Reynolds Consumer Products

Simplify daily life to enjoy what matters most

2021 Integrated Report

WITH RECOGNIZABLE BRANDS LIKE REYNOLDS® AND HEFTY®, WHAT WE DO AS A COMPANY IS WIDELY UNDERSTOOD: *WE MAKE LEADING HOUSEHOLD PRODUCTS THAT SIMPLIFY DAILY LIFE SO EVERYONE CAN ENJOY WHAT MATTERS MOST.*

ABOUT THIS REPORT

In our second annual report to stockholders, we provide an overview of Reynolds Consumer Products, Inc.'s (RCP) 2021 performance and our long-term business approach. Environmental, Social, and Governance (ESG) is a critical element of how we operate. We discuss key ESG issues important to our business and stakeholders in this report and are committed to reporting at least annually, our progress against our goals which were created in alignment with those published by the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) where appropriate. This report covers the fiscal year of January 1, 2021, through December 31, 2021, and includes all RCP operations.

We value and welcome feedback from all interested stakeholders. Please send comments or questions about this report to: Investors@ReynoldsBrands.com, or Attention Investor Relations, Reynolds Consumer Products, 1900 W. Field Court, Lake Forest, Illinois, 60045.

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DEAR FELLOW SHAREHOLDERS,

In many ways 2021 was a challenge: the country was trying to emerge from the pandemic, costs rose significantly, staffing levels were difficult to maintain, and supply chains were strained. However, our over 5,600 employees rose to these challenges. And while financial results for fiscal year 2021 did not achieve our original expectations, our entire workforce did a tremendous job navigating 2021 and putting the company on a solid footing for the future.

How a company handles unexpected challenges determines its ultimate success. The company's leadership team quickly implemented actions to mitigate increased costs. Multiple rounds of price increases and cost reduction initiatives were able to offset a significant amount of the increased costs. These actions were carefully balanced with investments in productivity improvements, labor, and innovation. The company is well-positioned for a return to profitable growth in 2022.

This second annual report demonstrates the continued development of a new public company. There have been numerous accomplishments. Going forward, we expect a continued focus on innovation and investments that drive profitable growth. The Board is overseeing these investments as part of a longer-term business and capital allocation strategy. The RCP leadership team has taken their commitments seriously to serve our shareholders and to further strengthen trusted relationships with customers, consumers, and employees.

Thank you for your confidence and support of the Board of Directors, our leadership team, and our over 5,600 employees. All are committed to our joint long-term success.

Sincerely,

Richard Noll
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE

DEAR SHAREHOLDERS,

Completing our second year as a public company, I'm pleased to be able to share our 2021 integrated report.

Just over ten years ago, we commenced our company's journey as Reynolds Consumer Products. On day one, we developed the *RCP Focus with the headline to "Simplify Daily Life to Enjoy What Matters Most." The RCP Focus has endured to this day as our North Star because it has provided us a direction that aligns everyone in our company and is the foundation of our winning formula.

2021 continued to bring numerous business challenges. The COVID-19 pandemic did not fade out quietly and without disruption as we had hoped. We faced the same challenges as nearly every other company: rising costs, a complex series of supply chain disruptions, and a shortage of labor.

Despite these challenges we were still able to accomplish a tremendous amount in 2021. I'm incredibly proud of everyone in our company for moving forward successfully. Over the last ten years, we've experienced several periods of tough market conditions, made adjustments, and came through stronger. Our ability to adapt and change is a tremendous asset and meeting adversity has only made us better.

Thanks to the resilience and hard work of our team:

- We put safety first. In 2021, we achieved another best-in-class safety record, adding to our already impressive safety record with an outstanding total recordable injury rate.
- We delivered another year of record net revenues, growing 9% on top of last year's record net revenues.
- We grew volume another 1% over the 9% increase in 2020.
- We grew both of our billion dollar brands. The Hefty® brand exceeded $1.3 billion in retail sales in 2021 and the Reynolds® brand continued its growth trajectory over the $1 billion in retail sales achieved in 2020.
- We grew market shares across most of our product lines.
- We minimized the impact of ongoing supply chain challenges including production disruptions at third-party suppliers, import delays, and significant staffing- and logistics-related headwinds.
- We accelerated our Reyvolution cost savings.
- Completing our second year of Environmental, Social, and Governance work has caused us to look at our company in new ways. We are incredibly proud of the work we've done to advance our culture, including a focus on diversity, equity, and inclusion.

I sincerely appreciate our RCP employees for continuing to work together to achieve these results.

I want to thank you, as a shareholder, for your continued confidence and support. I also extend our gratitude to our Board of Directors for their guidance.

Sincerely,

Lance Mitchell
Chief Executive Officer

The RCP Focus can be found at ReynoldsConsumerProducts.com/RCPFocus

2022

Financial Performance

40%

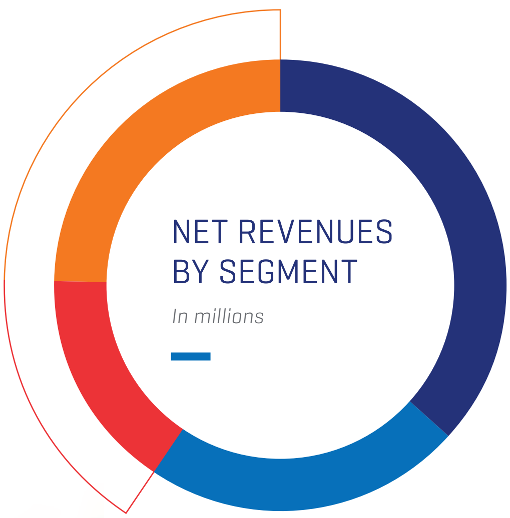
WASTE & STORAGE PRODUCTS

$884M

Hefty Waste & Storage
Branded and store brand slider food storage bags, Hefty brand trash bags, and large volume store brand trash bags

$564M

Presto Products
Store brand food storage bags, trash bags, plastic wrap, and containers



37%

COOKING PRODUCTS

$1,314M

Reynolds Cooking & Baking
Branded and store brand foil, parchment paper, oven bags, wax and freezer paper, disposable aluminum pans, and slow cooker liners

23%

TABLEWARE

$815M

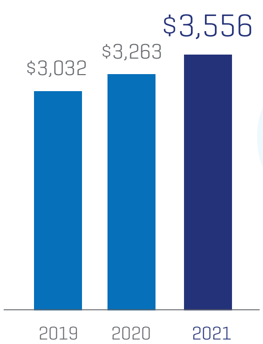
Hefty Tableware
Branded and store brand disposable dishes, plates, bowls, platters, cups, and cutlery

ADJUSTED EBITDA

Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products
$255M	$173M	$137M	$69M
Adjusted EBITDA Margin			
19%	20%	17%	12%

TOTAL NET REVENUES

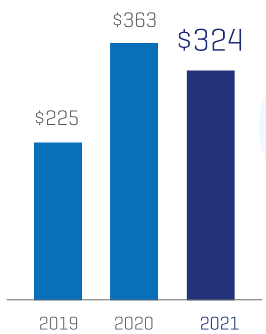
In millions



+9%
YoY Change
(2021 v. 2020)

NET INCOME

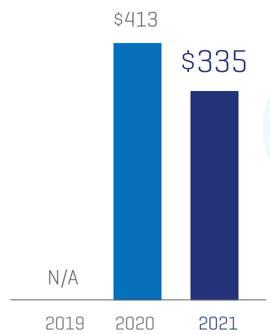
In millions



-11%
YoY Change
(2021 v. 2020)

ADJUSTED NET INCOME**

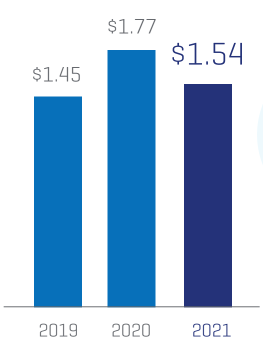
In millions



-19%
YoY Change
(2021 v. 2020)

EARNINGS PER SHARE

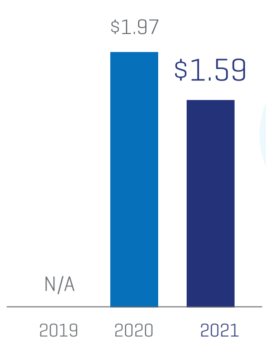
(diluted)



-13%
YoY Change
(2021 v. 2020)

ADJUSTED EARNINGS PER SHARE

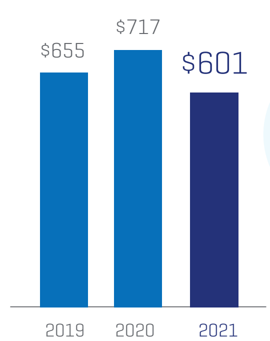
(diluted) **



-19%
YoY Change
(2021 v. 2020)

ADJUSTED EBITDA**

In millions



-16%
YoY Change
(2021 v. 2020)

***Adjusted Net Income, Adjusted earnings per share, and Adjusted EBITDA are non-GAAP financial measures. For a discussion of our use of these non-GAAP financial measures, and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures, see pages 29-30 of the Form 10-K for our fiscal year ended December 31, 2021, included in this annual report.*

PRODUCTS PEOPLE LOVE

The Numbers Tell the Story:

95% OF U.S. HOUSEHOLDS HAVE AT LEAST ONE OF OUR PRODUCTS IN THEIR HOMES AND 75% HAVE THREE OR MORE.

BUT WHAT DRIVES US AS A COMPANY IS MORE THAN JUST NUMBERS—IT'S *WHY* WE DO WHAT WE DO.

It's those moments and memories people can enjoy together that motivate us to find new ways to make mealtime easier with preparation, cooking, cleanup, and storage solutions.

Innovation is the Key to Growth

REYNOLDS CONSUMER PRODUCTS IS COMMITTED TO INNOVATION. INNOVATION COMES IN MANY FORMS, INCLUDING NEW PRODUCTS AND PRODUCT FEATURES, IMPROVING OUR PROCESSES, REDUCING WASTE, AND DEVELOPING SUSTAINABLE PRODUCTS AND SOLUTIONS.

HERE ARE JUST SOME OF OUR 2021 INNOVATIONS.

REYNOLDS WRAP® FOIL— NEW PACKAGES ARE EASIER TO USE AND RECYCLABLE

In 2021, RCP introduced the first major update to its iconic Reynolds Wrap® packages in three decades. New features include 100% recyclable cartons and modernized graphics to improve shopability and increase shelf-stopping power. The new packages also feature an Easy Open Tab to keep fingers away from the cutting edge when opening, and an integrated stay-closed slot to keep the package tightly closed while being stored. In consumer testing, the new package was preferred by 65%* of consumers over the current packaging.

We took this opportunity to also introduce new offerings with unique consumer benefits by launching **100% Recycled Foil** and **Everyday Strength Non-Stick Foil** across the United States.

*2019 Curion In-Home Use Test

HEFTY® ULTRA STRONG™ CONTINUOUS ODOR CONTROL AND BETTER-FITTING BOX

In 2021, we launched new Hefty® Ultra Strong™ bags featuring *Arm and Hammer™ with continuous odor control—an enhancement over the previous odor-blocking technology.

What's even better, is that with this launch we optimized our production process and reduced the footprint of our Hefty® Ultra Strong™ tall kitchen cartons while keeping the same thickness and bag count, which resulted in a positive environmental impact thanks to less materials used. Less footprint also means more boxes in a case, improving the use of space not only for our warehouses and trucks but also on customer shelves—and they fit better in the kitchen, too!

Before

After

SMELLS SO JOYFUL, IT MUST BE MAGIC

In addition to strength, Hefty® Ultra Strong™ Trash Bags introduced the scent of *Fabuloso® cleaner combined with odor-control technology.

This partnership combines the fastest-growing waste bag brand with the scent of the fastest-growing pourable cleaner. The iconic scent is recognized as a unique, powerful blend of "Clean" and "Lavender" that is beloved by scores of devoted Fabuloso® fans.

Fabuloso® and associated designs are trademarks of Colgate-Palmolive Company and are used by Reynolds Consumer Products LLC under license.

The ARM & HAMMER, Clean Burst, and Tropical Paradise trademarks are owned by Church & Dwight Co., Inc., and are used by Reynolds Consumer Products LLC under license.

EXCITING NEW PRODUCT FOR SMOKING MEATS

New in 2021, we launched Reynolds Kitchens® Pink Butcher Paper. This high-quality, FDA-compliant butcher paper protects the crisp bark that all meat smoking enthusiasts work hard to achieve, while sealing in moisture for tender, juicy smoked meats. Noticing the growing popularity of smoking meats at home and the use of butcher paper as a signature tool, RCP conducted consumer research to understand consumers' needs and pain points. Unlike any other butcher paper on the market, Reynolds Kitchens® Pink Butcher Paper features an easy-to-use slide cutter attached to a sturdy dispenser box for quick handling and smooth, clean cuts (patent pending).

NEW SIZE—HALF-GALLON HEFTY® SLIDER BAGS

Consumers let us know that a new size "in between" quart and gallon would be welcome for slider bags, as they sometimes felt bad "wasting" a bag that was too big for the job. So we introduced Hefty® Slider Bags in a new half-gallon size. Testers told us that they liked using the new size for many common uses—it's an optimal size bag for prepping, marinating, and storing foods. The new size was launched in 2021 in select stores and will be rolling out to all customers in 2022.

CHANGING CONSUMER HABITS: MEAL PREP & TO GO

Our Hefty Tableware business unit analyzed the increased need for to-go containers and consumers prepping home meals during the pandemic. The team quickly developed and introduced the 28-ounce Hefty® Food Storage Containers. User-friendly benefits have made the product a hit through 2021. The containers feature leak-resistant lids and BPA-free materials, clear lids that make it easy to identify the contents, and a stackable design to maximize space in your fridge or freezer. Not only are these containers microwave and freezer safe, but they are dishwasher-safe, too!

NEW FEATURES AND SIZES FOR STORE BRAND PRODUCTS

Our Presto Products business unit offered numerous new products, including tall kitchen bags with functional embossing—allowing for extra stretch and increased strength, balanced with less raw materials. In 2021, Presto Products offered customers a new option: "Stand and Store" and "Stand and Freeze" bags with gusset bottoms for press-to-close food bags. We also added new sizes in our trash bags and press-to-close food bags offerings to meet current preferences.

FRESH-LOCK® EXPANDED ITS SUSTAINABLE CLOSURE PORTFOLIO IN 2021

Another innovation from our Presto Products business unit—our Fresh-Lock® 8000 Series Zippers are a portfolio of closures designed to process seamlessly with sustainable films. The Fresh-Lock® 8000 series zippers and sliders are fully recyclable when applied to compatible flexible packaging in communities that offer PE film recycling; in 2021, we added two new compostable zipper options! Consumers value easy-to-use reclosable packaging to keep food fresh, and can feel confident buying a sustainable package, too. Look for Fresh-Lock® closures on products in grocery, homecare, pharmacy, lawn and garden, and pet food markets.

The Kirkland Signature™ brand is owned by Costco Wholesale Corporation, used with permission.

A “REYVOLUTION” IN PROGRESS

Transforming Our Business

TO HELP FUEL GROWTH, WE CONTINUE TO ACCELERATE OUR “REYVOLUTION,” WHICH IS OUR BUSINESS TRANSFORMATION PROGRAM.

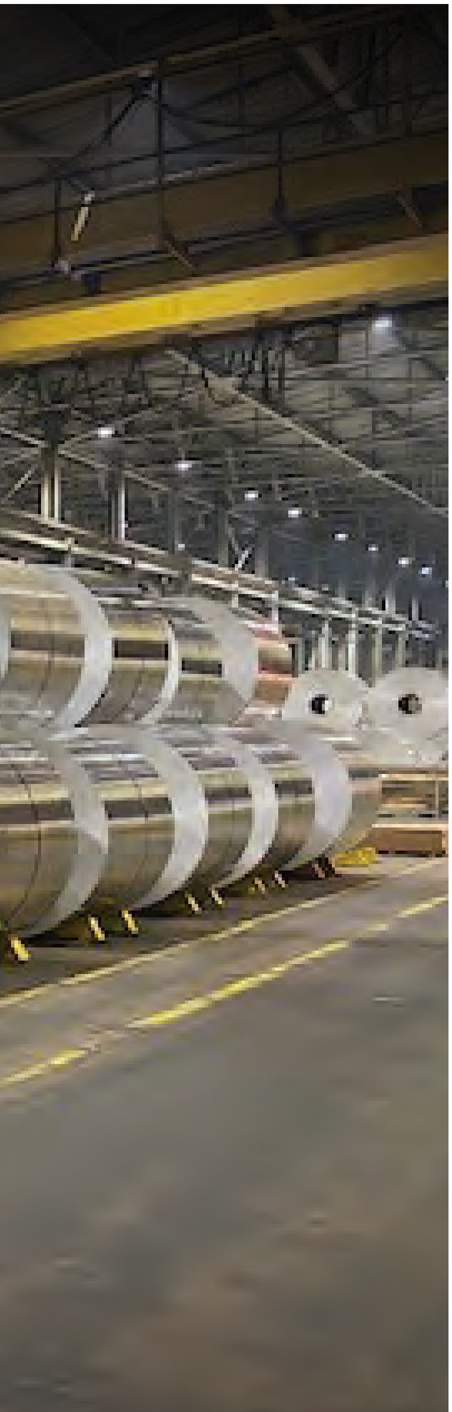
ALUMINUM RECYCLING:
To reduce the cost of aluminum products, we are using new methods to process metals discounted as “hard to recycle,” including post-industrial aluminum and scraps. The source metal is recovered for use without compromising our rigorous commitment to quality.

