results of Jack Black for the post-acquisition period are included within the Company's results for the three and six months ended March 31, 2018. For more information on the acquisition, see Note 2 of Notes to Condensed Consolidated Financial Statements.
Recently Adopted Accounting Pronouncements. In August 2014, the Financial Accounting Standards Board ("FASB") issued a new Accounting Standards Update ("ASU") which requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. This evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The adoption of this guidance as of October 1, 2017 did not have an impact on the financial statements or the related disclosures.

In July 2015, the FASB issued a new ASU which aligns the measurement of inventory under GAAP more closely with International Financial Reporting Standards. Under the new guidance, an entity that measures inventory using FIFO or average cost should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The adoption of this guidance on a prospective basis as of October 1, 2017 did not have a material impact on the financial statements or the related disclosures.

In March 2016, the FASB issued an ASU which simplifies several aspects of the accounting for share-based payment transactions, including requiring excess tax benefits and tax deficiencies to be recognized as income tax benefits or expenses in the consolidated statement of earnings. The standard requires cash flows from excess tax benefits and deficiencies, previously classified as a financing activity, to be classified as an operating activity in the consolidated statement of cash flows. The Company adopted these provisions of the guidance prospectively in the first six months of fiscal 2018. As a result, the Company recognized tax deficiencies of $0.6 through income taxes during the first six months of fiscal 2018 rather than additional paid-in capital. The tax deficiencies were recorded as an operating activity in the Condensed Consolidated Statement of Cash Flows during the first six months of fiscal 2018. Also, as part of the adoption, a $9.7 adjustment was recorded to increase retained earnings and deferred tax assets to recognize the cumulative amount of previously unrecognized excess tax benefits as of October 1, 2017. Additionally, the ASU requires the presentation of employee taxes paid when an employer withholds shares for tax withholding purposes to be presented as a financing activity in the statement of cash flows as opposed to as an operating activity. This aspect of the new guidance was required to be adopted retrospectively. As such, $15.5 of cash outflows for tax withholding payments were reclassified from an operating activity to a financing activity in the Condensed Consolidated Statement of Cash Flows for the first six months of fiscal 2017. Finally, under the ASU, the Company elected to record forfeitures as they occur. This election did not have a material impact on the financial statements.

In March 2018, the FASB issued an ASU which amends the accounting standards codification to reflect to the guidance related to the enactment of the Tax Cuts and Jobs Act (the "Tax Act") issued in the SEC Staff Accounting Bulletin No. 118. The Company adopted this standard in the second quarter of fiscal 2018. Refer to Note 5 for disclosures related to the Tax Act.

Recently Issued Accounting Pronouncements. In May 2014, the FASB issued an ASU which provides a single comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. During 2016, the FASB issued three ASUs clarifying the revenue recognition implementation guidance on various topics included within the original ASU. The new guidance will be effective for the Company beginning October 1, 2018, with the option of using either a full retrospective or modified retrospective method. The Company is still evaluating the method of adoption.

During fiscal 2017, the Company established a cross-functional implementation team, including representatives from all of its businesses globally, to analyze the current processes in place for the recognition of revenue and identify potential differences that would result from application of the new guidance. This initial assessment includes analysis of significant types of arrangements, processes and systems, and reviews of representative contracts. Additionally, the Company has begun reviewing the enhanced disclosure requirements under the new standard. Revenues are primarily generated from the sale of finished products to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. While the assessment is not complete, the timing of revenue recognition is not expected to be materially impacted by the new standard. The Company is still assessing the impact of the standard on its consolidated financial statements and on related disclosures.

In August 2016, the FASB issued an ASU intended to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on specific cash flow issues, including debt prepayment or debt extinguishment costs, the sale of accounts receivable, contingent consideration payments on business combinations, proceeds from the settlement of insurance claims and distributions received from equity method investees, among others. The update will be effective for the Company beginning October 1, 2018, with early adoption permitted. The Company is in the process of evaluating the impact the guidance will have on its financial statements.

