GREIF INC
Form 10-Q
June 08, 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 April 30, 2018
Commission File Number 001-00566

Greif, Inc.
(Exact name of registrant as specified in its charter)

Delaware	31-4388903
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
425 Winter Road, Delaware, Ohio	43015
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (740) 549-6000
Not Applicable
Former name, former address and former fiscal year, if changed since last report.

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 ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 ¨
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 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	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
		Emerging growth company	¨

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

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

The number of shares outstanding of each of the issuer's classes of common stock as of the close of business on June 4, 2018:

Class A Common Stock	25,941,279 shares
Class B Common Stock	22,007,725 shares

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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended April 30,		Six Months Ended April 30,	
(in millions, except per share amounts)	2018	2017	2018	2017
Net sales	$968.3	$887.4	$1,874.0	$1,708.3
Cost of products sold	773.0	705.5	1,507.0	1,363.1
Gross profit	195.3	181.9	367.0	345.2
Selling, general and administrative expenses	102.7	97.0	206.5	193.6
Restructuring charges	6.0	5.1	10.1	4.8
Non-cash asset impairment charges	0.4	2.0	3.3	3.9
Gain on disposal of properties, plants and equipment, net	(1.5)	(1.8)	(6.1)	(2.8)
Gain on disposal of businesses, net	—	(1.9)	—	(1.4)
Operating profit	87.7	81.5	153.2	147.1
Interest expense, net	13.0	14.3	26.3	33.0
Pension settlement charge	—	1.1	—	24.6
Other expense, net	2.5	3.2	10.2	6.8
Income before income tax expense and equity earnings of unconsolidated affiliates, net	72.2	62.9	116.7	82.7
Income tax expense	21.1	23.0	5.5	34.8
Equity earnings of unconsolidated affiliates, net of tax	(0.8)	—	(0.8)	—
Net income	51.9	39.9	112.0	47.9
Net income attributable to noncontrolling interests	(6.8)	(3.9)	(10.4)	(6.5)
Net income attributable to Greif, Inc.	$45.1	$36.0	$101.6	$41.4
Basic earnings per share attributable to Greif, Inc. common shareholders:				
Class A Common Stock	$0.77	$0.61	$1.73	$0.71
Class B Common Stock	$1.14	$0.92	$2.58	$1.05
Diluted earnings per share attributable to Greif, Inc. common shareholders:				
Class A Common Stock	$0.77	$0.61	$1.73	$0.71
Class B Common Stock	$1.14	$0.92	$2.58	$1.05
Weighted-average number of Class A common shares outstanding:				
Basic	25.9	25.8	25.9	25.8
Diluted	25.9	25.8	25.9	25.8
Weighted-average number of Class B common shares outstanding:				
Basic	22.0	22.0	22.0	22.0
Diluted	22.0	22.0	22.0	22.0
Cash dividends declared per common share:				
Class A Common Stock	$0.42	$0.42	$0.84	$0.84
Class B Common Stock	$0.63	$0.63	$1.25	$1.25

See accompanying Notes to Condensed Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended April 30,		Six Months Ended April 30,	
(in millions)	2018	2017	2018	2017
Net income	$51.9	$39.9	$112.0	$47.9
Other comprehensive income (loss), net of tax:				
Foreign currency translation	(26.3)	10.4	12.1	1.2
Derivative financial instruments	1.4	0.2	5.3	4.8
Minimum pension liabilities	2.7	1.3	1.8	29.4
Other comprehensive income (loss), net of tax	(22.2)	11.9	19.2	35.4
Comprehensive income	29.7	51.8	131.2	83.3
Comprehensive income attributable to noncontrolling interests	6.8	3.3	10.8	4.2
Comprehensive income attributable to Greif, Inc.	$22.9	$48.5	$120.4	$79.1

See accompanying Notes to Condensed Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions)	April 30, 2018	October 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 108.2	$ 142.3
Trade accounts receivable, less allowance of $7.0 in 2018 and $8.9 in 2017	463.4	447.0
Inventories:		
Raw materials	246.3	192.1
Work-in-process	11.9	11.5
Finished goods	94.7	75.9
Assets held for sale	2.6	2.2
Prepaid expenses	50.0	35.3
Other current assets	111.5	88.2
	1,088.6	994.5
Long-term assets		
Goodwill	798.3	785.4
Other intangible assets, net of amortization	90.7	98.0
Deferred tax assets	13.7	10.5
Assets held by special purpose entities	50.9	50.9
Pension asset	12.1	10.3
Other long-term assets	102.6	94.3
	1,068.3	1,049.4
Properties, plants and equipment		
Timber properties, net of depletion	274.2	276.2
Land	100.8	99.5
Buildings	435.9	428.3
Machinery and equipment	1,553.5	1,540.2
Capital projects in progress	104.5	80.2
	2,468.9	2,424.4
Accumulated depreciation	(1,279.0)	(1,236.0)
	1,189.9	1,188.4
Total assets	$ 3,346.8	$ 3,232.3