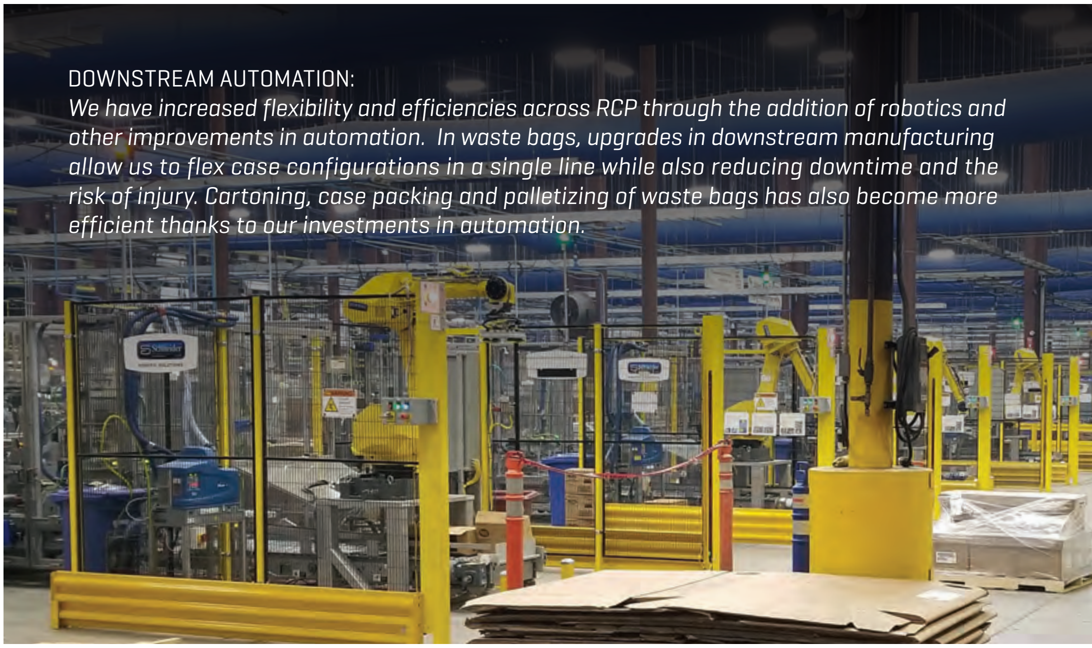
THROUGH A REGIMENTED PROCESS, THE COMPANY IDENTIFIES, PRIORITIZES, AND RESOURCES HIGH-VALUE INITIATIVES.

Reyvolution strengthens our topline through disruptive growth and innovation and improves our cost structure through investment in automation, intelligent factory, procurement, and other productivity initiatives. It involves every area of the company, including people and processes, systems, technology, and more.

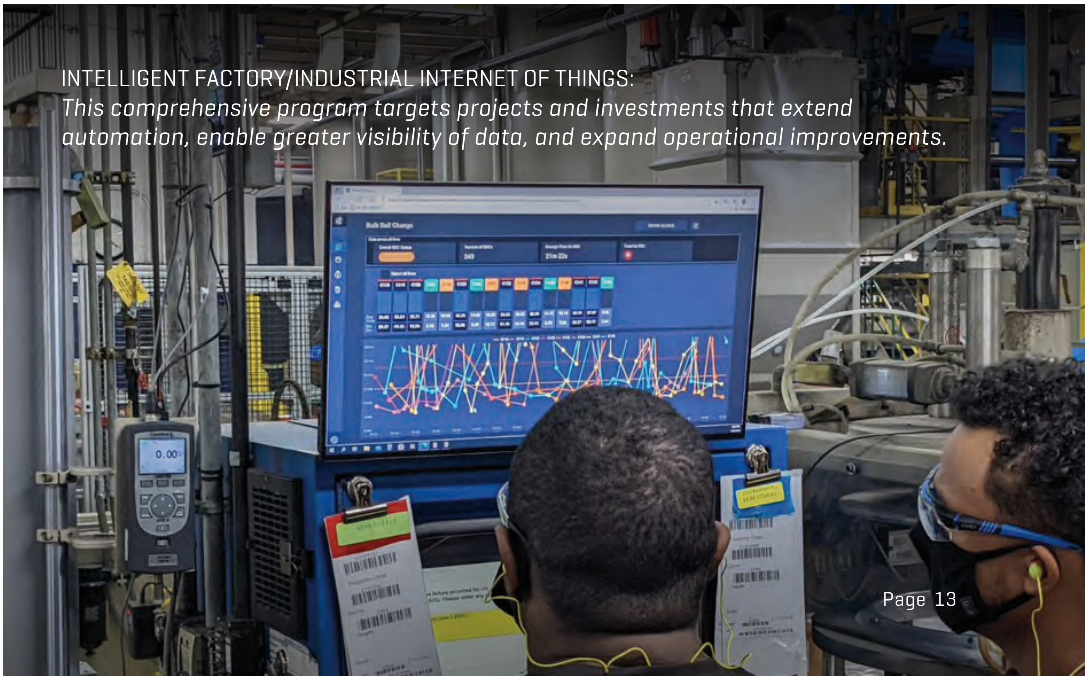
We not only look at what we do, but how we do it. We ask how we will need to evolve to be not only relevant, but competitive, in the future.

Several 2021 highlights from this program include:





DOWNSTREAM AUTOMATION:
We have increased flexibility and efficiencies across RCP through the addition of robotics and other improvements in automation. In waste bags, upgrades in downstream manufacturing allow us to flex case configurations in a single line while also reducing downtime and the risk of injury. Cartoning, case packing and palletizing of waste bags has also become more efficient thanks to our investments in automation.



INTELLIGENT FACTORY/INDUSTRIAL INTERNET OF THINGS:
This comprehensive program targets projects and investments that extend automation, enable greater visibility of data, and expand operational improvements.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE:

2021 ESG Highlights

- *April 2021: Published ESG strategy and targets in our first-ever integrated report.*
- *May 2021: Held employee ESG town hall and launched internal ESG working groups to achieve our goals and establish reporting mechanisms.*
- *September 2021: Published baseline ESG scorecard.*

ESG SCORECARD	TARGET
PRODUCTS	SUSTAINABLE PRODUCT OFFERINGS. *Offer sustainable options in each product line across our portfolio by 2025*
	SUSTAINABLE PACKAGING. *Use recyclable or reusable packaging for all of our branded products and make available for private label products, by 2025*
	POST-CONSUMER WASTE. *Provide recycling instructions for all of our branded products by 2022*
PEOPLE	SAFETY. *Strive for zero incidents*
	DIVERSITY. *Commit to increasing our gender and ethnicity representation at all levels through year-over-year improvements*
	PAY EQUITY. *Continue our commitment to maintaining pay equity*
COMMUNITIES	COMMUNITY COLLABORATION. *Divert hard-to-recycle plastics from landfills by expanding availability of the Hefty® EnergyBag® program*
	GREENHOUSE GAS EMISSIONS. *Set science-based targets by 2023 to reduce greenhouse gas emissions*
	WASTE TO LANDFILL. *Achieve zero waste to landfill for manufacturing and logistics by 2025*

[1] International & Canada product lines not included

[2] A sustainable product is a product that is recyclable, reusable, compostable, made with recycled content or made with raw materials derived from renewable resources

[3] International, Canada & B2B products not included; [4] Primary & secondary packaging; [5] Plus or minus 3%

OUR APPROACH

Environmental and social issues effect not only the communities in which we operate, but also the long-term sustainability of our business. We also have the opportunity to drive positive and meaningful change through our practices, investments, and products. In early 2021, RCP established a new environmental, social, and governance (ESG) framework to drive our long-term growth, create purposeful and positive change, and deliver value to our shareholders, customers, employees, and other stakeholders.

METRICS	BASELINE	OBJECTIVE	TIMING
% of US product lines[1] with at least one sustainable product offering[2]	*85% (2020)*	*100%*	*2025*
% of US consumer branded products[3] that have recyclable or reusable packaging[4]	*95% (2020)*	*100%*	*2025*
% of US consumer branded products[3] with recycling instructions on the product label or on the company website	*80% with packaging instructions[5] (2020)* *29% with product instructions[5] (2020)*	*100%*	*2022*
Total Recordable Rate	*0.76 (2020)*	*0*	
% of female diversity representation in total workforce *% of ethnic diversity representation in total workforce*	*32% (2020)* *39% (2020)*	*Targeted Improvement*	
Gender Pay Equity *Ethnic Pay Equity*	*Achieved (as of 6/30/21)*	*100%[5]*	
Amount of hard-to-recycle plastics diverted from landfills through the Hefty® EnergyBag® program *Number and % of US households with access to both curbside recycling and the EnergyBag program*	*2.2M lbs[7]* *700K HHs[6,7]* *1% HHS[6,7]*	*400M lbs* *50M HHs* *75% HHs*	
In progress	*In progress*	*In progress*	*2023*
Percentage of total waste diverted from landfill[8]	*91% (2020)*	*Zero waste certification*	*2025*

[6] Based on estimated US households with access to curbside recycling, using public resources such as the US Census Bureau, The Recycling Partnership and the Sustainable Packaging Coalition organizations

[7] From program inception (late 2016) to year end 2020; [8] Standalone warehouse locations data not included

TRANSPARENCY

We commit to transparent communication about our governance, operations, and products. We will publish policies on human and workplace rights, cybersecurity, risk management and compliance, ethical behavior/code of conduct, product safety, and product sustainability. We will, at least annually, disclose material metrics and progress against goals using standards such as SASB and GRI.

ONGOING STAKEHOLDER ENGAGEMENT

We are committed to engaging with stakeholders as we work to implement our new ESG framework. We intend to seek their input, listen to their perspectives, and identify opportunities to collaborate through direct communication, investor conferences, shareholder meetings, community partnerships, customer engagement, and employee surveys. In addition, we intend to continue to engage with industry peers and experts. Our ESG strategy will continue to evolve as a result of this overall input and market trends.

ESG LEADERSHIP AND COMMITTEE

Our ESG efforts are led by Rachel Bishop, our President, Hefty Tableware, who chairs a cross-functional ESG committee with eight additional members. The committee meets regularly and guides RCP's progress.

In early December, we dedicated a new role—Senior Vice President, Sustainability—responsible to steward the design, cross-functional progress, and internal and external reporting of our ESG vision, goals, strategies, and metrics. We are pleased that Lisa Burns, an existing ESG committee member and senior vice president, has filled this role in addition to her continued leadership of the Hefty® EnergyBag® program.

The committee draws on both internal and external experts to apply ESG standards, align definitions, gather and analyze data, and stay informed on trends and changes in the industry. In addition, the committee has assembled working groups of RCP subject-matter experts to help formally embed our ESG framework and goals at all levels of the organization and to drive progress toward achieving our targets. The committee presents progress to our Leadership Team at least quarterly.


Reynolds
KITCHENS
45
Unbleached Compostable
Parchment Paper

Our Products

SINGLE-USE MATERIALS AND PACKAGING WASTE CAN HAVE A SIGNIFICANT DETRIMENTAL IMPACT ON THE ENVIRONMENT AND IS AN INDUSTRY-WIDE CHALLENGE THAT WE MUST ALL DO OUR PART TO ADDRESS.

SUSTAINABLE OPTIONS ACROSS OUR PORTFOLIO

To help, Reynolds Consumer Products offers consumers an increasing number of sustainable options across our portfolio. We are also taking steps to reduce our operational packaging impacts and providing consumers with information to help them recycle or compost our products after use, as applicable.

EXPANDING AN INNOVATIVE PROGRAM FOR

Hard-to-Recycle Plastics

A SUCCESSFUL PROGRAM IN SELECT COMMUNITIES SINCE ITS START IN 2016.

The Hefty® EnergyBag® program collects hard-to-recycle plastics at curbside and converts them into valued resources. These hard-to-recycle plastics include common items like candy wrappers and foam takeout containers.

NEW CHANNEL: ENERGYBAG® ORANGE BAGS ARE NOW AVAILABLE DIRECT-TO-CONSUMER

For the first time in our history, Reynolds Consumer Products has entered into direct-to-consumer sales through a partnership with a third-party logistics provider and a leading eCommerce platform. This enables us to sell products, starting with the Hefty® EnergyBag® program in specific zip codes, right from our own websites.

The program clearly demonstrates its ability to help divert these resources away from landfills, reduce dependence on fossil fuels, increase efficiency at recycling facilities, and improve the quality of other recycled materials. In doing so, the Hefty® EnergyBag® program takes an important step toward a more circular plastics economy and a more sustainable future.

In 2021, the program expanded to more communities in the Greater Atlanta area. With this growth, the program is now available to nearly 1.4 million households across the U.S., diverting more than 1,600 tons of hard-to-recycle plastics as of December 2021. For the latest updates on the program, visit HeftyEnergyBag.com

Our People

OUR ABILITY TO SIMPLIFY DAILY LIFE FOR CONSUMERS DEPENDS ON OUR EMPLOYEES.

THEY ARE THE HEART OF OUR ORGANIZATION AND CRITICAL TO OUR MISSION. WE ARE COMMITTED TO THEIR HEALTH AND SAFETY, THAT THEY ARE TREATED ETHICALLY AND FAIRLY, AND THAT THEY HAVE THE SUPPORT THEY NEED TO DO THEIR JOBS EFFECTIVELY WITH PRIDE AND PURPOSE.

Throughout 2021, we continued to integrate COVID-19 policies and practices as a part of our overall safety program and how we operate. RCP has continued to require CDC-recommended COVID-19 prevention measures in our facilities. As CDC guidance evolved, we adjusted to meet each recommendation, including local and state guidelines for prevention practices.

We strongly encourage, but do not require, employees to be vaccinated and we have offered an incentive for all employees to be vaccinated and guided them on how to access vaccines in their communities. We also offer a reasonable alternative to achieve the incentive if they are unable to be vaccinated due to a medical or other reason. Should the Occupational Health and Safety Administration's (OSHA) guidance change regarding vaccinations, we will continue to be prepared to adhere to the law. Despite the availability of vaccines and preventative practices, COVID-19 impacted our employees and the communities where we operate. During times of higher community rates, increased absences intermittently affected staffing levels. We continue to encourage employees to stay home if they are not feeling well and test for COVID-19 as needed due to symptoms or exposure.

SAFETY: OUR TOP PRIORITY

WE BELIEVE THAT EVERY SINGLE PERSON WHO COMES TO WORK SHOULD GO HOME AS HEALTHY AND WHOLE AS WHEN THEY ARRIVED. OUR GOAL IS ZERO INJURIES.

In 2021, we achieved another best-in-class safety record, adding to our already impressive safety record with an outstanding total recordable injury rate of 0.73 in 2021, reduced from 0.76 in 2020, amidst a continued challenging environment. In addition, two plants completed 2021 with zero recordable incidents. For the company overall, we worked to reduce 75% of our top-identified risks.

To accomplish this, we have robust safety policies and programs and work to raise awareness among all employees. Safety is an integral part of our innovation processes—we "build in" safety to each and every one of our processes, choosing our equipment with careful attention to how to best protect people.

Our overall safety practices are governed by our company-wide safety policy, supplemented by additional local policies specific to the processes and equipment unique to each site. All employees, contractors, and visitors are required to report all incidents in a timely manner to ensure appropriate care is received and that the incident is investigated thoroughly to identify root cause(s) and ensure effective corrective and preventative measures are implemented.

We record safety activities and events and track training and compliance requirements through a centralized safety management system. We evaluate and track performance using corporate and site-specific scorecards composed of leading and lagging indicators. Results are reviewed as an organization each month and communicated at all levels.

All employees and contractors participate in safety training before beginning work in our facilities. We also communicate environmental, health, and safety policies and protocols during monthly safety awareness training with employees throughout the year.

Every employee is empowered to stop any activity that presents a danger to themselves, coworkers, customers, contractors, or the public. We recognize safe behavior with positive reinforcement and reward employees for participating in proactive safety initiatives that increase awareness, mitigate hazards, and reduce risk.

Our initiatives focus on top areas of risk, including preventing slips, trips, and falls and preventing hand and finger injuries. We also schedule focused training and support relative to the times when it is most needed, such as busier production cycles and according to weather conditions, such as preventing heat-related illness during the summer and avoiding slip and fall incidents during the winter.