In February 2018, the FASB issued an ASU which addresses the recently enacted Tax Act. Specifically, the guidance allows the Company to elect to reclassify any "stranded tax" created as a result of the Tax Act from Accumulated Other Comprehensive Loss to Retained Earnings. The new guidance will be effective for the Company beginning October 1, 2018, with early adoption permitted. The Company plans to adopt this standard at the beginning of the fourth quarter of fiscal 2018. The Company is still assessing the effect of the standard on its consolidated financial statements and disclosures but does not expect the impact to be material. Refer to Note 5 for further disclosures regarding the Tax Act.

Note 2 - Acquisition

Jack Black, L.L.C.

On March 1, 2018, the Company completed the acquisition of Jack Black, a men's luxury skincare products company based in the U.S., for $90.3, net of cash acquired. The acquisition creates opportunities to expand Edgewell's personal care portfolio into a growing global category where it can leverage its international geographic footprint. The acquisition was financed through available operating cash.

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The Company has recognized the assets and liabilities of Jack Black based on preliminary estimates of their acquisition date fair values. The determination of the fair values of the acquired assets and assumed liabilities, including goodwill and other intangible assets, requires significant judgment. As of March 31, 2018, this valuation analysis was not complete, including the allocations to goodwill and other intangible assets, and the related deferred tax impacts. The Company expects to complete the valuation no later than the end of fiscal 2018.

As of March 31, 2018, net assets acquired totaled $93.9 and consisted of working capital and other net assets of $10.2 (including cash of $3.6), other intangible assets of $46.7 and goodwill of $37.0, representing the value of expansion into new markets. Goodwill is expected to be deductible for tax purposes. The intangible assets acquired consisted primarily of the Jack Black trade name, customer relationships and product formulations. Amortization expense for the current period was estimated using a weighted-average useful life of 14.8 years for those assets preliminarily identified as definite-lived; however, the Company is still in the process of evaluating the useful lives of the acquired intangible assets. All assets are included in the Company's Sun and Skin Care segment.

Acquisition and integration costs related to Jack Black totaled $2.6 in the second quarter of fiscal 2018 and are included in Selling, General and Administrative expense on the Consolidated Statement of Earnings.

Note 3 - Divestiture

The Company completed the sale of its Playtex® gloves business to a household products company for $19.0 on October 26, 2017. The sale allows the Company to better focus and utilize its resources on its other product lines. Total assets sold were approximately $3.1, resulting in a pre-tax gain on sale of $15.9.

Note 4 - Restructuring Charges

Project Fuel

In February 2018, the Company announced Project Fuel, an enterprise-wide transformational initiative that is designed to address all aspects of the Company's business and cost structure. The project will incorporate the Company's Zero Based Spending and global productivity initiatives, and will include a new global restructuring initiative. Initial costs for Project Fuel relate to efforts to fully define the scope and reach of the project. In addition, the Company has incurred severance costs related to the reduction of overhead at some of the Company’s manufacturing facilities. While the Company is incurring costs for Project Fuel in fiscal 2018, the majority of costs and savings under Project Fuel are expected to take place during fiscal 2019 through fiscal 2021.

In addition to the expected cost savings and improved profitability, Project Fuel is designed to strengthen the Company's challenger culture and reinforce its consumer-centric organizational focus. It is also designed to simplify the organization and streamline ways of working in order to increase competitiveness, speed and agility, and ensure the Company has the skills, capabilities and investments needed to compete in a rapidly changing world.

The Company incurred restructuring charges of $3.7 related to Project Fuel in the three months ended March 31, 2018.