See accompanying Notes to Condensed Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions)	April 30, 2018	October 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$395.7	$ 399.2
Accrued payroll and employee benefits	95.5	111.8
Restructuring reserves	6.2	5.2
Current portion of long-term debt	15.0	15.0
Short-term borrowings	8.8	14.5
Other current liabilities	145.9	142.2
	667.1	687.9
Long-term liabilities		
Long-term debt	1,020.5	937.8
Deferred tax liabilities	152.2	217.8
Pension liabilities	159.6	159.5
Postretirement benefit obligations	11.7	12.6
Liabilities held by special purpose entities	43.3	43.3
Contingent liabilities and environmental reserves	7.2	7.1
Mandatorily redeemable noncontrolling interests	8.7	9.2
Long-term income tax payable	35.9	—
Other long-term liabilities	77.5	78.1
	1,516.6	1,465.4
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests (Note 17)	33.8	31.5
Equity		
Common stock, without par value	150.3	144.2
Treasury stock, at cost	(135.4)	(135.6)
Retained earnings	1,410.4	1,360.5
Accumulated other comprehensive income (loss), net of tax:		
Foreign currency translation	(237.6)	(249.3)
Derivative financial instruments	11.0	5.1
Minimum pension liabilities	(112.2)	(114.0)
Total Greif, Inc. shareholders' equity	1,086.5	1,010.9
Noncontrolling interests	42.8	36.6
Total shareholders' equity	1,129.3	1,047.5
Total liabilities and shareholders' equity	$3,346.8	$ 3,232.3

See accompanying Notes to Condensed Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Six Months Ended April 30, (in millions)	2018	2017
Cash flows from operating activities:		
Net income	112.0	$47.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	64.1	61.7
Non-cash asset impairment charges	3.3	3.9
Pension settlement charge	—	24.6
Gain on disposals of properties, plants and equipment, net	(6.1)	(2.8)
Gain on disposals of businesses, net	—	(1.4)
Unrealized foreign exchange loss	2.0	2.1
Deferred income tax benefit	(69.6)	(7.8)
Other, net	0.6	1.1
Increase (decrease) in cash from changes in certain assets and liabilities:		
Trade accounts receivable	(15.2)	(36.9)
Inventories	(68.0)	(59.6)
Deferred purchase price on sold receivables	(24.8)	(21.7)
Accounts payable	(2.0)	4.2
Restructuring reserves	0.9	(2.3)
Pension and postretirement benefit liabilities	(3.4)	(1.7)
Other, net	10.7	4.2
Net cash provided by operating activities	4.5	15.5
Cash flows from investing activities:		
Purchases of properties, plants and equipment	(56.3)	(39.7)
Purchases of and investments in timber properties	(4.9)	(5.4)
Proceeds from the sale of properties, plants, equipment and other assets	8.5	7.3
Proceeds from the sale of businesses	1.4	0.8
Proceeds from insurance recoveries	—	0.4
Net cash used in investing activities	(51.3)	(36.6)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	533.8	888.2
Payments on long-term debt	(463.7)	(954.3)
Payments on short-term borrowings, net	(5.2)	(13.9)
Proceeds from trade accounts receivable credit facility	2.8	203.6
Payments on trade accounts receivable credit facility	(2.8)	(53.6)
Long-term debt and credit facility financing fees paid	—	(4.5)
Dividends paid to Greif, Inc. shareholders	(49.3)	(49.2)
Dividends paid to noncontrolling interests	(3.4)	(3.5)
Net cash provided by financing activities	12.2	12.8
Reclassification of cash to assets held for sale	—	(5.9)
Effects of exchange rates on cash	0.5	(2.5)
Net decrease in cash and cash equivalents	(34.1)	(16.7)
Cash and cash equivalents at beginning of period	142.3	103.7
Cash and cash equivalents at end of period	$108.2	$87.0

See accompanying Notes to Condensed Consolidated Financial Statements

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GREIF, INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
NOTE 1 — BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Basis of Presentation

The condensed consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission (“SEC”) instructions to Quarterly Reports on Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting. The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates.

The fiscal year of Greif, Inc. and its subsidiaries (the “Company”) begins on November 1 and ends on October 31 of the following year. Any references to the year 2018 or 2017, or to any quarter of those years, relates to the fiscal year or quarter, as the case may be, ended in that year.

The information filed herein reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the condensed consolidated balance sheets as of April 30, 2018 and October 31, 2017, the condensed consolidated statements of income and comprehensive income for the three and six months ended April 30, 2018 and 2017 and the condensed consolidated statements of cash flows for the six months ended April 30, 2018 and 2017 of the Company. The condensed consolidated financial statements include the accounts of Greif, Inc., all wholly-owned and consolidated subsidiaries and investments in limited liability companies, partnerships and joint ventures in which it has controlling influence or is the primary beneficiary. Non-majority owned entities include investments in limited liability companies, partnerships and joint ventures in which the Company does not have controlling influence and are accounted for using either the equity or cost method, as appropriate.

The unaudited condensed consolidated financial statements included in the Quarterly Report on Form 10-Q (this “Form 10-Q”) should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for its fiscal year ended October 31, 2017 (the “2017 Form 10-K”).