One way we recognize our teams' commitment to safety is through our annual safety awards, which include:

EXECUTIVE SAFETY COUNCIL AWARD	RISK REDUCTION AWARD	EHS EXCELLENCE AWARD	EXCELLENCE IN SAFETY—WAREHOUSE AWARD
Awarded to the team that embodies RCP's vision for health and safety excellence through its commitment to a safety-first culture.	*Awarded to the site that has demonstrated the biggest gains in reducing safety risks.*	*Awarded to sites that achieve zero, or a 20% or more reduction in injuries, maintained above goal for all leading indicators, and that have not received non-compliance citations from an EHS government regulatory agency. In 2021, this included seven of our 15 plant sites.*	*Awarded to our warehouse teams who have shown outstanding commitment to safety excellence. In 2021, this included 12 of our 14 warehouses.*

We believe that safety is not built on a series of one-time events, but is built into our values and a part of our culture. We will continue to invest in safety in 2022 with a renewed focus on roles, expectations, and accountabilities; a priority focus on eliminating slips, trips, and fall hazards; and a continued focus on injury and illness risk mitigation and wellness.

OUR COMMITMENT TO

Diversity, Equity & Inclusion

WE ARE COMMITTED TO BUILDING A RESPECTFUL WORKPLACE, EDUCATING OUR EMPLOYEES, AND INTEGRATING DE&I WITH OUR OVERALL BUSINESS STRATEGY.

Working Better Together

"Reynolds Consumer Products believes a diverse, equitable, and inclusive organization will enhance the sense of belonging for all employees as well as add value for our customers, shareholders, and communities in which we operate. We are committed to building a respectful workplace, educating our employees, and integrating DE&I with our overall business strategy."

AT THE INTERSECTION WHERE DIVERSITY, EQUITY & INCLUSION OVERLAP IS BELONGING—AND BELONGING IS WHERE WE ARE DRIVING OUR ORGANIZATION.

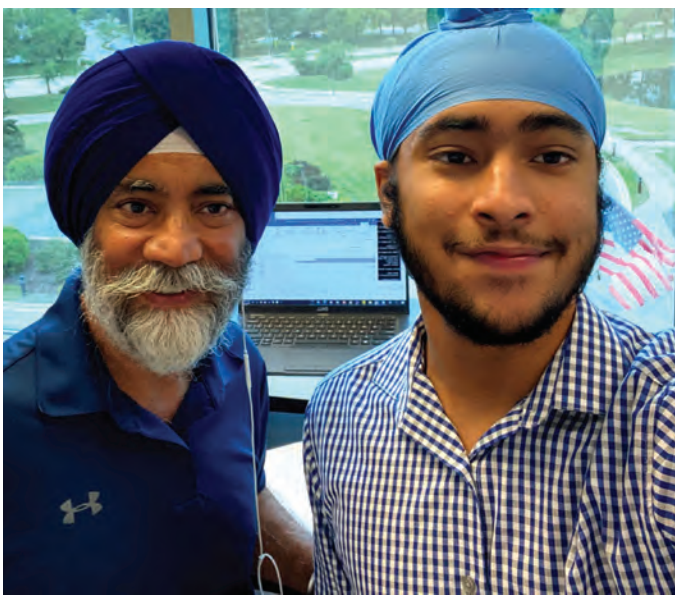
Our DE&I journey is a commitment to listen, learn, and evolve to ensure that each of our employees, customers, partners, and shareholders experience the highest levels of dignity, respect, and belonging.

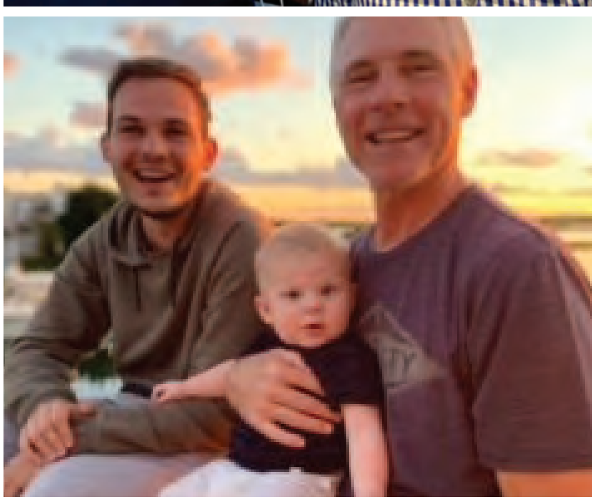
DE&I is a business imperative, and it is the right thing to do. It will help us best engage with changing customer, consumer, and workforce demographics. These groups are made up of real people, who, because of our values, can choose to embrace our products, or choose to turn away.

Advancing DE&I is a long-term process. It will require a consistent approach to integrate DE&I training and principles into our strategies, processes, and individual actions over time. In our commitment, we recognize that DE&I can be a sensitive or uncomfortable topic for nearly everyone. For many, systemic racism and inequality in our society have fostered fear of backlash, retaliation, and isolation. Others fear of saying or doing the wrong thing, being looked over or left out, or who just do not know how to turn commitment into measurable progress. Silence leads to further misunderstanding and mistrust.

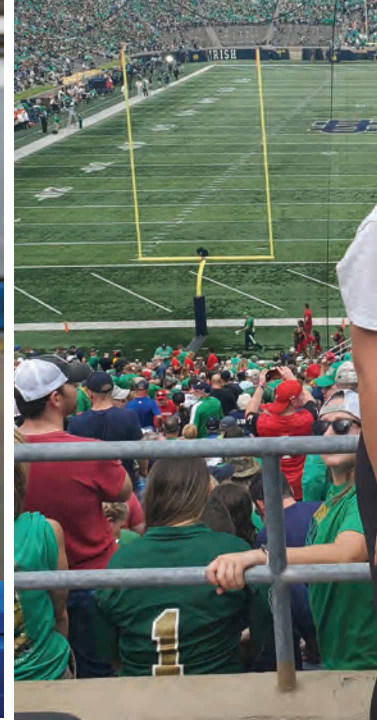
This discomfort makes it even more important that we reach out in a meaningful way and show both progress and empathy. We understand that overcoming discomfort is a part of the journey, not just for us, but for our society.

We are leading our DE&I programs with positive values and outlining that our intention includes hope, commitment, and a call to action...because embracing DE&I will benefit all of us.

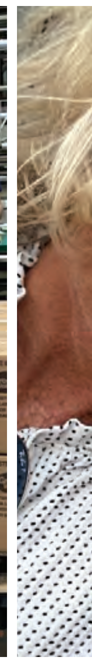





TEAM7

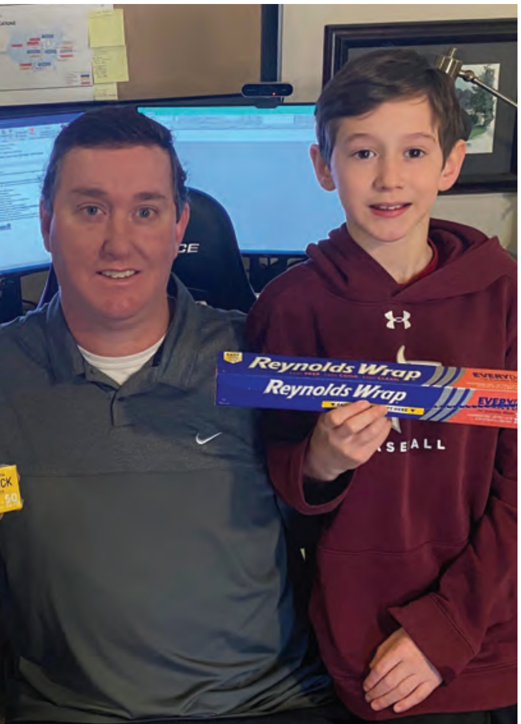



NEW YORK
1981




Reynolds


Reynolds Wrap
EASY PREP EASY COOK EASY CLEAN



2021 WAS A CATALYTIC YEAR ALONG OUR DE&I JOURNEY. HERE IS A SNAPSHOT OF OUR ACCOMPLISHMENTS.

- Our DE&I Advisory Council launched the evolution of our inclusion work.
- In mid-2021, we hired our first Director of Diversity, Equity & Inclusion, who immediately began listening sessions with employees across the company.
- Individual interviews with employees were completed to learn what we are doing well, where we might make systematic improvements, and to develop the vision and strategy for next steps.
- We welcomed DE&I recruiting practices, created new employee value propositions, and integrated DE&I into plant hiring practices.
- We evolved our Total Rewards programs with a keen focus on families of all types. Our bold new adoption policy, fertility benefits, parental leave, and wellness options support our colleagues when they need us most.
- We also expanded our commitment to the inclusion of people living with disabilities, partnering with James Emmet Company on education and hiring.
- To engage employees, we offered numerous DE&I-focused team webinars, Unconscious Bias educational sessions, and expanded our cultural calendar.
- To expand engagement into 2022, we began the process of creating Respect & Dignity Councils, and are embarking upon a new model for volunteerism, ensuring alignment with our commitment to change and growth through DE&I.

WE HAVE EVOLVED FROM A COMMITMENT TO ACTION.

Beginning in 2022, DE&I becomes a core strategy for our entire organization. 2022 promises to be an incredible year of collaboration, development, and progress along our journey that's both meaningful and memorable.

Our Communities

AS WE DEVELOP OUR GOALS, OUR COMMUNITIES REFLECT NOT ONLY OUR CURRENT EMPLOYEES AND THEIR FAMILIES, BUT THOSE OF OUR BROAD CONSUMER BASE.

ONLY BY WORKING TOGETHER TOWARDS SOLUTIONS CAN WE CREATE POSITIVE SOCIAL CHANGE AND HEALTHIER ENVIRONMENTS, NOW AND INTO THE FUTURE.

PARTNERSHIP WITH FEEDING AMERICA

The Reynolds Wrap® brand has partnered with Feeding America® to join in the fight against hunger. In 2021, we helped to provide two million meals to families across the country and make food more accessible to families or people facing hunger. Each dollar helps provide at least ten meals secured by Feeding America® on behalf of member food banks. We were able to drive increased awareness for this cause with a dedicated marketing campaign and an internal program for employees to participate.*

RECYCLING EDUCATION

As a part of our ESG goals, we've identified recycling education as an opportunity to improve recycling rates over time. Leveraging our How2Recycle labeling, we will be looking to develop and pilot new educational resources to promote recycling both as it exists today and changes into the future.

WORKING TO REDUCE OUR ENVIRONMENTAL FOOTPRINT

As we continue to grow our business, we are identifying opportunities to reduce our energy consumption and operational waste. We have committed to setting science-based targets by 2023 to reduce greenhouse gas emissions (GHG).

We also continuously work to reduce our consumption of raw materials in producing our products, including reducing or recycling scrap generated during our production processes. We offer recycling in our facilities as available in each community for office and foodservice waste.

**$1 helps provide at least 10 meals on behalf of local Feeding America® food banks.*

COMMITTED TO A CULTURE OF COMPLIANCE AND BUSINESS ETHICS

At RCP, it is important not only what we do, but how we do it. Key to our values is a strong culture of compliance and ethical behavior.

In addition to our commitment to adhere to all state and federal laws, rules, and regulations, we expect all officers, directors, and employees of RCP to adhere to our Code of Business Conduct. Topics include, but are not limited to, harassment and discrimination, conflicts of interest, anti-bribery, and antitrust. Failure to comply with the code and other applicable policies and procedures is subject to corrective action, up to and including separation of employment. All employees are trained annually on our code, with all salaried employees certifying that they have read and agree to adhere to our code. We provide regular communications on how to anonymously report any violation. The information on our code is available on the company website, intranet, and posted in all facilities.

RCP employees are encouraged to report any concern or potential violation of the code to a manager or supervisor, if practicable, or to a Human Resources representative. In addition, our Ethics Hotline is available 24 hours a day, 7 days a week by phone and website. The Ethics Hotline is staffed by an independent third-party provider, and all callers may remain anonymous.

RCP is committed to investigating all potential violations of the code and dealing with each report fairly and reasonably. During investigations, the identities of team members who report concerns are kept confidential to the fullest extent possible. The company maintains a strict non-retaliation policy. Team members who engage in retaliation against a colleague who has raised a concern or question in good faith and in accordance with the code are subject to disciplinary action, up to and including termination.

RCP IS RECOGNIZED
for Excellence

HEFTY ECOSAVE™ TABLEWARE VOTED 2021 PRODUCT OF THE YEAR BY CONSUMERS

Product of the Year USA, the largest consumer-voted award for product innovation, named Hefty ECOSAVE™ its 2021 winner in the Tableware Category. Chosen by 40,000 American shoppers in a national survey conducted by Kantar, a global leader in consumer research, each of the winning products has been awarded as the most innovative in their category by Product of the Year.

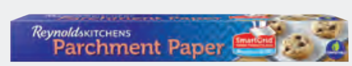
2022 ALLRECIPES COMMUNITY CHOICE AWARDS

This is the second year that Allrecipes readers, viewers, and cooks have voted on their favorite brands. This year, the awards focused on Kitchen Helpers—the food and pantry products and kitchen gear that cooking consumers can't live without.

ALLRECIPES COMMUNITY CHOICE SEAL

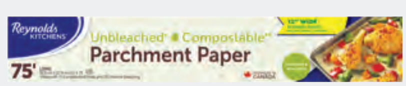
The Allrecipes Community Choice Seal goes only to the community's top choices across nine food and home product areas. We're pleased to share that two of our products were voted as the very best by Allrecipes home cooks!

BRAND	CATEGORY
Reynolds Wrap® Aluminum Foil	*ALUMINUM FOIL*
ReynoldsKitchens® Parchment Paper	*PARCHMENT PAPER*



CANADIAN GRAND PRIX AWARDS FOR SUSTAINABLE PRODUCTS

In June 2021, Reynolds Consumer Products Canada Won Grand Prix Awards for Reynolds Kitchens® Unbleached Compostable Parchment Paper and Alcan® 100% Recycled Aluminum Bakeware. The awards were issued by The Retail Council of Canada, which represents more than 95% of Canadian grocery retailers.



BUSINESS OF THE YEAR— PRODUCTION FACILITIES IN JACKSONVILLE, ILLINOIS

In 2021, the Jacksonville, Illinois, Chamber of Commerce recognized RCP as their 2020 Business of the Year. As the leading manufacturer in the region, RCP employs more than 800 full-time employees, who produce top-quality Hefty® brand trash bags and slider bags.

TEMPLE, TEXAS, FACILITY EARNS ACCOLADES

The Texas House of Representatives awarded our Temple plant with a Special Congressional Recognition as Business of the Year in 2021 for their commitment to career exploration, education, training, and employment in a sustainable career. The Texas Workforce Solutions of Central Texas also recognized the Temple plant as an Employer of the Year for its use of their services, and outstanding benefits, stability, and wages.

HISPANIC NATIONAL BAR ASSOCIATION— TOP LAWYERS UNDER 40 AWARDEE

Janneth Lanini, a Senior Counsel at RCP supporting procurement, supply chain/logistics, and international business, was named one of the "Top Lawyers Under 40" by the Hispanic National Bar Association.

FEI CHICAGO— CFO OF THE YEAR AWARDEE

Michael Graham, CFO, was named Chicago CFO of the Year in the Mid-Size Public category for the Financial Executives International (FEI) 2021 10th Anniversary Chicago CFO of the Year Awards.

CORPORATE GOVERNANCE

At RCP, we believe that strong governance practices are essential to providing long-term value for our shareholders, customers, team members, and communities. Our Board of Directors has adopted corporate governance guidelines that serve as a framework for the governance of the company.

The Board has two committees: ***1. Audit Committee*** ***2. Compensation, Nominating and Corporate Governance Committee***

As of March 1, 2022, our Board of Directors consists of seven directors, three of whom are independent based on Nasdaq rules for director independence. The Board is led by an independent nonexecutive chair. We prioritize Board diversity and are mindful of the many ways the Board benefits from receiving a wide range of viewpoints and perspectives.

You can find more detailed information about our current Board and Committee Charters on our website, ReynoldsConsumerProducts.com/Investors.