	Three Months Ended March 31, 2018				
	Wet Shave	Sun and Skin Care	Feminine Care	Corporate	Total
Restructuring					
Severance and related benefit costs	$ 1.5	$ 0.7	$ 0.1	$ —	$ 2.3
Consulting, project implementation and management and other exit costs	—	—	—	1.4	1.4
Total Restructuring	$ 1.5	$ 0.7	$ 0.1	$ 1.4	$ 3.7

2013 Restructuring

In November 2012, the Company's Board of Directors (the "Board") authorized an enterprise-wide restructuring plan (the "2013 Restructuring"). The 2013 Restructuring originally included several initiatives focused on reducing costs in general and administrative functions, as well as reducing manufacturing and operating costs associated with the Company's discontinued operations. In January 2014, the Board authorized an expansion of scope of the previously announced 2013 Restructuring, which included rationalization and streamlining of the Edgewell operating facilities and other cost saving initiatives. Restructuring charges have primarily related to plant closure, accelerated depreciation charges, severance and related benefit costs. Costs under this plan totaled $170.1. Due to an increase in Wet Shave footprint costs and a delay in the transition of manufacturing in the Company's Feminine Care segment from Montreal to Dover, Delaware, some anticipated savings are not expected to be realized until fiscal 2019. The Company does not expect costs related to the 2013 Restructuring program to be material in fiscal 2018 or in future periods.

Expenses incurred under the 2013 Restructuring are reflected below, including the estimated impact of allocating such charges to segment results. 2013 Restructuring charges were only allocated to the Company's Wet Shave, Sun and Skin Care and Feminine Care segments for the three and six months ended March 31, 2017. The Company does not include restructuring costs in the results of its reportable segments.

	Three Months Ended March 31, 2017			
	Wet Shave	Sun and Skin Care	Feminine Care	Total
2013 Restructuring				
Severance and related benefit costs	$0.3	$—	$ 0.9	$1.2
Asset impairment and accelerated depreciation	—	—	1.1	1.1
Consulting, project implementation and management and other exit costs	2.2	0.1	0.9	3.2
Total 2013 Restructuring	$2.5	$0.1	$ 2.9	$5.5

	Six Months Ended March 31, 2017			
	Wet Shave	Sun and Skin Care	Feminine Care	Total
2013 Restructuring				
Severance and related benefit costs	$0.7	$—	$ 2.4	$3.1
Asset impairment and accelerated depreciation	—	—	2.8	2.8
Consulting, project implementation and management and other exit costs	3.9	0.1	2.5	6.5
Total 2013 Restructuring	$4.6	$0.1	$ 7.7	$12.4

In addition, pre-tax costs of $0.1 and $0.4 for the three and six months ended March 31, 2017, associated with obsolescence charges related to the exit of certain non-core product lines as part of the 2013 Restructuring were included in Cost of products sold.

Restructuring Reserves

The following table summarizes Project Fuel and 2013 restructuring activities and related accruals (excluding certain obsolescence charges related to the restructuring):

	October 1, 2017	Charge to Income	Other (1)	Utilized Cash	Utilized Non-Cash	March 31, 2018
Restructuring						
Severance and termination related costs	$ 2.4	$ 2.3	$ —	$ (3.3)	$ —	$ 1.4
Other related costs	—	1.4	—	—	—	1.4
Total Restructuring	$ 2.4	$ 3.7	$ —	$ (3.3)	$ —	$ 2.8

	October 1, 2016	Charge to Income	Other (1)	Utilized Cash	Utilized Non-Cash	September 30, 2017
Restructuring						
Severance and termination related costs	$ 16.7	$ 6.5	$ (0.3)	$ (20.5)	$ —	$ 2.4
Asset impairment and accelerated depreciation	—	6.9	—	—	(6.9)	—
Other related costs	—	16.2	—	(16.2)	—	—
Total Restructuring	$ 16.7	$ 29.6	$ (0.3)	$ (36.7)	$ (6.9)	$ 2.4

(1) Includes the impact of currency translation.

Note 5 - Income Taxes

For the three and six months ended March 31, 2018, the Company had income tax expense of $20.7 and $47.1, respectively, on Earnings before income taxes of $85.8 and $118.9, respectively. The effective tax rate for the three and six months ended March 31, 2018 was 24.1% and 39.7%, respectively. The difference between the federal statutory rate and the effective rate for the six months ended March 31, 2018 is primarily due to a $17.4 net transitional charge resulting from the enactment of The Tax Act, as discussed below.