Newly Adopted Accounting Standards

In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-07, "Compensation - Retirement Benefits (Topic 715)," which provides additional guidance in Accounting Standards Codification ("ASC") 715 for the presentation of net periodic benefit cost related to pension and post retirement benefits in the income statement and on the components eligible for capitalization in assets. This ASU requires the reporting of the service cost component to be in the same line item as other compensation costs arising from services rendered by the pertinent employees. Also, the other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. This update also allows only the service cost component to be eligible for capitalization when applicable. The update is effective for the Company on November 1, 2018 using a retrospective approach for the presentation of the service cost component and the other components of net periodic pension cost and net periodic post-retirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic post-retirement benefit in assets. The Company early adopted ASU 2017-07 on November 1, 2017 using a retrospective approach for each period presented. The impact of adoption for the three and six months ended April 30, 2018 was $1.8 million and $3.6 million, respectively, of net periodic benefit costs, other than the service cost components, being recorded in the line item other expense, net in the condensed consolidated statements of income. For the three and six month periods ended April 30, 2017, $1.1 million and $24.6 million, respectively, of pension settlement charges previously presented within operating profit has been presented outside of operating profit in the condensed consolidated statement of income due to the retrospective adoption of this ASU. The adoption did not have a material impact on the Company's financial position, results of operations, comprehensive income, cash flows or disclosures other than the impacts discussed above.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815)," which amends the accounting and disclosure requirements in ASC 815, "Derivatives and Hedging." The objective of this ASU is to improve transparency and reduce the complexity of hedge accounting. This ASU eliminates the separate recognition of periodic hedge ineffectiveness for cash flow and net investment hedges. The update is effective for the Company on November 1, 2019 using a modified retrospective approach and early adoption is permitted. The Company early adopted ASU 2017-12 on November 1, 2017 using a modified retrospective approach, which resulted in a reclassification of $0.6 million loss out of accumulated other comprehensive income (loss), net of tax and into retained earnings related to elimination of the cumulative ineffectiveness of cash flow hedges at the adoption date.

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The adoption did not have a material impact on the Company's financial position, results of operations, comprehensive income, cash flows or disclosures other than the impact discussed above.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The update is effective for the Company on November 1, 2018 using one of two retrospective application methods. The Company is in the process of determining the potential impact of adopting the new revenue standards including conducting internal training sessions and reviewing global revenue surveys and key revenue contracts. The Company anticipates that the impact of adoption will be limited to expanded disclosures with no material impact on its financial position, results of operations, comprehensive income or cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which amends the lease accounting and disclosure requirements in ASC 840, "Leases". The objective of this update is to increase transparency and comparability among organizations recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. This ASU will require the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The update is effective for the Company on November 1, 2019 using a modified retrospective approach. The Company is in the process of determining the potential impact of adopting this guidance on its financial position, results of operations, comprehensive income, cash flows and disclosures.

In August of 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)," which amends the classification of certain cash receipts and cash payments on the statement of cash flows. The update is effective for the Company on November 1, 2018 and early adoption is permitted, including any interim period. The update should be applied using a retrospective approach, excluding amendments for which retrospective application is impractical. The Company is in the process of determining the potential impact of adopting this guidance on its financial position, results of operations, comprehensive income, cash flows and disclosures.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory (Topic 740)," which improves the accounting for income tax consequences of intra-entity transfers of assets other than inventory. The update is effective for the Company on November 1, 2018 using a modified retrospective approach and early adoption is permitted, including any interim period. The Company is in the process of determining the potential impact of adopting this guidance on its financial position, results of operations, comprehensive income, cash flows and disclosures.

NOTE 2 — ACQUISITIONS AND DIVESTITURES

For the six months ended April 30, 2018, the Company completed no divestitures and no acquisitions. Proceeds from divestitures that were completed in fiscal year 2017 and collected during the six months ended April 30, 2018 were $0.5 million. Proceeds from divestitures that were completed in fiscal year 2015 and collected during the six months ended April 30, 2018 were $0.9 million. The Company has $2.9 million of notes receivable recorded from the sale of businesses.

For the six months ended April 30, 2017, the Company completed no material divestitures or acquisitions, deconsolidated two nonstrategic businesses, and liquidated one non-U.S. nonstrategic business. The Company deconsolidated one nonstrategic business in the Flexible Products & Services segment during the first quarter of 2017, and one nonstrategic business in the Rigid Industrial Packaging & Services segment during the second quarter of 2017. The Company liquidated one non-U.S. nonstrategic business in the Rigid Industrial Packaging & Services segment during the second quarter of 2017. The gain on disposal of businesses was $1.4 million for the six months ended April 30, 2017. Proceeds from divestitures completed in fiscal year 2015 and collected during the six months ended April 30, 2017 were $0.8 million.

NOTE 3 — SALE OF NON-UNITED STATES ACCOUNTS RECEIVABLE

In 2012, Cooperage Receivables Finance B.V. (the “Main SPV”) and Greif Coordination Center BVBA, an indirect wholly owned subsidiary of Greif, Inc. (“Seller”), entered into the Nieuw Amsterdam Receivables Purchase Agreement (the “European RPA”) with affiliates of a major international bank (the “Purchasing Bank Affiliates”). On April 18, 2017, the Main SPV and Seller amended and extended the term of the existing European RPA. Under the European RPA, as amended, the maximum amount of receivables that may be sold and outstanding under the European RPA at any time is €100.0 million ($121.0 million as of April 30,

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2018). Under the terms of the European RPA, the Company has the ability to loan excess cash to the Purchasing Bank Affiliates in the form of a subordinated loan receivable.