BOARD OF DIRECTORS

Richard Noll
Director and Chairman of the Board of Directors

Greg Cole
Director

Helen Golding
Director

Marla Gottschalk
Director

Allen Hugli
Director

Lance Mitchell
Director

Ann Ziegler
Director

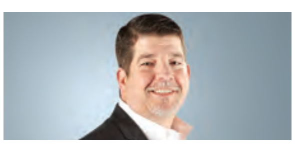
LEADERSHIP TEAM, INVESTOR RELATIONS, AND CORPORATE SECRETARY

Lance Mitchell
President and Chief Executive Officer

Rachel Bishop
President, Tableware Business Unit

Judith Buckner
President, Presto Business Unit

Craig Cappel
President, Reynolds Foil and Cooking Business Unit



Stephen Estes
Chief Administrative Officer

Rita Fisher
Chief Information Officer and Executive Vice President, Supply Chain

Michael Graham
Chief Financial Officer

Valerie Miller
Executive Vice President, Human Resources

Stephan Pace
President, Sales and Chief Customer Officer

Lisa Smith
President, Hefty Waste & Storage

Mark Swartzberg
Vice President, Investor Relations

David Watson
Legal Counsel and Corporate Secretary

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

Form 10-K

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from____ to____

Commission File Number: 001-39205

REYNOLDS CONSUMER PRODUCTS INC.
(Exact name of Registrant as specified in its charter)

Delaware	**45-3464426**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

1900 W. Field Court
Lake Forest, Illinois 60045
Telephone: (800) 879-5067
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $0.001 par value	REYN	The Nasdaq Stock Market LLC

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

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

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

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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

As of June 30, 2021, the aggregate market value of the registrant's common stock held by non-affiliates (shareholders other than executive officers, directors or holders of more than 5% of the outstanding stock of the registrant) was approximately $1,623 million, based on the closing price of the registrant's common stock on such date. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purposes.

The registrant had 209,760,472 shares of common stock, $0.001 par value, outstanding as of January 31, 2022.

Documents incorporated by reference: Portions of the Registrant's definitive proxy statement relating to its 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

REYNOLDS CONSUMER PRODUCTS INC.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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." You should specifically consider the numerous risks outlined in the "Risk Factors" section. 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, labor and freight, including the impact of tariffs, trade sanctions and similar matters affecting our importation of certain raw materials;
- our ability to develop and maintain brands that are critical to our success;
- economic downturns in our target markets;
- difficulty meeting our sales growth objectives and innovation goals; and
- changes in market interest rates, or a phase-out or replacement of the LIBO rate as an interest rate benchmark.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We are under no duty to update any of these forward-looking statements after the date of this Annual Report on Form 10-K 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 may be found elsewhere in this Annual Report on Form 10-K, under Part I, Item 1A. "Risk Factors."

PART I

ITEM 1. BUSINESS

In this Annual Report on Form 10-K, "Reynolds Consumer Products," "RCP," the "Company," "we," "us" and "our" refer to (i) prior to the Corporate Reorganization on February 4, 2020, as defined in our Registration Statement on Form S-1 (File No. 333-234731), as amended and as filed with the U.S. Securities and Exchange Commission (the "SEC"), the Reynolds Consumer Group business consisting of the combination of Reynolds Consumer Products Inc. and the operations, assets and liabilities comprising Reynolds Group Holdings Limited's Reynolds Consumer Products segment as reflected in the consolidated financial statements included elsewhere in this Annual Report on Form 10-K; and (ii) after the Corporate Reorganization, Reynolds Consumer Products Inc. and its consolidated subsidiaries. Reynolds Consumer Products Inc., formerly known as RenPac Holdings Inc., was incorporated in the state of Delaware on September 26, 2011.

We filed a Registration Statement on Form S-1, as amended, with the SEC which was declared effective on January 30, 2020. On January 31, 2020, our common stock began "regular-way" trading on The Nasdaq Stock Market LLC under the "REYN" symbol. On February 4, 2020, we completed our Corporate Reorganization and initial public offering ("IPO").

We own or have rights to trademarks, service marks and trade names that we use in connection with the operation of our business. Other trademarks, service marks and trade names appearing in this Annual Report on Form 10-K are the property of their respective owners. Solely for convenience, some of the trademarks, service marks and trade names referred to in this Annual Report on Form 10-K are listed without the ® or ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks and trade names.

Overview

Our mission is to simplify daily life so consumers can enjoy what matters most.

We are a market-leading consumer products company with a presence in 96% of households across the United States. We produce and sell products across three broad categories: cooking products, waste and storage products and tableware. We sell our products under iconic brands such as Reynolds and Hefty, and also under store brands that are strategically important to our customers. Overall, across both our branded and store brand offerings, we hold the #1 or #2 U.S. market share position in the majority of product categories in which we participate. We have developed our market-leading position by investing in our product categories and consistently developing innovative products that meet the evolving needs and preferences of the modern consumer.

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

Our products are typically used in the homes of consumers of all demographics on a daily basis and meet the convenience-oriented preferences of today's consumer across a broad range of household activities. We help make daily life easier by assisting with preparation, cooking, mealtime and clean-up and by providing convenient storage and indoor/outdoor disposal solutions. Our diverse product portfolio includes aluminum foil, wraps, disposable bakeware, trash bags, food storage bags and disposable tableware. Our products are known for their quality, which is recognized by our consumers and retail partners alike. Our consumers know they can rely on our trusted brands. These factors generate loyalty which empowers us to develop and launch new products that expand usage occasions and transition our portfolio into adjacent categories.

We have strong relationships with a diverse set of customers including leading grocery stores, mass merchants, warehouse clubs, discount chains, drug stores, home improvement stores, military outlets and eCommerce retailers. Our customer relationships have been built on a long history of trust. Our portfolio of branded and store brand products allows our retail partners to manage multiple household aisles with a single vendor. Many of our products have had a prominent position on the shelves of major retailers for decades and have become an integral part of household aisles. We believe our strong brand recognition and customer loyalty lead to robust product performance.

Our brands have #1 market share positions across nearly all our categories

Category	Brand	Position
Aluminum foil (U.S.)	Reynolds Wrap	#1
Aluminum foil (Canada)	ALCAN	#1
Parchment paper	Reynolds KITCHENS	#1
Wax paper	Reynolds KITCHENS	#1
Slow cooker liners	Reynolds KITCHENS	#1
Oven bags	Reynolds KITCHENS	#1
Freezer paper	Reynolds KITCHENS	#1
Slider bags	Hefty	#1
Party cups	Hefty	#1
Foam dishes	Hefty	#1
Trash bags	Hefty	#2

Source: Nielsen xAOC last 52 weeks ended December 26, 2021.

Our Segments

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

- ***Reynolds Cooking & Baking***: Through our Reynolds Cooking & Baking segment, we produce branded and store brand foil, disposable aluminum pans, parchment paper, freezer paper, wax paper, butcher paper, plastic wrap, baking cups, oven bags and slow cooker liners. Our branded products are sold under the Reynolds Wrap, Reynolds KITCHENS and E-Z Foil brands in the United States and selected international markets, under the ALCAN brand in Canada and under the Diamond brand outside of North America. With our flagship Reynolds Wrap products, we hold the #1 market position in the U.S. consumer foil market measured by revenue and volume. We have no significant branded competitor in this market. Reynolds is one of the most recognized household brands in the United States and has been the top trusted brand in the consumer foil market for over 70 years, with greater than 50% market share in virtually all of its categories.

- ***Hefty Waste & Storage***: Through our Hefty Waste & Storage segment, we produce both branded and store brand trash and food storage bags. Hefty is a well-recognized leader in the trash bag and food storage bag categories and our private label products offer value to our retail partners. Our branded products are sold under the Hefty Ultra Strong and Hefty Strong brands for trash bags, and as the Hefty and Baggies brands for our food storage bags. We have the #1 branded market share in the U.S. outdoor trash bag and slider bag segments, and the #2 branded market share in the tall kitchen trash bag segment. Our robust product portfolio in this segment includes a full suite of products, including sustainable solutions such as blue and clear recycling bags, compostable bags, bags made from recycled materials and the Hefty EnergyBag Program.
- ***Hefty Tableware***: Through our Hefty Tableware segment, we sell both branded and store brand disposable and compostable plates, bowls, platters, cups and cutlery. Our Hefty branded products include dishes and party cups. Hefty branded party cups are the #1 party cup in America measured by market share. Our branded products use our Hefty brand to represent both quality and great price, and we bring this same quality and value promise to all of our store brands as well. We sell across a broad range of materials and price points in all retail channels, allowing our consumers to select the product that best suits their price, function and aesthetic needs.
- ***Presto Products***: Through our Presto Products segment, we primarily sell store brand products in four main categories: food storage bags, trash bags, reusable storage containers and plastic wrap. Presto Products is a market leader in food storage bags and differentiates itself by providing access to category management, consumer insights, marketing, merchandising and research and development ("R&D") resources. Our Presto Products segment also includes our specialty business, which serves other consumer products companies by providing Fresh-Lock and Slide-Rite resealable closure systems.

Our Products

Our portfolio consists of three main product groups: waste and storage products, cooking products and tableware. Our consolidated net revenues by product line for fiscal years 2021, 2020 and 2019 were as follows:

	For the Years Ended December 31,		
(in millions)	**2021**	**2020**	**2019**
Waste and storage [(1)]	$ 1,448	$ 1,351	$ 1,220
Cooking products	1,314	1,159	1,076
Tableware	815	763	751
Unallocated	(21)	(10)	(15)
Net revenues	**$ 3,556**	**$ 3,263**	**$ 3,032**

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

Customers

Our customer base includes leading grocery stores, mass merchants, warehouse clubs, discount chains, dollar stores, drug stores, home improvement stores, military outlets and eCommerce retailers. We sell both branded and store brand products across our customer base. We generally sell our branded products pursuant to informal trading policies and our store brand products under one year or multi-year agreements. Walmart accounted for 29%, 30% and 30% and Sam's Club accounted for 15%, 13% and 13% of our total net revenue in fiscal years 2021, 2020 and 2019, respectively. Walmart and Sam's Club are affiliated entities. Sales to Walmart are concentrated more heavily in our Hefty Waste & Storage segment, and sales to Sam's Club are concentrated more heavily in our Hefty Tableware segment.

During fiscal year 2021, sales in North America and the United States represented 99% and 98% of our total sales, respectively.

Sales and Distribution

Through our sales and marketing organization, we are able to manage our relationships with customers at the national, regional and local levels, depending on their needs. We believe that our dedicated sales representatives, category management teams and our participation in both branded and store brand products create a significant competitive advantage.

We have a direct sales force organized by customer type, including national accounts, regional accounts and eCommerce. Our sales force is responsible for sales across each of our segments and our portfolio of branded and store brand products. We complement our internal sales platform by selectively utilizing third-party brokers for certain products and customers. In addition to sales professionals, each of our top 20 customers has a dedicated customer support team, including customer service representatives, category management teams and a logistics and transportation team.

We utilize two routes of distribution to deliver our products to our customers. In many cases, we ship directly from our warehouses to the customer distribution center. Given the breadth of our product offerings, we are also able to optimize truckloads and reduce inventory for our retail partners by shipping trucks from mixing centers filled with SKUs across all of our product categories.

Competition

The U.S. household consumer products market is mature and highly competitive. Our competitive set consists of consumer products companies, including large and well-established multinational companies as well as smaller regional and local companies. These competitors include The Clorox Company, S.C. Johnson & Sons, Inc., Poly-America, Handi-Foil Corporation, Republic Plastics, Ltd., Trinidad Benham Corporation and Inteplast Group, Ltd. Within each product category, most of our products compete with other widely advertised brands and store brand products.

Competition in our categories is based on a number of factors including price, quality and brand recognition. We benefit from the strength of our brands, a differentiated portfolio of quality branded and store brand products, as well as significant capital investment in our manufacturing facilities. We believe the strong recognition of the Reynolds brand and Hefty brand among U.S. consumers gives us a competitive advantage. In addition, our largest customers choose us for our customer service, category management services and commitment to “Made in the U.S.A.” products.

Seasonality

Portions of our business have historically been moderately seasonal. Overall, our strongest sales are in our fourth quarter and our weakest sales are in our first quarter. This is driven by higher levels of sales of cooking products around major U.S. holidays in our fourth quarter, primarily due to the holiday use of Reynolds Wrap, Reynolds Oven Bags and Reynolds Parchment Paper. Our tableware products generally have higher sales in the second quarter of the year, primarily due to outdoor summertime use of disposable plates, cups and bowls.

Raw Materials and Suppliers

We have a diverse supplier base, and are not reliant on any single supplier for our primary raw materials, including polyethylene, polystyrene and aluminum. We also purchase raw material additives, secondary packaging materials and finished products for resale. We source a significant majority of our resin requirements from domestic suppliers. We have a track record of actively managing and/or successfully passing along to customers raw material price fluctuations.

Centralized purchasing enables us to leverage the global purchasing power of our operations and reduces our dependence on any one supplier. We generally have one to two year contracts with resin and aluminum suppliers, which have historically provided us with a steady supply of raw materials. In certain instances, we purchase selected finished goods from third-party suppliers to supplement capacity and source specialty items. While we have not historically experienced significant interruptions from third party suppliers, we have seen increased delays in 2021 as a result of labor shortages and the timing of imports from third party suppliers.

Intellectual Property

We have a significant number of registered patents and registered trademarks, including Reynolds and Hefty, as well as several copyrights, which, along with our trade secrets and manufacturing know-how, help support our ability to add value within the market and sustain our competitive advantages. We have invested a considerable amount of resources in developing proprietary products and manufacturing capabilities, and we employ various methods, including confidentiality and non-disclosure agreements with third parties, employees and consultants, to protect our intellectual property. While in the aggregate our patents are of material importance to us, we believe that we are not dependent upon any single patent or group of patents.

Other than licenses for commercially available software, we do not believe that any of our licenses from third parties are material to us taken as a whole. We do not believe that any of our licenses to intellectual property rights granted to third parties are material to us taken as a whole.

Employees and Human Capital

Our human capital resources objectives include identifying, recruiting, retaining, incentivizing and integrating our existing and new employees. Our talent management and succession plan process includes the identification of key positions based on current and future business strategies, the identification of potential successors, and a plan for talent development. As of December 31, 2021, we employed approximately 5,600 people, most of whom are located in our U.S. and Canada manufacturing facilities. Approximately 24% of our employees are covered by collective bargaining agreements. We have not experienced any significant union-related work stoppages over the last ten years. We believe our relationships with our employees and labor unions are satisfactory.

Environmental, Health & Safety: We are committed to protecting the safety, health and security of our employees and that of the environments in which we operate. We are firm in our policy that we will not compromise employee health and safety or the environment for profit or production. We are passionate about health and safety and pride ourselves on our strategy of prevention through proactive risk elimination and reduction. Our cross-functional leaders and team members work collaboratively to identify risks and to develop and implement control measures leveraging engineering solutions and new technology for mitigation. As a result, in 2021, we have managed to reduce the number of injuries year-over-year and have relatively low injury rates compared to others in our industry.

The COVID-19 pandemic continued to introduce an array of unprecedented challenges, but we responded with urgency to develop and adjust policies and protocols as needed to help prevent spread of the disease in our facilities, while continuing to operate as an essential business to serve our customers and consumers. The health and well-being of our workforce and of our families, as well as compliance with CDC guidelines and federal, state and local mandates, remain priorities for us. We persist with illness prevention measures including allowing remote work where feasible, encouraging those who are sick to stay home, adjusting work practices to facilitate physical distancing, mandating face coverings, restricting visitation and travel and educating employees about the disease, prevention, vaccines and resources available to assist with coping during these difficult times.

Diversity, Equity & Inclusion: We believe that a diverse, equitable and inclusive organization will enhance the sense of belonging for our colleagues, customers, consumers, shareholders and communities. We are committed to building a respectful workplace, educating our colleagues and integrating DE&I within our overall business strategy. 2021 was a significant year in our DE&I journey. As a result of feedback from our colleagues, we took several critical steps. We educated senior leaders on unconscious bias, completed our Dignity & Respect in the Workplace Survey and hosted listening circles to increase cross-cultural understanding. Respect is the foundation of our DE&I strategy, and we will continue to implement best practices, educate our colleagues on the importance of implementing DE&I strategies and promote a culture where all feel they belong.

Talent Acquisition: We are committed to a diverse and inclusive workplace environment in which individual differences are recognized, respected and appreciated. We provide job opportunities for growth in an exciting, dynamic and fast-paced workplace environment. We have made investments in our Talent Acquisition team to better enable us to source and recruit talent in today's challenging labor market, and assist in a great candidate experience and a welcoming new hire onboarding. We have also created a comprehensive hourly recruiting strategy and social media plan for our plant locations, and have further invested in this area for a consistent approach as well as tools and resources to identify diverse talent.

Regulatory

As many of our products are used in food packaging, our business is subject to regulations governing products that may contact food in all the countries in which we have operations. Future regulatory and legislative change can affect the economics of our business activities, lead to changes in operating practices, affect our customers and influence the demand for and the cost of providing products and services to our customers. We have implemented compliance programs and procedures designed to achieve compliance with applicable laws and regulations, and believe these programs and procedures are generally effective. However, because of the complexity of these laws and regulations and the multinational scope of our business, compliance cannot be guaranteed.

We are subject to various national, state, local, foreign and international environmental, health and safety laws, regulations and permits. Among other things, these requirements regulate the emission or discharge of materials into the environment, govern the use, storage, treatment, disposal and management of hazardous substances and wastes, protect the health and safety of our employees, regulate the materials used in and the recycling of our products and impose liability, which can be strict, joint and several, for the costs of investigating and remediating, and damages resulting from, present and past releases of hazardous substances related to our current and former sites, as well as at third party sites where we or our predecessors have sent hazardous waste for disposal. Many of our manufacturing facilities require environmental permits, such as those limiting air emissions. Compliance with these permits can require capital investment and, in some cases, could limit production.