For the three and six months ended March 31, 2017, the Company had an income tax expense of $23.8 and $35.2 on Earnings before income taxes of $89.5 and $134.4, respectively. The effective tax rate for the three and six months ended March 31, 2017 was 26.6% and 26.2%, respectively. The difference between the federal statutory rate and the effective rate for both periods is due to a higher mix of earnings in lower tax rate jurisdictions and was favorably impacted by restructuring charges in higher tax rate jurisdictions.

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted the Tax Act. This new comprehensive tax legislation reduces the U.S. federal corporate tax rate from 35% to 21% but also limits and/or eliminates certain deductions while creating new taxes on certain foreign sourced earnings. Since the Company has a September 30 fiscal year end, the lower U.S. corporate income tax rate will be phased in, resulting in a blended U.S. statutory federal rate of approximately 24.5% for the fiscal year ending September 30, 2018 and 21% for subsequent fiscal years. The reduction in the U.S. corporate tax rate requires the Company to remeasure its U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which can be 24.5% or 21%. The Tax Act also imposed a one-time transition tax on historical earnings of certain foreign subsidiaries that were not previously taxed by the U.S.

Due to the Company's fiscal year end, certain tax provisions of the new Tax Act will impact the Company in fiscal 2018 while others will be effective in subsequent years. For the six months ended March 31, 2018, the estimated impact of the one-time transition tax on foreign earnings was $96.7, offset by the estimated benefit of remeasurement of U.S. deferred tax assets and liabilities of $79.3. The net impact of these transitional provisions resulted in a net charge of $17.4 for the year, which was included as a component of income tax expense. The Company has tax loss carryforwards and tax credits, a portion of which are expected be used to partially offset amounts payable over eight years related to the one-time transition tax on foreign earnings.

The tax law changes included in the Tax Act are broad and complex. The final impact may differ from those estimates, possibly materially, due to, among other things, changes in interpretation of the Tax Act, legislative action to address questions that arise because of the Tax Act, changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or updates or changes to estimates the Company used to calculate the transition impacts, including impacts from changes to earnings estimates, foreign income tax estimates and foreign exchange rates. The Securities and Exchange Committee ("SEC") has issued rules under SAB 118 that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. For the quarter ended March 31, 2018, the Company recorded a net charge of $1.2 related to adjustments to transition impacts. As of March 31, 2018, amounts recorded for the Tax Act remain provisional for the transition tax, remeasurement of deferred taxes and reassessment of permanently reinvested earnings

Note 6 - Earnings per Share

Basic earnings per share is based on the average number of common shares outstanding during the period. Diluted earnings per share is based on the average number of shares used for the basic earnings per share calculation, adjusted for the dilutive effect of share options and restricted share equivalent ("RSE") awards.

Following is the reconciliation between the number of weighted-average shares used in the basic and diluted earnings per share calculation:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
Basic weighted-average shares outstanding	54.0	57.4	54.7	57.5
Effect of dilutive securities:				
RSE awards	0.1	0.3	0.2	0.3
Total dilutive securities	0.1	0.3	0.2	0.3
Diluted weighted-average shares outstanding	54.1	57.7	54.9	57.8

For the three and six months ended March 31, 2018, the calculation of diluted weighted-average shares outstanding excludes 0.6 of share options because the effect of including these awards was anti-dilutive. For the three and six months ended March 31, 2018, the calculation of diluted weighted-average shares outstanding excludes 0.1 of RSE awards because the effect of these awards was anti-dilutive. For the three and six months ended March 31, 2017, the calculation of diluted weighted-average shares outstanding excludes 0.6 of share options because the effect of including these awards was anti-dilutive.