Under the terms of the European RPA, the Company has agreed to sell trade receivables meeting certain eligibility requirements that the Seller had purchased from other indirect wholly-owned subsidiaries of the Company under a factoring agreement. The structure of the transactions provide for a legal true sale, on a revolving basis, of the receivables transferred from the Company's various subsidiaries to the respective Purchasing Bank Affiliates. The purchaser funds an initial purchase price of a certain percentage of eligible receivables based on a formula, with the initial purchase price approximating 75 percent to 90 percent of eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables. At the balance sheet reporting dates, the Company removes from accounts receivable the amount of proceeds received from the initial purchase price since they meet the applicable criteria of ASC 860, “Transfers and Servicing,” and the Company continues to recognize the deferred purchase price in prepaid expenses and other current assets or other current liabilities. The receivables are sold on a non-recourse basis with the total funds in the servicing collection accounts pledged to the banks between settlement dates.

In October 2007, Greif Singapore Pte. Ltd., an indirect wholly-owned subsidiary of Greif, Inc., entered into the Singapore Receivable Purchase Agreement (the “Singapore RPA”) with a major international bank. The maximum amount of aggregate receivables that may be financed under the Singapore RPA is 15.0 million Singapore Dollars ($11.3 million as of April 30, 2018). Under the terms of the Singapore RPA, the Company has agreed to sell trade receivables in exchange for an initial purchase price of approximately 90 percent of the eligible receivables. The remaining deferred purchase price is settled upon collection of the receivables.

The table below contains certain information related to the Company’s accounts receivable sales programs:

	Three Months Ended April 30,		Six Months Ended April 30,	
(in millions)	2018	2017	2018	2017
European RPA				
Gross accounts receivable sold to third party financial institution	$186.4	$176.5	$350.3	$314.1
Cash received for accounts receivable sold under the programs	165.2	156.2	310.8	278.2
Deferred purchase price related to accounts receivable sold	21.2	20.3	39.5	35.9
Loss associated with the programs	0.1	0.1	0.1	0.2
Expenses associated with the programs	—	—	—	—
Singapore RPA				
Gross accounts receivable sold to third party financial institution	$16.3	$15.1	$27.1	$25.0
Cash received for accounts receivable sold under the program	14.0	13.7	22.9	21.7
Deferred purchase price related to accounts receivable sold	2.4	1.3	4.3	3.2
Loss associated with the program	—	—	—	—
Expenses associated with the program	—	—	—	—
Total RPAs and Agreements				
Gross accounts receivable sold to third party financial institution	$202.7	$191.6	$377.4	$339.1
Cash received for accounts receivable sold under the program	179.2	169.9	333.7	299.9
Deferred purchase price related to accounts receivable sold	23.6	21.6	43.8	39.1
Loss associated with the program	0.1	0.1	0.1	0.2
Expenses associated with the program	—	—	—	—

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The table below contains certain information related to the Company's accounts receivable sales programs and the impact it has on the condensed consolidated balance sheets:

(in millions)	April 30, 2018	October 31, 2017
European RPA		
Accounts receivable sold to and held by third party financial institution	$ 134.9	$ 116.3
Deferred purchase price asset (liability) related to accounts receivable sold	19.8	(4.2)
Singapore RPA		
Accounts receivable sold to and held by third party financial institution	$ 6.4	$ 3.8
Deferred purchase price asset related to accounts receivable sold	0.9	0.5
Total RPAs and Agreements		
Accounts receivable sold to and held by third party financial institution	$ 141.3	$ 120.1
Deferred purchase price asset (liability) related to accounts receivable sold	20.7	(3.7)

The deferred purchase price related to the accounts receivable sold is reflected as prepaid expenses and other current assets or other current liabilities on the Company's condensed consolidated balance sheets and was initially recorded at an amount which approximates its fair value due to the short-term nature of these items. The cash received initially and the deferred purchase price relate to the sale or ultimate collection of the underlying receivables and are not subject to significant other risks given their short term nature; therefore, the Company reflects all cash flows under the accounts receivable sales programs as operating cash flows on the Company's condensed consolidated statements of cash flows.

Additionally, the Company performs collections and administrative functions on the receivables sold, similar to the procedures it uses for collecting all of its receivables, including receivables that are not sold under the European RPA and the Singapore RPA. The servicing liability for these receivables is not material to the condensed consolidated financial statements.

NOTE 4 — ASSETS AND LIABILITIES HELD FOR SALE AND DISPOSALS OF PROPERTIES, PLANTS AND EQUIPMENT, NET

As of April 30, 2018, there were three asset groups within the Rigid Industrial Packaging & Services segment classified as assets held for sale and one asset group within the Paper Packaging & Services segment classified as assets held for sale. The assets held for sale are being marketed for sale, and it is the Company's intention to complete the sales of these assets within twelve months following their initial classification as held for sale.

As of October 31, 2017, there were two asset groups in the Rigid Industrial Packaging & Services segment classified as assets and liabilities held for sale.

For the three months ended April 30, 2018, the Company recorded a gain on disposal of properties, plants and equipment, net of $1.5 million. This included disposals of assets in the Rigid Industrial Packaging & Services segment that resulted in gains of $1.1 million and special use property sales that resulted in gains of $0.4 million in the Land Management segment.