In addition, a number of governmental authorities, both in the United States and abroad, have considered, and are expected to consider, legislation aimed at reducing the amount of plastic waste. Programs have included banning certain types of products, mandating certain rates of recycling and/or the use of recycled materials, imposing deposits or taxes on plastic bags and packaging material and requiring retailers or manufacturers to take back packaging used for their products.

Moreover, as environmental issues, such as climate change, have become more prevalent, governments have responded, and are expected to continue to respond, with increased legislation and regulation, which could negatively affect us. For example, the United States Congress has in the past considered legislation to reduce emissions of greenhouse gases. In addition, the Environmental Protection Agency is regulating certain greenhouse gas emissions under existing laws such as the Clean Air Act. A number of states and local governments in the United States have also announced their intentions to implement their own programs to reduce greenhouses gases. These initiatives may cause us to incur additional direct costs in complying with any new environmental legislation or regulations, such as costs to upgrade or replace equipment, as well as increased indirect costs that could get passed through to us resulting from our suppliers and customers also incurring additional compliance costs.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

We also make financial information, news releases and other information available on our corporate website at www.reynoldsconsumerproducts.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") are available free of charge on this website as soon as reasonably practicable after we electronically file these reports and amendments with, or furnish them to, the SEC. Our board has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers, the full text of which is posted on the investor relations section of our website at www.reynoldsconsumerproducts.com. We intend to disclose future amendments to our code of business conduct and ethics, or any waivers of such code, on our website or in public filings.

The information contained on or connected to our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this or any other report filed with the SEC.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below in addition to the other information set forth in this Annual Report on Form 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations section and the consolidated financial statements and related notes. If any of the following risks actually occurs, our business, financial condition and results of operations could be materially adversely affected. The risks discussed below are not the only risks we face. Additional risks or uncertainties not currently known to us, or that we currently deem immaterial, may also have a material adverse effect on our business, financial condition, prospects, results of operations, cash flows or price of our securities.

Risks Related to Our Business, Growth and Profitability

Our success depends on our ability to anticipate and respond to changes in consumer preferences.

We are a consumer products company and believe that our success depends, in part, on our ability to leverage our existing brands and products to drive increased sales and profits. This depends on our ability to identify and offer products at attractive prices that appeal to consumer tastes and preferences, which are difficult to predict and evolve over time. Our ability to implement this strategy depends on, among other things, our ability to:

- continue to offer to our customers products that consumers want at competitive prices;
- introduce new and appealing products and innovate successfully on our existing products;
- develop and maintain consumer interest in our brands; and
- increase our brand recognition and loyalty.

We may not be able to implement this strategy successfully, which could materially and adversely affect our sales and business, financial condition and results of operations.

We are dependent on maintaining satisfactory relationships with our major customers, and significant consolidation among our customers, or the loss of a significant customer, could decrease demand for our products or reduce our profitability.

Many of our customers are large and possess significant market leverage, which results in significant downward pricing pressure and can constrain our ability to pass through price increases. We generally sell our branded products pursuant to informal trading policies and our store brand products under one year or multi-year agreements. We do not have written agreements with many of our customers. Our contracts generally do not obligate the customer to purchase any given amount of product. If our major customers reduce purchasing volumes or stop purchasing our products for any reason, our business and results of operations would likely be materially and adversely affected. It is possible that we will lose customers, which may materially and adversely affect our business, financial condition and results of operations.

We rely on a relatively small number of customers for a significant portion of our revenue. In 2021, sales to our top ten customers accounted for 67% of our total revenue, and our two largest customers, Walmart and Sam's Club, individually accounted for 29% and 15%, respectively, of our total revenue. Walmart and Sam's Club are affiliated entities. Sales to Walmart are concentrated more heavily in our Hefty Waste & Storage segment, and sales to Sam's Club are concentrated more heavily in our Hefty Tableware segment. The loss of any of our significant customers would have a material adverse effect on our business, financial condition and results of operations.

In addition, over the last several years, there has been a trend toward consolidation among our customers in the retail industry and we expect that this trend will continue. Consolidation among our customers could increase their ability to apply pricing pressure, and thereby force us to reduce our selling prices or lose sales. In addition, following a consolidation, our customers may close stores, reduce inventory or switch suppliers. Any of these factors could negatively impact our business, financial condition and results of operations.

We operate in competitive markets.

We operate in competitive markets. Our main competitors include The Clorox Company, S.C. Johnson & Sons, Inc., Poly-America, Handi-Foil Corporation, Republic Plastics, Ltd., Trinidad Benham Corporation and Inteplast Group, Ltd. Although capital costs and intellectual property and technology may create barriers to entry, we face the threat of competition from new entrants to our markets as well as from existing competitors, including competitors outside the United States who may have lower production costs. Our customers continuously evaluate their suppliers, often resulting in downward pricing pressure and increased pressure to continuously introduce and commercialize innovative new products, improve customer service, maintain strong relationships with our customers and, where applicable, develop and maintain brands that are meaningful to consumers. If our products fail to compete successfully with other branded or private label offerings, demand for our products and our sales and profitability could be negatively impacted.

Loss of any of our key manufacturing facilities or of those of our key suppliers could have an adverse effect on our business.

Some of our products are manufactured at a single location. For example, our Malvern, Arkansas plant is our sole producer of foil reroll for our Louisville, Kentucky plant, which in turn is our sole producer of household foil. The loss of the use of all or a portion of any of our key manufacturing facilities, especially one that is a sole producer, or the loss of any key suppliers, due to any reason, including an accident, labor issues, weather conditions, natural disaster, the emergence of a pandemic (such as coronavirus), cyber-attacks against our information systems (such as ransomware) or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

Any interruption in our supply of raw materials could harm our business, financial condition and results of operations.

We are dependent on our suppliers for an uninterrupted supply of key raw materials in a timely manner. The supply of these materials could be disrupted for a wide variety of reasons, including political and economic instability, the financial stability of our suppliers, their ability to meet our standards, labor problems, the availability and prices of raw materials, currency exchange rates, transport availability and cost, transport security and inflation, and other factors beyond our control. We have written contracts with some but not all of our key suppliers, and where we have written contracts, they generally include force majeure clauses that excuse the supplier's failure to supply in certain circumstances. Any interruption in the supply of raw materials for an extended period of time could have a material adverse effect on our business, financial condition and results of operations.

Our business is impacted by fluctuations in raw material, energy and freight costs, including the impact of tariffs and similar matters.

Fluctuations in raw material and energy costs could adversely affect our business, financial condition and results of operations. Raw material costs represent a significant portion of our cost of sales. The primary raw materials we use are plastic resins, particularly polyethylene and polystyrene, and aluminum. The prices of our raw materials have fluctuated significantly in recent years. Aluminum prices have been historically volatile as aluminum is a cyclical commodity with prices subject to global market factors. Resin prices have also historically fluctuated with changes in crude oil and natural gas prices as well as changes in refining capacity and the demand for other petroleum-based products. Raw material costs are also impacted by governmental actions, such as tariffs and trade sanctions. For example, the imposition by the U.S. government of tariffs on products imported from certain countries and trade sanctions against certain countries have introduced greater uncertainty with respect to policies affecting trade between the United States and other countries and have impacted the cost of certain raw materials, including aluminum and resin. Major developments in trade relations, including the imposition of new or increased tariffs by the United States and/or other countries, could have a material adverse effect on our business, financial condition and results of operations. We experienced significant increases in material costs in 2021, particularly in resin and aluminum rates, which negatively impacted our results, and such higher costs may continue.

We typically do not enter into long-term fixed price purchase contracts for our principal raw materials. The majority of sales contracts for our products generally do not contain cost pass-through mechanisms for raw material costs. Where our contracts use such pass-through mechanisms, differences in timing between purchases of raw materials and sales to customers can create a "lead lag" effect during which margins are negatively impacted when raw material costs rise and positively impacted when raw material costs fall. We adjust prices, where possible, to mitigate the effect of production cost increases, including raw materials, but these increases are not always possible or may not cover the increased raw material costs. For example, we implemented multiple rounds of price increases in 2021 and early 2022, however those pricing actions typically lagged material cost increases.

In addition, we distribute our products and receive raw materials primarily by rail and truck. Reduced availability of rail or trucking capacity has caused us, and may continue to cause us, to incur unanticipated expenses and impair our ability to distribute our products or receive our raw materials in a timely manner, which could disrupt our operations, strain our customer relations and adversely affect our operating profits. In particular, reduced trucking capacity, due to a shortage of drivers, the federal regulation requiring drivers to electronically log their driving hours and adverse weather conditions, among other reasons, has caused an increase in the cost of transportation for us and many other companies.

Labor shortages and increased labor costs could have a material adverse effect on our business and operations.

Labor costs in the United States are rising, and our industry is experiencing a shortage of workers. Labor is one of the primary components in the cost of operating our business. If we face labor shortages and increased labor costs as a result of increased competition for employees, higher employee turnover rates, increases in the federal, state or local minimum wage or other employee benefits costs, our operating expenses could increase and our growth and results of operations could be adversely impacted. We may be unable to increase prices in order to pass future increased labor costs onto our customers, in which case our margins would be negatively affected. Additionally, if product prices are increased by us to cover increased labor costs, the higher prices could adversely affect sales volumes.

Our brands are critical to our success.

Our ability to compete successfully depends on our ability to develop and maintain brands that are meaningful to consumers. The development and maintenance of such brands requires significant investment in product innovation, brand-building, advertising and marketing. We focus on developing innovative products to address consumers' unmet needs and introducing store brand products that emulate other popular branded consumer products, and, as a result, may increase our expenditures for advertising and other brand-building or marketing initiatives. However, these initiatives may not deliver the desired results, which could adversely affect our business and the recoverability of the trade names recorded on our balance sheet, which could materially and adversely affect our business, financial condition and results of operations.

Our business could be impacted by changes in consumer lifestyle and environmental concerns.

We are a consumer products company and any reduction in consumer demand for the types of products we offer as a result of changes in consumer lifestyle, environmental concerns or other considerations could have a significant impact on our business, financial condition and results of operations. For example, there have been recent concerns about the environmental impact of single-use disposable products and products made from plastic, particularly polystyrene foam. These concerns, and the actions taken in response (including regulations banning the sale of certain polystyrene foam products in certain jurisdictions), impact several of our products, especially in our Hefty Tableware segment. Sustainability concerns, including the recycling of products, have received increased focus in recent years and may play an increasing role in brand management and consumer purchasing decisions. These changes in consumer lifestyle, environmental concerns or other considerations may result in a decrease in the demand for certain of our current products, and our inability to respond through innovation or acquisition of assets we do not currently own, could materially and adversely affect our business, financial condition and results of operations.

Our business may be affected by economic downturns in the markets that we serve and in the regions that supply our raw materials.

Our business is impacted by market conditions in the retail industry and consumer demand for our products, which in turn are affected by general economic conditions. Downturns or periods of economic weakness or increased prices in these consumer markets have resulted in the past, and could result in the future, in decreased demand for our products. For example, uncertainty about future economic conditions globally, and in the United States in particular, could lead to declines in consumer spending and consumption and cause our customers to purchase fewer of our products.

Our profitability and cash flows could suffer if we are unable to continue to generate cost savings in our manufacturing and distribution processes.

We anticipate that cost savings will result from reducing material costs and manufacturing inefficiencies and from realizing productivity gains, distribution efficiencies and overhead reductions. However, if we cannot successfully develop and implement cost savings plans, or if the cost of making these changes increases, we will not realize all anticipated benefits, which could materially and adversely affect our business, financial condition and results of operations.

Sales growth objectives may be difficult to achieve, and we may not be able to achieve our innovation goals, develop and introduce new products and line extensions or expand into adjacent categories and countries.

We operate in mature markets that are subject to high levels of competition. Our future performance and growth depends on innovation and our ability to successfully develop or license capabilities to introduce new products, brands, line extensions and product innovations or enter into or expand into adjacent product categories, sales channels or countries. Our ability to quickly innovate in order to adapt our products to meet changing consumer demands is essential, especially in light of eCommerce and direct-to-consumer channels significantly reducing the barriers for even small competitors to quickly introduce new brands and products directly to consumers. The development and introduction of new products require substantial and effective research and development and demand creation expenditures, which we may be unable to recoup if the new products do not gain widespread market acceptance.

In addition, effective and integrated systems are required for us to gather and use consumer data and information to successfully market our products. New product development and marketing efforts, including efforts to enter markets or product categories in which we have limited or no prior experience, have inherent risks, including product development or launch delays. These could result in us not being the first to market and the failure of new products, brands or line extensions to achieve anticipated levels of market acceptance. If product introductions or new or expanded adjacencies are not successful, costs associated with these efforts may not be fully recouped and our results of operations could be adversely affected. In addition, if sales generated by new products cause a decline in sales of our existing products, our financial condition and results of operations could be materially adversely affected. Even if we are successful in increasing market share within particular product categories, a decline in the markets for such product categories could have a negative impact on our financial results. In addition, in the future, our growth strategy may include expanding our international operations, which could be subject to foreign market risks, including, among others, foreign currency fluctuations, economic or political instability and the imposition of tariffs and trade restrictions, which could adversely affect our financial results.

We may incur liabilities, experience harm to our reputation and brands, or be forced to recall products as a result of real or perceived product quality or other product-related issues.

Although we have control measures and systems in place that are designed to ensure that the safety and quality of our products are maintained, the consequences of not being able to do so could be severe, including adverse effects on consumer health, our reputation, the loss of customers and market share, financial costs and loss of revenue. If any of our products are found to be defective, we could be required to or may voluntarily recall such products, which could result in adverse publicity, significant expenses and a disruption in sales and could affect our reputation and that of our products. In addition, if any of our competitors or customers supply faulty or contaminated products to the market, our industry could be negatively impacted, which in turn could have adverse effects on our business.

The widespread use of social media and networking sites by consumers has greatly increased the speed and accessibility of information dissemination. Negative publicity, posts or comments on social media or networking sites about us or our brands, whether accurate or inaccurate, or disclosure of non-public sensitive information about us, could be widely disseminated through the use of social media. Such events, if they were to occur, could harm our image and adversely affect our business, as well as require resources to rebuild our reputation.

We are affected by seasonality.

Portions of our business have historically been moderately seasonal. Overall, our strongest sales are in our fourth quarter and our weakest sales are in our first quarter. This is driven by higher levels of sales of cooking products around major U.S. holidays in our fourth quarter, primarily due to the holiday use of Reynolds Wrap, Reynolds Oven Bags and Reynolds Parchment Paper. Our tableware products generally have higher sales in the second quarter of the year, primarily due to outdoor summertime use of disposable plates, cups and bowls. As a result of this seasonality, any factors negatively affecting us during these periods of any year, including unfavorable economic conditions or pandemic-related impacts, could have a material adverse effect on our financial condition and results of operations for the entire year. Because of quarterly fluctuations caused by these and other factors, comparisons of our operating results across different fiscal quarters may not be accurate indicators of our future performance.

Loss of our key management and other personnel, or an inability to attract new management and other personnel, could negatively impact our business, financial condition and results of operations.

We depend on our senior executive officers and other key personnel to operate our businesses, develop new products and technologies and service our customers. The loss of any of these key personnel could adversely affect our operations. Competition is intense for qualified personnel and the loss of them or an inability to attract, retain and motivate additional highly skilled personnel required for the operation and expansion of our business could hinder our ability to successfully conduct research and development activities or develop and support marketable products. Additionally, the high U.S. employment levels in our industry in recent years have increased turnover as compared to prior periods at some of our facilities and made hiring and retaining hourly employees more difficult. We experienced higher labor costs in 2021 and such higher costs may continue. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We may have difficulty acquiring product lines or businesses, which could impact our business, financial condition and results of operations.

We may pursue acquisitions of product lines or businesses from third parties. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired product lines or businesses, estimation and assumption of liabilities and contingencies, personnel turnover and the diversion of management's attention from other business operations. We may be unable to successfully integrate and manage certain product lines or businesses that we may acquire in the future, or be unable to achieve anticipated benefits or cost savings from acquisitions in the time frame we anticipate, or at all.

We may not be successful in obtaining, maintaining and enforcing sufficient intellectual property rights to protect our business, or in avoiding claims that we infringe on the intellectual property rights of others.

We rely on intellectual property rights such as patents, trademarks and copyrights, as well as unpatented proprietary knowledge and trade secrets, to protect our business. However, these rights do not afford complete protection against third parties. For example, patents, trademarks and copyrights are territorial; thus, our business will only be protected by these rights in those jurisdictions in which we have been issued patents or have trademarks or copyrights, or have obtained licenses to use such patents, trademarks or copyrights. Even so, the laws of certain countries may not protect our intellectual property rights to the same extent as do the laws of the United States. Additionally, there can be no assurance that others will not independently develop knowledge and trade secrets that are similar to ours, or develop products or brands that compete effectively with our products and brands without infringing, misusing or otherwise violating any of our intellectual property rights.