Note 7 - Goodwill and Intangible Assets

The following table sets forth goodwill by segment:

	Wet Shave	Sun and Skin Care	Feminine Care	All Other	Total
Balance at October 1, 2017	$971.2	$195.6	$209.5	$69.6	$1,445.9
Acquisition of Jack Black	—	37.0	—	—	37.0
Cumulative translation adjustment	5.2	0.8	(1.4)	—	4.6
Balance at March 31, 2018	$976.4	$233.4	$208.1	$69.6	$1,487.5

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Total amortizable intangible assets were as follows:

	March 31, 2018			September 30, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trade names and brands	$204.5	$ 20.7	$183.8	$188.6	$ 16.0	$172.6
Technology and patents	79.5	75.9	3.6	77.9	74.4	3.5
Customer related and other	183.4	93.4	90.0	151.5	89.8	61.7
Total amortizable intangible assets	$467.4	$ 190.0	$277.4	$418.0	$ 180.2	$237.8

Amortization expense was $4.2 and $8.6 for the three and six months ended March 31, 2018, respectively, and $4.1 and $8.1 for the three and six months ended March 31, 2017, respectively. Estimated amortization expense for amortizable intangible assets for the remainder of fiscal 2018 and for fiscal 2019, 2020, 2021, 2022 and 2023 is approximately $9.3, $18.1, $17.5, $16.9, $16.8 and $16.7, respectively, and $182.1 thereafter. Amortizable intangible assets include $15.2 of trade names and brands, $1.2 of technology and patents, and $30.3 of customer related and other as a result of the Jack Black acquisition. The Company is still in the process of evaluating the value and useful lives of these intangible assets. See Note 2 of the Notes to Condensed Consolidated Financial Statements for more information on the Jack Black acquisition.

The Company had indefinite-lived intangible assets of $836.7 ($186.9 in Wet Shave, $476.1 in Sun and Skin Care, $29.9 in Feminine Care and $143.8 in All Other) at March 31, 2018, an increase of $2.8 from September 30, 2017 related to foreign currency translation rates.

Goodwill and intangible assets deemed to have an indefinite life are not amortized, but reviewed annually during the fourth fiscal quarter for impairment of value or when indicators of a potential impairment are present. The Company continuously monitors events which could trigger an interim impairment analysis, such as changing business conditions and environmental factors. The Company's stock price has declined since September 30, 2017. A prolonged decrease in the Company's stock price could be an indication of a triggering event. An interim impairment analysis may indicate that carrying amounts of goodwill and other intangible assets require adjustment or that remaining useful lives should be revised. The Company noted there was no indication of a triggering event in the second quarter of fiscal 2018. Refer to the sensitivity analysis in Note 8 to the Company's audited annual consolidated financial statements included in its Annual Report on Form 10-K filed with the SEC on November 20, 2017.

During fiscal 2017, the Company recorded impairment charges of $312.0 and $7.0 on its Playtex and Edge brand names, respectively. The impairment of Playtex and Edge in fiscal 2017 was the result of intense competition in the Feminine Care and Wet Shave segments which resulted in decreased market share. Based on the impairment taken and continued competitive pressure on the Playtex and Edge brands, the intangible assets associated with the brand names were converted to definite-lived assets as of July 1, 2017 and assigned a useful life of 20 years. The conversion of the Playtex and Edge brand names to definite-lived intangible assets increased amortization expense by $1.8 and $3.6 for the three and six months ended March 31, 2018, respectively.

Note 8 - Supplemental Balance Sheet Information

	March 31, 2018	September 30, 2017
Inventories		
Raw materials and supplies	$ 54.1	$ 50.6
Work in process	62.6	60.9
Finished products	253.0	222.0
Total inventories	$ 369.7	$ 333.5
Other Current Assets		
Miscellaneous receivables	$ 15.0	$ 16.9
Prepaid expenses	75.9	55.6
Value added tax collectible from customers	27.6	25.2
Income taxes receivable	12.5	24.7
Other	1.8	3.3
Total other current assets	$ 132.8	$ 125.7
Property, Plant and Equipment		
Land	$ 19.7	$ 19.3
Buildings	144.3	139.1
Machinery and equipment	964.7	947.4
Capitalized software costs	48.8	42.3
Construction in progress	46.9	49.7
Total gross property	1,224.4	1,197.8
Accumulated depreciation	(787.3)	(744.4)
Total property, plant and equipment, net	$ 437.1	$ 453.4
Other Current Liabilities		
Accrued advertising, sales promotion and allowances	$ 44.3	$ 32.2
Accrued trade allowances	27.4	24.6
Accrued salaries, vacations and incentive compensation	35.2	40.6
Income taxes payable	21.3	18.3
Returns reserve	29.8	53.3
Restructuring reserve	2.8	3.0
Value added tax payable	10.2	5.8
Deferred compensation	9.2	13.8
Other	102.7	89.8
Total other current liabilities	$ 282.9	$ 281.4
Other Liabilities		
Pensions and other retirement benefits	$ 102.1	$ 109.4
Deferred compensation	43.8	47.3
Long-term income taxes payable	36.5	—
Other non-current liabilities	58.3	58.8
Total other liabilities	$ 240.7	$ 215.5