For the six months ended April 30, 2018, the Company recorded a gain on disposal of properties, plants and equipment, net of $6.1 million. This included disposals of assets in the Rigid Industrial Packaging & Services segment that resulted in gains of $4.5 million and special use property sales that resulted in gains of $1.6 million in the Land Management segment.

For the three months ended April 30, 2017, the Company recorded a gain on disposal of properties, plants and equipment, net of $1.8 million. This included disposals of assets in the Rigid Industrial Packaging & Services segment that resulted in gains of $0.3 million and special use property sales that resulted in gains of $1.5 million in the Land Management segment.

For the six months ended April 30, 2017, the Company recorded a gain on disposal of properties, plants and equipment, net of $2.8 million. This included disposals of assets in the Rigid Industrial Packaging & Services segment that resulted in gains of $0.9 million and special use property sales that resulted in gains of $1.9 million in the Land

Management segment.

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NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS

The following table summarizes the changes in the carrying amount of goodwill by segment for the six month period ended April 30, 2018:

(in millions)	Rigid Industrial Packaging & Services	Paper Packaging & Services	Total
Balance at October 31, 2017	$ 725.9	$ 59.5	$785.4
Currency translation	12.9	—	12.9
Balance at April 30, 2018	$ 738.8	$ 59.5	$798.3

The following table summarizes the carrying amount of net other intangible assets by class as of April 30, 2018 and October 31, 2017:

(in millions)	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
April 30, 2018:			
Indefinite lived:			
Trademarks and patents	$ 13.6	$ —	$ 13.6
Definite lived:			
Customer relationships	$ 167.1	$ 103.1	$ 64.0
Trademarks and patents	11.4	5.1	6.3
Other	24.2	17.4	6.8
Total	$ 216.3	$ 125.6	$ 90.7
October 31, 2017:			
Indefinite lived:			
Trademarks and patents	$ 13.4	$ —	$ 13.4
Definite lived:			
Customer relationships	$ 170.2	$ 99.7	$ 70.5
Trademarks and patents	11.6	4.9	6.7
Other	23.4	16.0	7.4
Total	$ 218.6	$ 120.6	$ 98.0

Amortization expense for the three months ended April 30, 2018 and 2017 was $3.9 million and $3.1 million, respectively. Amortization expense for the six months ended April 30, 2018 and 2017 was $7.7 million and $6.9 million, respectively. Amortization expense for the next five years is expected to be $15.5 million in 2018, $15.2 million in 2019, $14.6 million in 2020, $12.9 million in 2021 and $8.9 million in 2022.

Definite lived intangible assets for the periods presented are subject to amortization and are being amortized using the straight-line method over periods that are contractually, legally determined, or over the period a market participant would benefit from the asset.

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NOTE 6 — RESTRUCTURING CHARGES
The following is a reconciliation of the beginning and ending restructuring reserve balances for the six month period ended April 30, 2018:

(in millions)	Employee Separation Costs	Other Costs	Total
Balance at October 31, 2017	$ 3.9	$1.3	$5.2
Costs incurred and charged to expense	8.3	1.8	10.1
Costs paid or otherwise settled	(6.7)	(2.4)	(9.1)
Balance at April 30, 2018	$ 5.5	$0.7	$6.2

The focus for restructuring activities in 2018 is to continue to rationalize operations and close underperforming assets in the Rigid Industrial Packaging & Services and Flexible Products & Services segments. During the three months ended April 30, 2018, the Company recorded restructuring charges of $6.0 million, as compared to $5.1 million of restructuring charges recorded during the three months ended April 30, 2017. The restructuring activity for the three months ended April 30, 2018 consisted of $5.5 million in employee separation costs and $0.5 million in other restructuring costs. During the six months ended April 30, 2018, the Company recorded restructuring charges of $10.1 million, which compares to $4.8 million of restructuring charges recorded during the six months ended April 30, 2017. The restructuring activity for the six months ended April 30, 2018 consisted of $8.3 million in employee separation costs and $1.8 million in other restructuring costs.
The following is a reconciliation of the total amounts expected to be incurred from approved restructuring plans or plans that are being formulated and have not been announced as of the date of this Form 10-Q. Remaining amounts expected to be incurred are $15.4 million as of April 30, 2018 compared to $14.9 million as of October 31, 2017. The change was due to the formulations of new plans during the period.

(in millions)	Total Amounts Expected to be Incurred	Amounts Incurred During the six month period ended April 30, 2018	Amounts Remaining to be Incurred
Rigid Industrial Packaging & Services			
Employee separation costs	$ 19.1	$ 8.0	$ 11.1
Other restructuring costs	4.8	1.7	3.1
	23.9	9.7	14.2
Flexible Products & Services			
Employee separation costs	0.7	0.3	0.4
Other restructuring costs	0.9	0.1	0.8
	1.6	0.4	1.2
	$ 25.5	$ 10.1	$ 15.4

NOTE 7 — CONSOLIDATION OF VARIABLE INTEREST ENTITIES
The Company evaluates whether an entity is a variable interest entity ("VIE") whenever reconsideration events occur and performs reassessments of all VIEs quarterly to determine if the primary beneficiary status is appropriate. The Company consolidates VIEs for which it is the primary beneficiary. If the Company is not the primary beneficiary and an ownership interest is held, the VIE is accounted for under the equity or cost methods of accounting, as appropriate. When assessing the determination of the primary beneficiary, the Company considers all relevant facts and circumstances, including: the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and the obligation to absorb the expected losses and/or the right to receive the expected

returns of the VIE.