We cannot be certain that any of our current or pending patents, trademarks and copyrights will provide us with sufficient protection from competitors, or that any intellectual property rights we do hold will not be invalidated, circumvented or challenged in the future. There is also a risk that we will not be able to obtain and perfect or, where appropriate, license, the intellectual property rights necessary to support new product introductions and product innovations. Additionally, we have licensed, and may license in the future, patents, trademarks, trade secrets and other intellectual property rights to third parties. While we attempt to ensure that our intellectual property rights are protected when entering into business relationships, third parties may take actions that could materially and adversely affect our rights or the value of our intellectual property rights.

Third parties may copy or otherwise obtain and use our proprietary knowledge or trade secrets without authorization or infringe, misuse or otherwise violate our other intellectual property rights. For example, our brand names, especially Reynolds, Hefty, Diamond and Presto, are well-established in the market and have attracted infringers in the past. Additionally, we may not be able to prevent current and former employees, contractors and other parties from misappropriating our confidential and proprietary knowledge. Infringement, misuse or other violation of any of our intellectual property rights may dilute or diminish the value of our brands and products in the marketplace, which could adversely affect our results of operations and make it more difficult for us to maintain a strong market position.

Although we believe that our intellectual property rights are sufficient to allow us to conduct our business without incurring liability to third parties, our products and brands may infringe on the intellectual property rights of others, and in the past we have been, and in the future we may be, subject to claims asserting infringement, misuse or other violation of intellectual property rights and seeking damages, the payment of royalties or licensing fees, and/or injunctions against the sales of our products. If we are found to have infringed, misused or otherwise violated the intellectual property rights of others, we could be forced to pay damages, cease use of such intellectual property or, if we are given the opportunity to continue to use the intellectual property rights of others, we could be required to pay a substantial amount for continued use of those rights. In any case, such claims could be protracted and costly and could have a material adverse effect on our business and results of operations regardless of their outcome.

Goodwill and indefinite-lived intangible assets are a material component of our balance sheet and impairments of these assets could have a significant impact on our results.

We have recorded a significant amount of goodwill and indefinite-lived intangible assets, representing our Reynolds and Hefty trade names, on our balance sheet. We test the carrying values of goodwill and indefinite-lived intangible assets for impairment at least annually and whenever events or circumstances indicate the carrying value may not be recoverable. The estimates and assumptions about future results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows. While we concluded that our goodwill and indefinite-lived intangible assets were not impaired during our annual impairment review performed during the fourth quarter of 2021, future events could cause us to conclude that the goodwill associated with a given segment, or one of our indefinite-lived intangible assets, may have become impaired. Any resulting impairment charge, although non-cash, could have a material adverse effect on our results of operations and financial condition.

Some of our workforce is covered by collective bargaining agreements, and our business could be harmed in the event of a prolonged work stoppage.

Approximately 24% of our employees are covered by collective bargaining agreements. While we believe we have good relationships with our unionized employees and we have not experienced a significant union-related work stoppage over the last ten years, if we encounter difficulties with renegotiations or renewals of collective bargaining arrangements or are unsuccessful in those efforts we could incur additional costs and experience work stoppages. We cannot predict how stable our union relationships will be or whether we will be able to successfully negotiate successor collective bargaining agreements without impacting our financial condition. In addition, the presence of unions may limit our flexibility in dealing with our workforce. Work stoppages could negatively impact our ability to manufacture our products on a timely basis, which could have a material adverse effect on our results of operations and financial condition.

Tax legislation initiatives or challenges to our tax positions could adversely affect our operations and financial condition.

We are subject to the tax laws and regulations of the U.S. federal, state and local governments. From time to time, legislative measures may be enacted that could adversely affect our overall tax positions regarding income or other taxes. There can be no assurance that our effective tax rate or tax payments will not be adversely affected by these legislative measures.

In addition, U.S. federal, state and local tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that our tax positions will be sustained if challenged by relevant tax authorities and if not sustained, there could be a material adverse effect on our results of operations, financial condition and cash flows.

Risks Related to Liquidity and Indebtedness

We have significant debt, which could adversely affect our financial condition and ability to operate our business.

As of December 31, 2021, we had $2,132 million of outstanding indebtedness under our senior secured term loan facility (“Term Loan Facility”) and up to $250 million of borrowing capacity under our senior secured revolving credit facility (“Revolving Facility”). Our debt level and related debt service obligations:

- require us to dedicate significant cash flow to the payment of principal of, and interest on, our debt, which reduces the funds we have available for other purposes, including working capital, capital expenditures and general corporate purposes;
- may limit our flexibility in planning for or reacting to changes in our business and market conditions or in funding our strategic growth plan;
- impose on us financial and operational restrictions; and
- expose us to interest rate risk on our debt obligations bearing interest at variable rates.

These restrictions could adversely affect our financial condition and limit our ability to successfully implement our growth strategy.

In addition, we may need additional financing to support our business and pursue our growth strategy, including for strategic acquisitions. Our ability to obtain additional financing, if and when required, will depend on investor demand, our operating performance, the condition of the capital markets and other factors. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to those of our common stock, and, in the case of equity and equity-linked securities, our existing stockholders may experience dilution.

An increase in market interest rates, or the planned phase-out or replacement of the LIBO rate, could increase our interest costs.

Our debt bears interest at variable rates, and we may incur additional variable interest rate indebtedness in the future. This exposes us to interest rate risk, and any interest rate swaps we enter into in order to reduce interest rate volatility may not fully mitigate our interest rate risk. If interest rates were to increase, our debt service obligations on the unhedged variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease.

In addition, in March 2021, the U.K. Financial Conduct Authority (the “FCA”) announced that, on December 31, 2021, publication of all non-U.S. dollar LIBO rate settings and the 1-week and 2-month U.S. dollar LIBO rate settings would permanently cease and that, immediately after June 30, 2023, publication of the overnight and 12-month U.S. dollar LIBO rate settings will permanently cease. In addition, the FCA announced that immediately after June 30, 2023, the 1-month, 3-month and 6-month U.S. dollar LIBO rates will cease to be provided or, subject to the FCA’s consideration of the case, be provided on a synthetic basis and no longer be representative of the underlying market and economic reality that they are intended to measure and that representativeness will not be restored. While the credit agreement governing our debt provides a mechanism for determining an alternative rate of interest in the event that no tenors of the LIBO rate are available, any such alternative, successor, or replacement rate may not be similar to, or produce the same value or economic equivalence of, the LIBO rate or have the same volume or liquidity as did the LIBO rate prior to its discontinuance or unavailability, which may increase our overall interest expense on unhedged variable rate indebtedness which is currently based on the LIBO rate. In addition, there can be no assurance that we will be able to reach an agreement with the administrative agent for our lenders on any such replacement benchmark before experiencing adverse effects due to changes in interest rates, if at all, as our credit agreement provides for an amendment approach as opposed to a hardwired approach where the LIBO rate would be replaced automatically upon a benchmark transition event. We will continue to monitor the situation and address the potential reference rate changes in future debt obligations that we may incur, but the potential effect of the phase-out or replacement of the LIBO rate on our cost of capital cannot yet be determined and any increase in the interest we pay and a corresponding increase in our costs of capital or otherwise could have a material adverse impact on our financial condition, results of operations or cash flows.

Risks Related to Stockholder Influence, Related Party Transactions and Governance

Substantial future sales by Packaging Finance Limited or others of our common stock, or the perception that such sales may occur, could depress the price of our common stock.

Packaging Finance Limited (“PFL”) owns the majority of our outstanding common stock. We do not know whether or when PFL will sell shares of our common stock. The sale by PFL or others of a substantial number of shares of our common stock, or a perception that such sales could occur, could significantly reduce the market price of our common stock. The perception of a potential sell-down by

PFL could depress the market price of our common stock and make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our certificate of incorporation and bylaws include provisions that:

- provide for a staggered board;
- require at least 66-2/3% of the votes that all of our stockholders would be entitled to cast in an annual election of directors in order to amend our certificate of incorporation and bylaws after the date on which PFL and all other entities beneficially owned by Mr. Graeme Richard Hart or his estate, heirs, executor, administrator or other personal representative, or any of his immediate family members or any trust, fund or other entity which is controlled by his estate, heirs, any of his immediate family members or any of their respective affiliates (PFL and all of the foregoing, collectively, the "Hart Entities") and any other transferee of all of the outstanding shares of common stock held at any time by the Hart Entities which are transferred other than pursuant to a widely distributed public sale ("Permitted Assigns") beneficially own less than 50% of the outstanding shares of our common stock;
- eliminate the ability of our stockholders to call special meetings of stockholders after the date on which the Hart Entities or Permitted Assigns beneficially own less than 50% of the outstanding shares of our common stock;
- prohibit stockholder action by written consent, instead requiring stockholder actions to be taken solely at a duly convened meeting of our stockholders, after the date on which the Hart Entities or Permitted Assigns beneficially own less than 50% of the outstanding shares of our common stock;
- permit our board of directors, without further action by our stockholders, to fix the rights, preferences, privileges and restrictions of preferred stock, the rights of which may be greater than the rights of our common stock;
- restrict the forum for certain litigation against us to the Court of Chancery of the State of Delaware; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. As a result, these provisions may adversely affect the market price and market for our common stock if they are viewed as limiting the liquidity of our stock. These provisions may also make it more difficult for a third party to acquire us in the future, and, as a result, our stockholders may be limited in their ability to obtain a premium for their shares of common stock.

Furthermore, we have entered into a stockholders agreement with PFL which, among other matters, provides PFL with the right to nominate a certain number of directors to our board of directors so long as the Hart Entities beneficially own at least 10% of the outstanding shares of our common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Notwithstanding the foregoing, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, the Securities Act of 1933, or any other claim for which the federal courts have exclusive jurisdiction. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations.

We intend to continue to pay regular dividends on our common stock, but our ability to do so may be limited.

We intend to continue to pay cash dividends on our common stock on a quarterly basis, subject to the discretion of our board of directors and our compliance with applicable law, and depending on our results of operations, capital requirements, financial condition, business prospects, contractual restrictions, restrictions imposed by applicable laws and other factors that our board of directors deems relevant. Our ability to pay dividends is restricted by the terms of our Term Loan Facility and may be restricted by the terms of any future debt or preferred equity securities. Our dividend policy entails certain risks and limitations, particularly with respect to our liquidity. By paying cash dividends rather than investing that cash in our business or repaying any outstanding debt, we risk, among other things, slowing the expansion of our business, having insufficient cash to fund our operations or make capital expenditures or limiting our ability to incur borrowings. Our board of directors will periodically review the cash generated from our business and the capital expenditures required to finance our growth plans and determine whether to modify the amount of regular dividends and/or declare any periodic special dividends. There can be no assurance that our board of directors will not reduce the amount of regular cash dividends or cause us to cease paying dividends altogether.

We could incur significant liability if our separation from PEI Group fails to qualify as a tax-free transaction for U.S. federal income tax purposes.

We historically operated as part of Pactiv Evergreen Inc. ("PEI") and its subsidiaries (together with PEI, "PEI Group"). In preparation for our IPO, PEI Group effected certain distributions pursuant to the Corporate Reorganization to transfer its interests in us to PFL in a manner that was intended to qualify as tax-free to PFL and PEI Group under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended ("Code"). PEI received a tax opinion as to the tax treatment of these distributions, which relied on certain facts, assumptions, representations and undertakings from Mr. Graeme Hart, PEI Group and us regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not otherwise satisfied, PEI may not be able to rely on the opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding the opinion of tax counsel, the Internal Revenue Service ("IRS") could determine on audit that these distributions are taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion, or for other reasons. If the distributions are determined to be taxable for U.S. federal income tax purposes, PFL, PEI and Pactiv Evergreen Group Holdings Inc. could incur significant U.S. federal income tax liabilities, and we could also incur significant liabilities. Under the tax matters agreement between PEI and us ("Tax Matters Agreement"), we are required to indemnify PEI Group against taxes incurred by them that arise as a result of, among other things, a breach of any representation made by us, including those provided in connection with the opinion of tax counsel or us taking or failing to take, as the case may be, certain actions, in each case, that result in any of the distributions failing to meet the requirements of a tax-free distribution under Sections 355 and 368(a)(1)(D) of the Code.

PFL controls the direction of our business and PFL's concentrated ownership of our common stock may prevent our stockholders from influencing significant decisions.

PFL owns and controls the voting power of approximately 74% of our outstanding shares of common stock. Under our stockholders agreement with PFL, PFL is entitled to nominate all of our board of directors so long as it owns at least 50% of our shares, and a majority of our board of directors so long as it owns at least 40% of our shares. Additionally, as long as PFL continues to control a majority of the voting power of our outstanding common stock, it is generally able to determine the outcome of all corporate actions requiring stockholder approval.

PFL and its affiliates engage in a broad spectrum of activities. In the ordinary course of their business activities, PFL and its affiliates may engage in activities where their interests may not be the same as, or may conflict with, the interests of our other stockholders. Other stockholders will not be able to affect the outcome of any stockholder vote while PFL controls the majority of the voting power of our outstanding common stock. As a result, PFL controls, directly or indirectly and subject to applicable law, the composition of our board of directors, which in turn will be able to control all matters affecting us, including, among others:

- any determination with respect to our business direction and policies, including the appointment and removal of officers and directors;
- the adoption of amendments to our certificate of incorporation;
- any determinations with respect to mergers, business combinations or disposition of assets;
- compensation and benefit programs and other human resources policy decisions;
- the payment of dividends on our common stock; and
- determinations with respect to tax matters.

In addition, the concentration of PFL's ownership could also discourage others from making tender offers, which could prevent holders from receiving a premium for their common stock.

Because PFL's interests may differ from ours or from those of our other stockholders, actions that PFL takes with respect to us, as our controlling stockholder, may not be favorable to us or our other stockholders, including holders of our common stock.

If we are no longer affiliated with PEI Group, we may be unable to continue to benefit from that relationship, which may adversely affect our operations and have a material adverse effect on us.

Our affiliation with PEI Group has provided us with increased scale and reach. We have leveraged our combined scale to coordinate purchases across our operations to reduce costs. If we no longer benefit from this relationship, whether because we are no longer affiliated with PEI Group or otherwise, it may result in increased costs for us and higher prices to our customers because we may be unable to obtain goods, services and technology from unaffiliated third parties on terms as favorable as those previously obtained. As a result of any the above factors, we may be precluded from pursuing certain opportunities that we would otherwise pursue, including growth opportunities, which in turn may adversely affect our business, financial condition and results of operations.

We have entered, and may continue to enter, into certain related party transactions. There can be no assurance that we could not have achieved more favorable terms if such transactions had not been entered into with related parties, or that we will be able to maintain existing terms in the future.

We have entered into various transactions with Rank Group Limited ("Rank") and other related parties that are members of PEI Group, including, among others:

- the lease for our corporate headquarters in Lake Forest, Illinois;
- the lease for a facility used for certain research and development activities in Canandaigua, New York;
- the transition services agreement whereby PEI Group provides certain administrative services to us and we will provide certain services to PEI Group, including human resources, compliance, and procurement;
- the transition services agreement whereby Rank, upon our request, provides certain administrative services to us;
- a transition and support agreement with Pactiv LLC ("Pactiv"), a member of PEI Group, for support at our Red Bluff, California and Huntersville, North Carolina facilities (which we acquired from Pactiv in 2019);
- supply agreements where we sell certain products (primarily aluminum foil containers and roll foil) to, and purchase certain products (primarily tableware) from, Pactiv; and
- a warehousing and freight services agreement whereby Pactiv provides certain logistics services to us.

While we believe that all such transactions have been negotiated on an arm's length basis and contain commercially reasonable terms, we may have been able to achieve more favorable terms had such transactions been entered into with unrelated parties. In addition, while these services are being provided to us by related parties, our operational flexibility to modify or implement changes with respect to such services or the amounts we pay for them may be limited. At the conclusion of these agreements, we will have to perform such services with internal resources or contract with third party providers. There could be disruptions upon transition, and there can be no assurance that we will be able to perform or obtain the necessary services at the same or lower cost. Such related party transactions may also potentially involve conflicts of interest; for example, in the event of a dispute under any of these related party agreements, PEI Group could decide the matter in a way adverse to us, and our ability to enforce our contractual rights may be limited.

It is also likely that we may enter into related party transactions in the future. Although material related party transactions that we may enter into will be subject to approval or ratification of a designated committee of our board of directors (which will initially be the Audit Committee) or other committee designated by our board of directors made up solely of independent directors, there can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations, or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties.

If PFL sells a controlling interest in our company to a third party in a private transaction, investors may not realize any change-of-control premium on shares of our common stock and we may become subject to the control of a presently unknown third party.

PFL owns and controls the voting power of approximately 74% of our outstanding shares of common stock. PFL has the ability, should it choose to do so, to sell some or all of its shares of our common stock in a privately negotiated transaction, which, if sufficient in size, could result in a change of control of our company.