Note 9 - Accounts Receivable Facility

On September 15, 2017, the Company entered into a $150 uncommitted master accounts receivable purchase agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the purchaser. Transfers under this agreement are accounted for as sales of receivables, resulting in the receivables being de-recognized from the consolidated balance sheet. As of March 31, 2018, the discount rate used to determine the purchase price for the subject receivables is based upon LIBOR plus a margin applicable to the specified obligor.

Account receivables sold under this agreement for the three and six months ended March 31, 2018 were $281.5 and $491.6, respectively. The trade receivables sold that remained outstanding under this agreement as of March 31, 2018 and September 30, 2017 were $115.3 and $81.7, respectively. The dilution reserve, which represents the Company's retained interest in sold receivables, was $11.5 and $8.2 as of March 31, 2018 and September 30, 2017, respectively, and was recognized on the Consolidated Balance Sheets as a receivable. The difference between the carrying amount of the trade receivables sold and the sum of the cash received was recorded as a loss on sale of receivables in Other expense (income), net in the Consolidated Statement of Earnings. For the three and six months ended March 31, 2018, the loss on sale of trade receivables was $0.6 and $1.0, respectively.

Note 10 - Debt

The detail of long-term debt was as follows:

	March 31, 2018	September 30, 2017
Senior notes, fixed interest rate of 4.7%, due 2021, net (1)	$ 598.5	$ 598.3
Senior notes, fixed interest rate of 4.7%, due 2022, net (1) (2)	497.8	497.4
U.S. revolving credit facility due 2020	123.0	245.0
Term loan, due 2019, net (1)	184.8	184.7
Total long-term debt, including current maturities	1,404.1	1,525.4
Less current portion	—	—
Total long-term debt	$ 1,404.1	$ 1,525.4

(1) At March 31, 2018, the balance for the senior notes due 2021, the senior notes due 2022 and the term loan are reflected net of debt issuance costs of $1.5, $1.7 and $0.2, respectively. At September 30, 2017, the balance for the senior notes due 2021, the senior notes due 2022 and the term loan are reflected net of debt issuance costs of $1.7, $1.9 and $0.3, respectively.

(2) At March 31, 2018 and September 30, 2017, the balance for the senior notes due 2022 is reflected net of discount of $0.6 and $0.7, respectively.

The Company had outstanding international borrowings, recorded in Notes payable, of $21.6 and $19.4 as of March 31, 2018 and September 30, 2017, respectively.

Note 11 - Retirement Plans

The Company has several defined benefit pension plans covering employees in the U.S. and certain employees in other countries, which are included in the information presented below. The plans provide retirement benefits based on years of service and earnings. The Company also sponsors or participates in a number of other non-U.S. pension and postretirement arrangements, including various retirement and termination benefit plans, some of which are required by local law or coordinated with government-sponsored plans, which are not significant in the aggregate and, therefore, are not included in the information presented below.

The Company's net periodic pension and postretirement benefit (credit) cost for these plans was as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
Service cost	$1.6	$1.9	$3.1	$3.7
Interest cost	4.3	3.7	8.6	7.5
Expected return on plan assets	(8.0)	(8.0)	(15.9)	(15.9)
Recognized net actuarial loss	1.2	1.5	2.3	