Significant Nonstrategic Timberland Transactions

In 2005, the Company sold certain timber properties to Plum Creek Timberlands, L.P. (“Plum Creek”) in a series of transactions that included the creation of two separate legal entities that are now consolidated as separate VIEs. One is an indirect subsidiary of Plum Creek (the “Buyer SPE”), and the other is STA Timber LLC, an indirect wholly owned subsidiary of the Company (“STA Timber”). As of April 30, 2018 and October 31, 2017, consolidated assets of the Buyer SPE consisted of $50.9 million of restricted

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bank financial instruments which are expected to be held to maturity. For both of the three month periods ended April 30, 2018 and 2017, Buyer SPE recorded interest income of $0.6 million. For both of the six month periods ended April 30, 2018 and 2017, Buyer SPE recorded interest income of $1.2 million.

As of April 30, 2018 and October 31, 2017, STA Timber had consolidated long-term debt of $43.3 million. For both of the three month periods ended April 30, 2018 and 2017, STA Timber recorded interest expense of $0.6 million. For both of the six month periods ended April 30, 2018 and 2017, STA Timber recorded interest expense of $1.2 million. The intercompany borrowing arrangement between the two VIEs is eliminated in consolidation. STA Timber is exposed to credit-related losses in the event of nonperformance by an issuer of a deed of guarantee in the transaction.

Flexible Packaging Joint Venture

In 2010, Greif, Inc. and one of its indirect subsidiaries formed a joint venture (referred to herein as the “Flexible Packaging JV” or “FPS VIE”) with Dabbagh Group Holding Company Limited and one of its subsidiaries, originally National Scientific Company Limited and now Gulf Refined Packaging for Industrial Packaging Company LTD. The Flexible Packaging JV owns the operations in the Flexible Products & Services segment. The Flexible Packaging JV has been consolidated into the operations of the Company as of its formation date in 2010.

The Flexible Packaging JV is deemed to be a VIE since the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support. The major factors that led to the conclusion that the Company was the primary beneficiary of this VIE was that (1) the Company has the power to direct the most significant activities due to its ability to direct the operating decisions of the FPS VIE, which power is derived from the significant CEO discretion over the operations of the FPS VIE combined with the Company’s sole and exclusive right to appoint the CEO of the FPS VIE, and (2) the significant variable interest through the Company’s equity interest in the FPS VIE.

All entities contributed to the Flexible Packaging JV were existing businesses acquired by one of the Company's indirect subsidiaries that were reorganized under Greif Flexibles Asset Holding B.V. and Greif Flexibles Trading Holding B.V.

The following table presents the Flexible Packaging JV total net assets:

(in millions)	April 30, 2018	October 31, 2017
Cash and cash equivalents	$ 22.8	$ 14.4
Trade accounts receivable, less allowance of $1.0 in 2018 and $2.2 in 2017	56.8	52.5
Inventories	59.9	53.3
Properties, plants and equipment, net	30.2	31.2
Other assets	27.2	25.8
Total Assets	$ 196.9	$ 177.2
Accounts payable	$ 34.0	$ 33.8
Other liabilities	24.9	30.2
Total Liabilities	$ 58.9	$ 64.0

Net income attributable to the noncontrolling interest in the Flexible Packaging JV for the three months ended April 30, 2018 and 2017 was $4.4 million and $1.2 million, respectively; and for the six months ended April 30, 2018 and 2017, net income attributable to the noncontrolling interest was $5.5 million and $1.8 million, respectively.

Non-United States Accounts Receivable VIE

As further described in Note 3, Cooperage Receivables Finance B.V. is a party to the European RPA. Cooperage Receivables Finance B.V. is deemed to be a VIE since this entity is not able to satisfy its liabilities without the financial support from the Company. While this entity is a separate and distinct legal entity from the Company and no ownership interest in this entity is held by the Company, the Company is the primary beneficiary because it has (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE. As a result, Cooperage Receivables Finance B.V. has been consolidated into the operations of the Company.

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NOTE 8 — LONG-TERM DEBT

Long-term debt is summarized as follows:

(in millions)	April 30, 2018	October 31, 2017
2017 Credit Agreement- Term Loan	$281.3	$288.8
Senior Notes due 2019	248.5	248.0
Senior Notes due 2021	240.9	230.9
Receivables Facility	150.0	150.0
2017 Credit Agreement- Revolving Credit Facility	114.9	35.0
Other debt	5.4	6.5
	1,041.0	959.2
Less current portion	15.0	15.0
Less deferred financing costs	5.5	6.4
Long-term debt	$1,020.5	$937.8

2017 Credit Agreement

On November 3, 2016, the Company and certain of its international subsidiaries entered into a new senior secured credit agreement (the "2017 Credit Agreement") with a syndicate of financial institutions. The 2017 Credit Agreement replaced in its entirety the $1.0 billion senior secured credit agreement entered into by the Company and two of its international subsidiaries in 2012 with a syndicate of financial institutions. The total available borrowing under the 2017 Credit Agreement was $670.7 million as of April 30, 2018, which has been reduced by $14.4 million for outstanding letters of credit, all of which was then available without violating covenants.