The ability of PFL to privately sell its shares of our common stock, with no requirement for a concurrent offer to be made to acquire all of the shares of our common stock that are publicly traded, could prevent investors from realizing any change-of-control premium on shares of our common stock that may otherwise accrue to PFL on its private sale of our common stock. Additionally, if PFL privately sells its significant equity interest in our company, we may become subject to the control of a presently unknown third party. Such third party may have conflicts of interest with those of other stockholders. In addition, if PFL sells a controlling interest in our company to a third party, our liquidity could be impaired, our outstanding indebtedness may be subject to acceleration and our commercial agreements and relationships could be impacted, all of which may adversely affect our ability to run our business as described herein and may have a material adverse effect on our results of operations and financial condition.

We are a "controlled company" within the meaning of the rules of Nasdaq and, as a result, rely on exemptions from certain corporate governance requirements.

PFL controls a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the corporate governance standards of Nasdaq. Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that our compensation, nominating and corporate governance committee be composed entirely of independent directors; and
- the requirement for an annual performance evaluation of our compensation, nominating and corporate governance committee.

While PFL controls a majority of the voting power of our outstanding common stock, we intend to rely on these exemptions and, as a result, will not have a majority of independent directors on our board of directors or a compensation, nominating and corporate governance committee consisting entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

PEI Group may compete with us, and its competitive position in certain markets may constrain our ability to build and maintain partnerships.

We may face competition from a variety of sources, including Pactiv and other members of PEI Group, both today and in the future. For example, while we have supply agreements in place with Pactiv, Pactiv may still compete with us in certain products and/or in certain channels. In addition, while none of the other members of PEI Group currently manufacture or sell products that compete with our products, they may do so in the future, including as a result of acquiring a company that operates as a manufacturer of consumer products. Due to the significant resources of PEI Group, including financial resources and know-how resulting from the previous management of our business, PEI Group could have a significant competitive advantage should it decide to engage in the type of business we conduct, which may materially and adversely affect our business, financial condition and results of operations. Although Pactiv has historically sold the products (primarily tableware and cups) that we purchase from it in the foodservice business-to-business channel, after the termination of our supply agreement with Pactiv it could seek to sell such products in the retail channel or otherwise compete with us, especially where we sell private label or store brand products. As our former supplier, Pactiv would have information about products, including pricing that could give it a competitive advantage.

In addition, we may partner with companies that compete with PEI Group in certain markets. Our affiliation with PEI Group may affect our ability to effectively partner with these companies. These companies may favor our competitors because of our relationship with PEI Group.

Conflicts of interest may arise because certain of our directors may hold a management or board position with PEI Group entities.

From time to time, certain of our directors may also be directors or officers of PEI or other PEI Group entities. The interests of any such director in PEI, other PEI Group entities and us could create, or appear to create, conflicts of interest with respect to decisions involving both us and PEI or PEI Group entities that could have different implications for PEI and us. These decisions could, for example, relate to:

- disagreement over corporate opportunities;
- competition between us and PEI Group;
- employee retention or recruiting;
- our dividend policy; and
- the services and arrangements from which we benefit as a result of our relationship with PEI Group.

Conflicts of interest could also arise if we enter into any new commercial arrangements with PEI Group in the future. The presence of directors or officers of entities affiliated with PEI on our board of directors could create, or appear to create, conflicts of interest and conflicts in allocating their time with respect to matters involving both us and any one of them, or involving us and PEI, that could have different implications for any of these entities than they do for us. Provisions of our amended and restated certificate of incorporation and amended and restated bylaws address corporate opportunities that are presented to any of our directors who, from time to time, are also directors or officers of PEI and certain of its subsidiaries. We cannot assure you that our amended and restated certificate of incorporation will adequately address potential conflicts of interest or that potential conflicts of interest will be resolved in our favor or that we will be able to take advantage of corporate opportunities presented to any such individual who is a director of both us and PEI. As a result, we may be precluded from pursuing certain advantageous transactions or growth initiatives.

Our inability to resolve in a manner favorable to us any potential conflicts or disputes that arise between us and PEI Group, PFL or Rank with respect to our past and ongoing relationships may adversely affect our business and prospects.

Potential conflicts or disputes may arise between PEI Group, PFL or Rank and us in a number of areas relating to our past or ongoing relationships, including:

- tax, employee benefit, indemnification and other matters arising from our relationship with PEI Group, PFL or Rank;
- business combinations involving us;
- the nature, quality and pricing of services PEI Group and Rank have agreed to provide us;
- business opportunities that may be attractive to us and PEI Group;
- intellectual property or other proprietary rights; and
- joint sales and marketing activities with PEI Group.

The resolution of any potential conflicts or disputes between us, PEI Group, PFL or Rank or their subsidiaries over these or other matters may be less favorable to us than the resolution we might achieve if we were dealing with an unaffiliated third party.

The agreements we have entered into with PEI Group and Rank are of varying durations and may be amended upon agreement of the parties. So long as it has the ability to nominate a majority of our board of directors, PFL will be able to determine the outcome of all matters requiring stockholder approval and will be able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and could preclude any acquisition of our company. For so long as we are controlled by PFL, we may be unable to negotiate renewals or amendments to these agreements, if required, on terms as favorable to us as those we would be able to negotiate with an unaffiliated third party.

Risks Related to the COVID-19 Pandemic

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, has, 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;
- 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; and
- the unknown duration and magnitude of the increased demand for certain of our products, which may not continue or be consistent with our experience to date.

These and other impacts of the COVID-19 pandemic could have the effect of heightening many of the other risk factors disclosed in this 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.

Legal, Regulatory and Compliance Risks

We are subject to governmental regulation and we may incur material liabilities under, or costs in order to comply with, existing or future laws and regulations.

Many of our products come into contact with food when used, and the manufacture, packaging, labeling, storage, distribution, advertising and sale of such products are subject to various laws designed to protect human health and the environment. For example, in the United States, many of our products are regulated by the Food and Drug Administration (including applicable current good manufacturing practice regulations) and/or the Consumer Product Safety Commission, and our product claims and advertising are regulated by the Federal Trade Commission. Most states have agencies that regulate in parallel to these federal agencies. Liabilities under, and/or costs of compliance, and the impact on us of any non-compliance with any such laws and regulations could materially and adversely affect our business, financial condition and results of operations. In addition, changes in the laws and regulations which we are subject to could impose significant limitations and require changes to our business, which in turn may increase our compliance expenses, make our business more costly and less efficient to conduct, and compromise our growth strategy.

We could incur significant liabilities related to, and significant costs in complying with, environmental, health and safety laws, regulations and permits.

Our operations are subject to various national, state, local, foreign and international environmental, health and safety laws, regulations and permits that govern, among other things, the emission or discharge of materials into the environment; the use, storage, treatment, disposal, management and release of hazardous substances and wastes; the health and safety of our employees and the end-users of our products; and the materials used in, and the recycling of, our products. These laws and regulations impose liability, which can be strict, joint and several, for the costs of investigating and remediating, and damages resulting from, present and past releases of hazardous substances related to our current and former sites, as well as at third party sites where we or our predecessors have sent waste for disposal. Non-compliance with, or liability related to, these laws, regulations and permits, which tend to become more stringent over time, could result in substantial fines or penalties, injunctive relief, requirements to install pollution control devices or other controls or equipment, civil or criminal sanctions, permit revocations or modifications and/or facility shutdowns, and could expose us to costs of investigation or remediation, as well as tort claims for property damage or personal injury.

In addition, a number of governmental authorities, both in the United States and abroad, have considered, and are expected to consider, legislation aimed at reducing the amount of plastic waste. Programs have included banning certain types of products, mandating certain rates of recycling and/or the use of recycled materials, imposing deposits or taxes on plastic bags and packaging material, and requiring retailers or manufacturers to take back packaging used for their products. Such legislation, as well as voluntary initiatives, aimed at reducing the level of plastic wastes could reduce the demand for certain plastic products, result in greater costs for manufacturers of plastic products or otherwise impact our business, financial condition and results of operations. Additional regulatory efforts addressing other environmental or safety concerns in the future could similarly impact our operations and financial results.

We depend on intellectual property rights licensed from third parties, and disputes regarding, or termination of, these licenses could result in loss of rights, which could harm our business.

We are dependent in part on intellectual property rights licensed from third parties. Our licenses of such intellectual property rights may not provide exclusive or unrestricted rights in all fields of use and in all territories in which we may wish to develop or commercialize our products in the future and may restrict our rights to offer certain products in certain markets or impose other obligations on us in exchange for our rights to the licensed intellectual property. In addition, we may not have full control over the maintenance, protection or use of in-licensed intellectual property rights, and therefore we may be reliant on our licensors to conduct such activities.

Disputes may arise between us and our licensors regarding the scope of rights or obligations under our intellectual property license agreements, including the scope of our rights to use the licensed intellectual property, our rights with respect to third parties, our and our licensors' obligations with respect to the maintenance and protection of the licensed intellectual property, and other interpretation-related issues. The agreements under which we license intellectual property rights from others are complex, and the provisions of such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the intellectual property being licensed, or increase what we believe to be our financial or other obligations under the relevant agreement. Termination of or disputes over such licenses could result in the loss of significant rights.

We are generally also subject to all of the same risks with respect to protection of intellectual property that we license as we are for intellectual property that we own. Any failure on our part or the part of our licensors to adequately protect this intellectual property could have a material adverse effect on our business and results of operations.

A cybersecurity breach or failure of our information systems security measures could expose us to liability and disrupt our operations.

We depend on information technology for processing and distributing information in our business, including to and from our customers and suppliers. This information technology could be subject to theft, damage or interruption from a variety of sources, including malicious computer viruses, security breaches, defects in design, employee malfeasance or human or technical errors. Additionally, we could be at risk if a customer's or supplier's information technology system is attacked or compromised. Cybersecurity incidents have increased in number and severity, and it is expected that these trends will continue. Although we have taken measures to protect our data and to protect our computer systems from attacks, they may not be sufficient to prevent unauthorized access to our systems or theft of our data. If we or third parties with whom we do business were to fall victim to cyber-attacks or experience other cybersecurity incidents, such incidents could result in unauthorized access to, disclosure or loss of or damage to company, customer or other third party data; theft of confidential data, including personal information and intellectual property; loss of access to critical data or systems; service interruptions; and other business delays or disruptions. The loss or disclosure of personal information could also expose us to liability or penalties under laws, rules and regulations related to solicitation, collection, processing or use of consumer, customer, vendor or employee information or related data. In addition, we may incur large expenditures to investigate or remediate, to recover data, to repair or replace networks or information technology systems, or to protect against similar future events. If these events were to occur, we could incur substantial costs or suffer other consequences that negatively impact our business, financial condition and results of operations.

Legal claims and proceedings could adversely impact our business.

As a large company with a long history of serving consumers, we may be subject to a wide variety of legal claims and proceedings. Regardless of their merit, these claims can require significant time and expense to investigate and defend. Since litigation is inherently uncertain, there is no guarantee that we will be successful in defending ourselves against such claims or proceedings, or that our assessment of the materiality of these matters, including any reserves taken in connection therewith, will be consistent with the ultimate outcome of such matters. The resolution of, or increase in the reserves taken in connection with, one or more of these matters could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our insurance coverage may not adequately protect us against business and operating risks.

We maintain insurance for some, but not all, of the potential risks and liabilities associated with our business. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive in relation to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance policies are economically unavailable or available only for reduced amounts of coverage. For example, we will not be fully insured against all risks associated with pollution and other environmental incidents or impacts. Moreover, we may face losses and liabilities that are uninsurable by their nature, or that are not covered, fully or at all, under our existing insurance policies. Any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our cash position and results of operations.

If securities or industry analysts do not publish research or reports about our business, or they publish inaccurate or unfavorable reports about our business, the price of our common stock and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares of common stock or change their opinion of our common stock, our common stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our common stock price or trading volume to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Lake Forest, Illinois. In addition, as of December 31, 2021, our production and distribution network consisted of 22 manufacturing and warehouse facilities in 10 states and one manufacturing facility in Canada, which are used to produce and store the products sold in all four of our business segments. We own the majority of our physical properties. We believe that all of our properties are in good operating condition and are suitable to adequately meet our current needs.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to various claims, charges and litigation matters arising in the ordinary course of business. Management and legal counsel regularly review the probable outcome of such proceedings. We have established reserves for legal matters that are probable and estimable, and at December 31, 2021, these reserves were not significant. While we cannot feasibly predict the outcome of these matters with certainty, we believe, based on examination of these matters, experience to date and discussions with counsel, that the ultimate liability, individually or in the aggregate, will not have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

Our common stock is listed on The Nasdaq Stock Market LLC under the "REYN" symbol and began "regular way" trading on The Nasdaq Stock Market LLC on January 31, 2020. Prior to that date, there was no public trading market for our common stock.

Stockholders

As of January 31, 2022, there were four holders of record of our common stock. The actual number of our stockholders is greater than this number, and includes beneficial owners whose shares are held in "street name" by banks, brokers and other nominees.

Dividends

We expect that our practice of paying quarterly cash dividends on our common stock will continue, although the payment of future dividends is at the discretion of our Board of Directors and will depend upon our earnings, capital requirements, financial condition, contractual restrictions (including under our Term Loan Facility) and other factors.

Equity Compensation Plan Information

The information required by this Item concerning our equity compensation plan is incorporated herein by reference to Part III, Item 12 of this report.

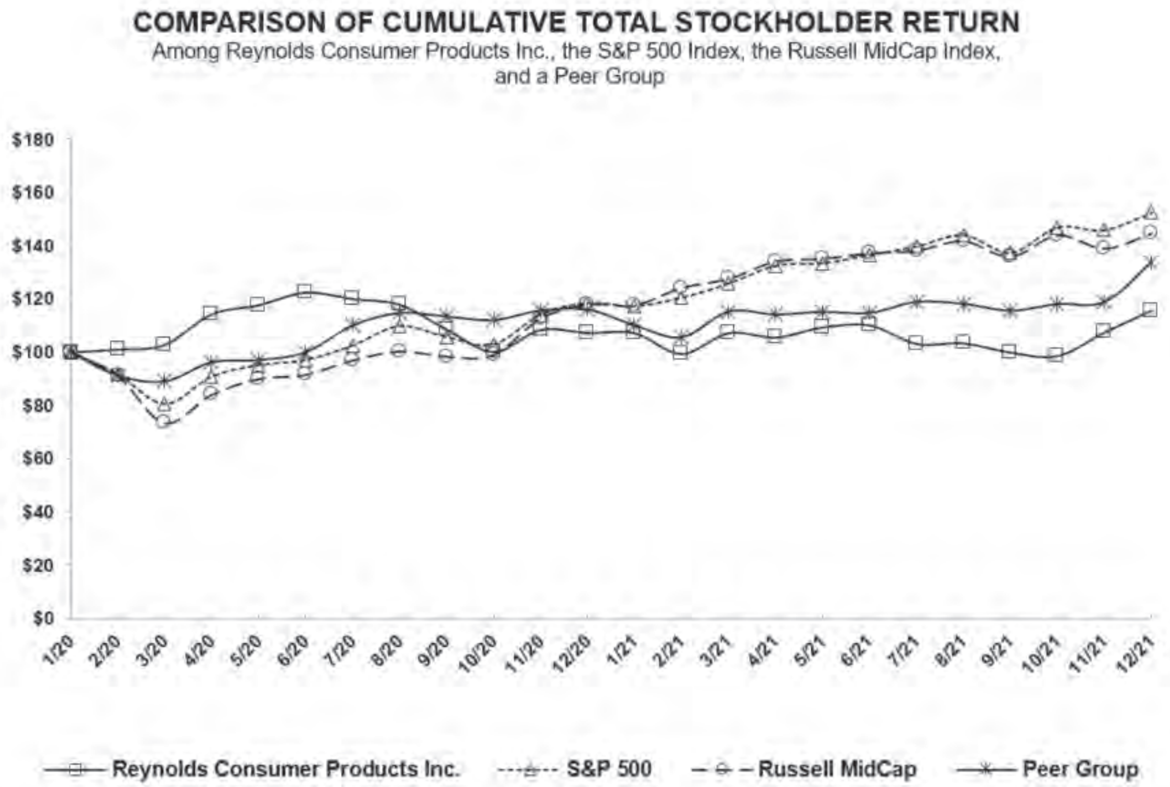
Use of Proceeds from Sale of Registered Securities

On February 4, 2020, we completed our IPO, in which we sold 54,245,500 shares of common stock, including the exercise of the underwriters' option to purchase 7,075,500 additional shares, at a public offering price of $26.00 per share for an aggregate price of $1,410 million. We received net proceeds of $1,336 million in the IPO, after deducting underwriting discounts and commissions of $67 million and other expenses of $5 million. The offer and sale of the shares in the IPO were registered under the Securities Act of 1933 pursuant to a Registration Statement on Form S-1 (File No. 333-234731), which was declared effective by the SEC on January 30, 2020. Upon completion of the sale of the shares of our common stock, the IPO terminated. There has been no material change in the use of proceeds from our IPO as described in our final prospectus filed with the Securities and Exchange Commission on January 31, 2020 pursuant to Rule 424(b)(4) of the Securities Act of 1933. Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC acted as representatives of the several underwriters for the offering.