The 2017 Credit Agreement provides for an $800.0 million revolving multicurrency credit facility expiring November 3, 2021, and a $300.0 million term loan, with quarterly principal installments that commenced on April 30, 2017, through maturity on November 3, 2021, both with an option to add an aggregate of $550.0 million to the facilities with the agreement of the lenders. The Company used the term loan on February 1, 2017, to repay the principal of the Company's $300.0 million 6.75% Senior Notes that matured on that date. The revolving credit facility is available to fund ongoing working capital and capital expenditure needs, for general corporate purposes, and to finance acquisitions. Interest is based on either a Eurodollar rate or a base rate that resets periodically plus a calculated margin amount. The financing costs associated with the 2017 Credit Agreement totaled $4.9 million as of April 30, 2018, and are recorded as a direct deduction from the long-term debt liability.

The 2017 Credit Agreement contains certain covenants, which include financial covenants that require the Company to maintain a certain leverage ratio and an interest coverage ratio. The leverage ratio generally requires that at the end of any fiscal quarter the Company will not permit the ratio of (a) its total consolidated indebtedness, to (b) the Company's net income plus depreciation, depletion, and amortization, interest expense (including capitalized interest), and income taxes, minus certain extraordinary gains and non-recurring gains (or plus certain extraordinary losses and non-recurring losses) and plus or minus certain other items for the preceding twelve months ("adjusted EBITDA") to be greater than 4.00 to 1.00 (or 3.75 to 1.00, during any collateral release period). The interest coverage ratio generally requires that at the end of any fiscal quarter the Company will not permit the ratio of (a) adjusted EBITDA, to (b) the consolidated interest expense to the extent paid or payable, to be less than 3.00 to 1.00, during the applicable preceding twelve month period.

As of April 30, 2018, $396.2 million was outstanding under the 2017 Credit Agreement. The current portion of the 2017 Credit Agreement was $15.0 million and the long-term portion was $381.2 million. The weighted average interest rate for borrowings under the 2017 Credit Agreement was 2.82% for the six months ended April 30, 2018. The actual interest rate for borrowings under the 2017 Credit Agreement was 3.11% as of April 30, 2018.

Senior Notes due 2019

On July 28, 2009, the Company issued $250.0 million of 7.75% Senior Notes due August 1, 2019. Interest on these Senior Notes is payable semi-annually. The financing costs associated with the Senior Notes due 2019 totaled $0.6 million as of April 30, 2018, and are recorded as a direct deduction from the long-term liability.

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Senior Notes due 2021

On July 15, 2011, Greif, Inc.'s wholly-owned subsidiary, Greif Nevada Holdings, Inc., S.C.S. issued €200.0 million of 7.375% Senior Notes due July 15, 2021. These Senior Notes are fully and unconditionally guaranteed on a senior basis by Greif, Inc. Interest on these Senior Notes is payable semi-annually.

United States Trade Accounts Receivable Credit Facility

On September 27, 2017, the Company amended and restated its existing receivables facility in the United States which matured in September of 2017 to establish a $150.0 million United States Trade Accounts Receivable Credit Facility (the "Receivables Facility") with a financial institution. The Receivables Facility matures on September 26, 2018. The $150.0 million outstanding balance as of April 30, 2018 is reported in long-term debt in the condensed consolidated balance sheets because the Company intends to refinance the obligation on a long-term basis and has the intent and ability to consummate a long-term refinancing.

NOTE 9 — FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

The following table presents the fair value for those assets and (liabilities) measured on a recurring basis as of April 30, 2018 and October 31, 2017:

	April 30, 2018				
	Fair Value Measurement				
(in millions)	Level 1	Level 2	Level 3	Total	Balance Sheet Location
Interest rate derivatives	$ —	$ 16.0	$ —	$ 16.0	Other long-term assets and other current assets
Foreign exchange hedges	—	0.4	—	0.4	Other current assets
Foreign exchange hedges	—	(1.4)	—	(1.4)	Other current liabilities
Insurance annuity	—	—	21.5	21.5	Other long-term assets
Cross currency swap	—	(1.9)	—	(1.9)	Other long-term liabilities
Cross currency swap	—	2.0	—	2.0	Other current assets
Total	$ —	$ 15.1	$ 21.5	$ 36.6	

	October 31, 2017				
	Fair Value Measurement				
(in millions)	Level 1	Level 2	Level 3	Total	Balance Sheet Location
Interest rate derivatives	$ —	$ 8.9	$ —	$ 8.9	Other long-term assets and other current assets
Foreign exchange hedges	—	0.1	—	0.1	Other current assets
Foreign exchange hedges	—	(0.6)	—	(0.6)	Other current liabilities
Insurance annuity	—	—	20.7	20.7	Other long-term assets
Total	$ —	$ 8.4	$ 20.7	$ 29.1	

The carrying amounts of cash and cash equivalents, trade accounts receivable, accounts payable, current liabilities and short-term borrowings as of April 30, 2018 and October 31, 2017 approximate their fair values because of the short-term nature of these items and are not included in this table.

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Interest Rate Derivatives

The Company has various borrowing facilities which charge interest based on the one month U.S. dollar LIBOR rate plus an interest spread. During the first quarter of 2017, the Company entered into a forward interest rate swap with a notional amount of $300.0 million. As of February 1, 2017, the Company began to receive variable rate interest payments based upon one month U.S. dollar LIBOR and in return was obligated to pay interest at a fixed rate of 1.194%. This effectively converted the borrowing rate on $300.0 million of debt from a variable rate to a fixed rate. This derivative is designated as a cash flow hedge for accounting purposes. Accordingly, the gain or loss on this derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. For additional disclosures of the gain or loss included within other comprehensive income, see also Note 15 to the interim condensed consolidated financial statements. The assumptions used in measuring fair value of the interest rate derivative are considered level 2 inputs, which are based upon LIBOR and interest paid based upon a designated fixed rate over the life of the swap agreements.

Gains reclassified to earnings under these contracts were $0.4 million for the three months ended April 30, 2018, and losses reclassified to earnings under these contracts were $0.3 million for the three months ended April 30, 2017. Gains reclassified to earnings under these contracts were $0.5 million for the six months ended April 30, 2018, and losses reclassified to earnings under these contracts were $0.3 million for the six months ended April 30, 2017. A derivative gain of $3.2 million, based upon interest rates at April 30, 2018, is expected to be reclassified from other comprehensive income (loss) to earnings in the next twelve months.

Foreign Exchange Hedges

The Company conducts business in various international currencies and is subject to risks associated with changing foreign exchange rates. The Company’s objective is to reduce volatility associated with foreign exchange rate changes. Accordingly, the Company enters into various contracts that change in value as foreign exchange rates change to protect the value of certain existing foreign currency assets and liabilities, commitments and anticipated foreign currency cash flows. As of April 30, 2018, the Company had outstanding foreign currency forward contracts in the notional amount of $119.8 million ($80.1 million as of October 31, 2017). Adjustments to fair value are recognized in earnings, offsetting the impact of the hedged profits. The assumptions used in measuring fair value of foreign exchange hedges are considered level 2 inputs, which were based on observable market pricing for similar instruments, principally foreign exchange futures contracts.

Realized losses recorded in other expense, net under fair value contracts were $1.6 million and $0.3 million for the three months ended April 30, 2018 and 2017, respectively. Realized losses recorded in other expense, net under fair value contracts were $2.1 million and $1.5 million for the six months ended April 30, 2018 and 2017, respectively. The Company recognized in other expense, net an unrealized net gain of $2.0 million and zero during the three months ended April 30, 2018 and 2017, respectively. The Company recognized in other expense, net an unrealized net loss of $1.1 million and $1.5 million during the six months ended April 30, 2018 and 2017, respectively.

Cross Currency Swap

The Company has operations and investments in various international locations and is subject to risks associated with changing foreign exchange rates. On March 6, 2018, the Company entered into a cross currency interest rate swap agreement that synthetically swaps $100.0 million of fixed rate debt to Euro denominated fixed rate debt at a rate of 2.352%. The agreement is designated as a net investment hedge for accounting purposes and will mature on March 6, 2023. Accordingly, the gain or loss on this derivative instrument is included in the foreign currency translation component of other comprehensive income until the net investment is sold, diluted, or liquidated. Coupons received for the cross currency swap are excluded from the net investment hedge effectiveness assessment and are recorded in interest expense, net on the condensed consolidated statements of income. For the three and six months ended April 30, 2018, gains recorded in interest expense, net under the cross currency swap agreement were $0.4 million. For additional disclosure of the gain or loss included within other comprehensive income, see also Note 15 to the interim condensed consolidated financial statements. The assumptions used in measuring fair value of the cross currency swap are considered level 2 inputs, which are based upon the Euro to United States Dollar exchange rate market.

Other Financial Instruments

The fair values of the Company’s 2017 Credit Agreement and the Receivables Facility do not materially differ from carrying value as the Company’s cost of borrowing is variable and approximates current borrowing rates. The fair values of the Company’s long-term obligations are estimated based on either the quoted market prices for the same or similar issues or the current interest rates offered for the debt of the same remaining maturities, which are considered level 2 inputs in accordance with ASC Topic 820, "Fair Value Measurements and Disclosures."

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The following table presents the estimated fair values of the Company’s senior notes:

(in millions)	April 30, 2018	October 31, 2017
Senior Notes due 2019 estimated fair value	$ 262.2	$ 272.0
Senior Notes due 2021 estimated fair value	287.4	281.0
Assets held by special purpose entities estimated fair value	51.3	52.5

Non-Recurring Fair Value Measurements

The following table presents quantitative information about the significant unobservable inputs used to determine the fair value of the impairment of long-lived assets held and used and net assets held for sale for the six months ended April 30, 2018 and 2017:

	Quantitative Information about Level 3 Fair Value Measurements			
(in millions)	Fair Value of Impairment	Valuation Technique	Unobservable Input	Range of Input Values
April 30, 2018				
Impairment of Net Assets Held for Sale	$0.4	Discounted Cash Flows	Discounted Cash Flows	N/A
Impairment of Long Lived Assets	2.9	Discounted Cash Flows	Discounted Cash Flows	N/A
Total	$3.3			