Performance Graph

The following graph compares our cumulative total stockholder return from January 31, 2020 to December 31, 2021 to that of the S&P 500 Index, the Russell MidCap Index and a peer group. The graph assumes that the value for the investment in our common stock, each index and the peer group was $100 on January 31, 2020, and that all dividends were reinvested. The complete list of our peer group comprises: Church & Dwight Co. Inc., The Clorox Company, Colgate-Palmolive Company, Energizer Holdings, Inc., Kimberly-Clark Corporation., Newell Brands Inc., The Procter & Gamble Company, The Scotts Miracle-Gro Company, Spectrum Brands Holdings, Inc. and WD-40 Company.

Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.



ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Description of the Company and its Business Segments

We are a market-leading consumer products company with a presence in 96% of households across the United States. We produce and sell products across three broad categories: cooking products, waste and storage products and tableware. We sell our products under iconic brands such as Reynolds and Hefty and also under store brands that are strategically important to our customers. Overall, across both our branded and store brand offerings, we hold the #1 or #2 U.S. market share position in the majority of product categories in which we participate. We have developed our market-leading position by investing in our product categories and consistently developing innovative products that meet the evolving needs and preferences of the modern consumer.

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

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

- Reynolds Cooking & Baking: Through our Reynolds Cooking & Baking segment, we produce branded and store brand foil, disposable aluminum pans, parchment paper, freezer paper, wax paper, butcher paper, plastic wrap, baking cups, oven bags and slow cooker liners. Our branded products are sold under the Reynolds Wrap, Reynolds KITCHENS and E-Z Foil brands in the United States and selected international markets, under the ALCAN brand in Canada and under the Diamond brand outside of North America.
- Hefty Waste & Storage: Through our Hefty Waste & Storage segment, we produce both branded and store brand trash and food storage bags. Hefty is a well-recognized leader in the trash bag and food storage bag categories and our private label products offer value to our retail partners. Our branded products are sold under the Hefty Ultra Strong and Hefty Strong brands for trash bags, and as the Hefty and Baggies brands for our food storage bags. We have the #1 branded market share in the U.S. outdoor trash bag and slider bag segments, and the #2 branded market share in the tall kitchen trash bag segment. Our robust product portfolio in this segment includes a full suite of products, including sustainable solutions such as blue and clear recycling bags, compostable bags, bags made from recycled materials and the Hefty EnergyBag Program.
- Hefty Tableware: Through our Hefty Tableware segment, we sell both branded and store brand disposable and compostable plates, bowls, platters, cups and cutlery. Our Hefty branded products include dishes and party cups.
- Presto Products: Through our Presto Products segment, we primarily sell store brand products in four main categories: food storage bags, trash bags, reusable storage containers and plastic wrap. Our Presto Products segment also includes our specialty business, which serves other consumer products companies by providing Fresh-Lock and Slide-Rite resealable closure systems.

Factors Affecting Our Results of Operations

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section of this Annual Report on Form 10-K titled "Risk Factors."

Consumer Demand for our Products

Our business is largely impacted by the demands of our customers, and our success depends on our ability to anticipate and respond to changes in consumer preferences. Our products are household staples with a presence in 96% of households across the United States.

We also expect that consumers' desire for convenience will continue to sustain demand for our products. Today's consumers are focused on convenience, which extends into household products that improve ease of use and provide time savings, and they are willing to pay a higher price for innovative features and functionality. While advanced features are already prevalent in many of our products, we intend to continue investing in product development to accommodate the convenience-oriented lifestyles of today's consumers.

Branded products and store brand products accounted for 63% and 37% of our revenue, excluding business-to-business revenue, respectively, in the year ended December 31, 2021. We intend to continue investing in both our branded and store brand products to grow the entire product category. Our scale across household aisles and ability to offer both branded and store brand products enable us to grow the overall category. Through our category captain level advisor roles with our retail partners, we offer marketing and consumer shopping strategies, both in store and online, which expand usage occasions and stimulate consumption.

Costs for Raw Material, Energy, Labor and Freight

Our business is impacted by fluctuations in the prices of the raw materials, energy and freight costs incurred in manufacturing and distributing our products as well as fluctuations in labor and logistics costs related thereto. The primary raw materials used to manufacture our products are plastic resins and aluminum, and we also use commodity chemicals and energy. We are exposed to commodity and other price risk principally from the purchase of resin, aluminum, natural gas, electricity, carton board and diesel. We distribute our products and receive raw materials primarily by rail and truck, which exposes us to fluctuations in labor, freight and handling costs caused by reduced rail and trucking capacity. Sales contracts for our products typically do not contain pass-through mechanisms for raw material, energy, labor and freight cost changes, but we adjust prices, where possible, in response to such price fluctuations.

Resin prices have historically fluctuated with changes in the prices of crude oil and natural gas, as well as changes in refining capacity and the demand for other petroleum-based products. Aluminum prices have also historically fluctuated, as aluminum is a cyclical commodity with prices subject to global market factors. Raw material costs have also been impacted by governmental actions, such as tariffs and trade sanctions.

Purchases of most of our raw materials are based on negotiated rates with suppliers, which are linked to published indices. Typically, we do not enter into long-term purchase contracts that provide for fixed quantities or prices for our principal raw materials.

We use various strategies to manage our cost exposures on certain raw material purchases, and we use naturally established forecast cycles to influence the purchase of raw materials. In addition, from time to time we have entered into hedging agreements, including commodity derivative contracts, to hedge commodity prices primarily related to aluminum, diesel and benzene with the objective of obtaining more predictable costs for these commodities. The realized and unrealized gains or losses arising from commodity derivative instruments are recognized in cost of sales.

Furthermore, since we distribute our products and receive raw materials primarily by rail and truck, reduced availability of rail or trucking capacity and fluctuations in labor, freight and handling costs have caused us to incur increased expenses in certain periods. Where possible, we also adjust the prices of our products in response to fluctuations in production and distribution costs.

Our operating results are also impacted by energy-related cost movements, including those impacting both our manufacturing operations and transportation and utility costs.

Competitive Environment

We operate in a marketplace influenced by large retailers with strong negotiating power over their suppliers. Current trends among these large retailers include increased demand for innovative new products from suppliers, requiring suppliers to maintain or reduce product prices and to deliver products within shorter lead times. We also face the threat of competition from new entrants to our markets as well as from existing competitors, including those overseas who may have lower production costs. In addition, the timing and amount in which our competitors invest in advertising and promotional spending may vary from quarter to quarter and impact our sales volumes and financial results. See “Business - Competition” for more detail on our competitors.

Seasonality

Portions of our business historically have been moderately seasonal. Overall, our strongest sales are in our fourth quarter and our weakest sales are in our first quarter. This is driven by higher levels of sales of cooking products around major U.S. holidays in our fourth quarter, primarily due to the holiday use of Reynolds Wrap, Reynolds Oven Bags and Reynolds Parchment Paper. Our tableware products generally have higher sales in the second quarter of the year, primarily due to outdoor summertime use of disposable plates, cups and bowls.

Sustainability

Interest in environmental sustainability has increased over the past decade, and we expect that this may play an increasing role in consumer purchasing decisions. For instance, there have been recent concerns about the environmental impact of single-use disposable products and products made from plastic, particularly polystyrene foam, affecting our products, especially our Hefty Tableware segment. While there is a focus on environmentally friendly products, survey results indicate that in most of our product categories, consumers continue to rank performance-related purchase criteria, such as durability and ease of use, followed by price, as top considerations, rather than sustainability. As our consumers may shift towards purchasing more sustainable products, we have focused much of our innovation efforts around sustainability. We offer a broad line of products made with recycled, renewable, recyclable and compostable materials. We intend to continue sustainability innovation in our efforts to be at the leading edge of recyclability, renewability and compostability in order to offer our customers environmentally sustainable choices.

Impact of COVID-19

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

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

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

Overview

Total net revenues increased 9% for the year ended December 31, 2021, compared to the year ended December 31, 2020. The revenue increase was primarily due to pricing actions taken in response to increased material costs and lower levels of trade promotion.

We experienced significant increases in material costs as well as increased labor and logistics costs in 2021. The timing and magnitude of easing of material costs is uncertain at this time, however, we are aggressively implementing price increases, including a fourth round of price increases implemented in early 2022, and other cost reduction initiatives in order to maintain our profitability. Our 2021 earnings decline was primarily attributable to the lag in timing of material cost recovery, which we expect will improve as the cost increases begin to ease and price increases are fully realized.

Non-GAAP Measures

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

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

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

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

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

	For the Years Ended December 31, 2021	2020	2019
		(in millions)	
Net income – GAAP	**$ 324**	**$ 363**	**$ 225**
Income tax expense	106	153	76
Interest expense, net	48	70	209
Depreciation and amortization	109	99	91
Factoring discount (1)	—	—	25
Allocated related party management fee (2)	—	—	10
IPO and separation-related costs (3)	14	31	31
Unrealized (gains) on derivatives (4)	—	—	(9)
Other	—	1	(3)
Adjusted EBITDA (Non-GAAP)	**$ 601**	**$ 717**	**$ 655**

(1) Reflects the loss on sale that we incurred when we sold our U.S. trade receivables through PEI Group's securitization facility. Our participation in this facility ceased upon the completion of our Corporate Reorganization and IPO.
(2) Reflects our allocation, from PEI Group, of a management fee that was charged by Rank to PEI Group, which ceased upon the completion of our Corporate Reorganization and IPO.
(3) Reflects costs during the years ended December 31, 2021, 2020 and 2019 related to our separation to operate as a stand-alone public company as well as costs related to the IPO process.
(4) Reflects the mark-to-market movements in our commodity derivatives.

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
(in millions, except for per share data)	**Net Income**	**Diluted Shares**	**Diluted EPS**	**Net Income**	**Diluted Shares**	**Diluted EPS**
As Reported - GAAP	**$ 324**	**210**	**$ 1.54**	**$ 363**	**205**	**$ 1.77**
Assume full period impact of IPO shares (1)	—	—	—	—	5	—
Total	324	210	1.54	363	210	1.73
Adjustments:						
IPO and separation-related costs (2)	11	210	0.05	23	210	0.11
Impact of tax legislation change from the CARES Act	—	—	—	27	210	0.13
Adjusted (Non-GAAP)	**$ 335**	**210**	**$ 1.59**	**$ 413**	**210**	**$ 1.97**

(1) Represents incremental shares required to adjust the weighted average shares outstanding for the period to the actual shares outstanding as of December 31, 2020. We utilize the shares outstanding at period end as if they had been outstanding for the full period rather than weighted average shares outstanding over the course of the period as it is a more meaningful calculation that provides consistency in comparability due to the additional shares issued as a result of the IPO in the period.
(2) Amounts are after tax, calculated using a tax rate of 24.6% for each of the years ended December 31, 2021 and 2020, which is our effective tax rate for the periods presented excluding the 2020 one-time discrete expense associated with the legislation change from the CARES Act.

Results of Operations

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

Discussions of the year ended December 31, 2020 items and comparisons between the year ended December 31, 2020 and the year ended December 31, 2019 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed on February 12, 2021.

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						
2021	$ 1,314	$ 884	$ 815	$ 564	$ (21)	$ 3,556
2020	1,159	818	763	533	(10)	3,263
2019	1,076	709	751	511	(15)	3,032
Adjusted EBITDA [1]						
2021	$ 255	$ 173	$ 137	$ 69	$ (33)	$ 601
2020	254	236	170	98	(41)	717
2019	209	190	178	91	(13)	655

(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. The unallocated Adjusted EBITDA represents the combination of corporate expenses which are not allocated to our segments and other unallocated revenue adjustments.

Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

Total Reynolds Consumer Products

	For the Years Ended December 31,					
(in millions, except for %)	2021	% of Revenue	2020	% of Revenue	Change	% Change
Net revenues	$ 3,445	97%	$ 3,147	96%	$ 298	9%
Related party net revenues	111	3%	116	4%	(5)	(4)%
Total net revenues	**3,556**	**100%**	**3,263**	**100%**	**293**	**9%**
Cost of sales	(2,745)	(77)%	(2,290)	(70)%	(455)	(20)%
Gross profit	**811**	**23%**	**973**	**30%**	**(162)**	**(17)%**
Selling, general and administrative expenses	(320)	(9)%	(358)	(11)%	38	11%
Other expense, net	(13)	—%	(29)	(1)%	16	55%
Income from operations	**478**	**13%**	**586**	**18%**	**(108)**	**(18)%**
Interest expense, net	(48)	(1)%	(70)	(2)%	22	31%
Income before income taxes	**430**	**12%**	**516**	**16%**	**(86)**	**(17)%**
Income tax expense	(106)	(3)%	(153)	(5)%	47	31%
Net income	**$ 324**	**9%**	**$ 363**	**11%**	**$ (39)**	**(11)%**
Adjusted EBITDA [1]	**$ 601**	**17%**	**$ 717**	**22%**	**$ (116)**	**(16)%**

(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 Year Ended December 31, 2021 vs. the Year Ended December 31, 2020

	Price	Volume/Mix	Total
Reynolds Cooking & Baking	9%	4%	13%
Hefty Waste & Storage	8%	—%	8%
Hefty Tableware	6%	1%	7%
Presto Products	9%	(3)%	6%
Total RCP	**8%**	**1%**	**9%**

Total Net Revenues. Total net revenues increased by $293 million, or 9%, to $3,556 million. The increase was primarily driven by higher pricing through a combination of pricing actions taken in response to increased material costs and lower levels of trade promotion, as well as higher volume.

Cost of Sales. Cost of sales increased by $455 million, or 20%, to $2,745 million. The increase was driven by an increase of $391 million in material costs as well as increased labor and logistics costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $38 million, or 11%, to $320 million primarily due to lower advertising and personnel costs.

Other Expense, Net. Other expense, net decreased by $16 million, or 55%, to $13 million. The decrease was primarily attributable to lower IPO and separation-related costs compared to the prior year period.

Interest Expense, *Net*. Interest expense, net decreased by $22 million, or 31%, to $48 million. The decrease was primarily due to lower interest rates and a lower principal balance on our debt.

Income Tax Expense. We recognized income tax expense of $106 million on income before income taxes of $430 million (an effective tax rate of 24.6%) for the year ended December 31, 2021 compared to income tax expense of $153 million on income before income taxes of $516 million (an effective tax rate of 29.7%) for the year ended December 31, 2020. The decrease in the effective tax rate was due to the recognition of a $27 million discrete tax expense associated with the remeasurement of our deferred taxes as a result of the legislation change from the CARES Act in the prior year period. Excluding the impact of this, our effective tax rate was 24.6% for the year ended December 31, 2020.

Adjusted EBITDA. Adjusted EBITDA decreased by $116 million, or 16%, to $601 million. The decrease in Adjusted EBITDA was primarily due to price increases lagging material cost increases and increased labor and logistics costs, partially offset by lower selling, general and administrative expenses and higher volume.

Segment Information

Reynolds Cooking & Baking

	For the Years Ended December 31,			
(in millions, except for %)	**2021**	**2020**	**Change**	**% change**
Total segment net revenues	$ 1,314	$ 1,159	$ 155	13%
Segment Adjusted EBITDA	255	254	1	—%
Segment Adjusted EBITDA Margin	19%	22%		

Total Segment Net Revenues. Reynolds Cooking & Baking total segment net revenues increased by $155 million, or 13%, to $1,314 million. The increase in net revenues was primarily driven by higher pricing through a combination of pricing actions taken as a result of increased material costs and lower levels of trade promotions, as well as higher volume.

Adjusted EBITDA. Reynolds Cooking & Baking Adjusted EBITDA was essentially flat at $255 million, compared to $254 million in 2020. Higher volume was mostly offset by increased material costs, net of pricing actions, and increased logistics costs.

Hefty Waste & Storage

(in millions, except for %)	For the Years Ended December 31, 2021	2020	Change	% change
Total segment net revenues	$ 884	$ 818	$ 66	8%
Segment Adjusted EBITDA	173	236	(63)	(27)%
Segment Adjusted EBITDA Margin	20%	29%		

Total Segment Net Revenues. Hefty Waste & Storage total segment net revenues increased by $66 million, or 8%, to $884 million. The increase in net revenues was primarily driven by higher pricing through a combination of pricing actions taken in response to increased material costs and lower levels of trade promotion.

Adjusted EBITDA. Hefty Waste & Storage Adjusted EBITDA decreased by $63 million, or 27%, to $173 million. The decrease in Adjusted EBITDA was primarily driven by material cost increases outpacing price increases as well as increased labor costs, partially offset by lower advertising costs.

Hefty Tableware

(in millions, except for %)	For the Years Ended December 31, 2021	2020	Change	% change
Total segment net revenues	$ 815	$ 763	$ 52	7%
Segment Adjusted EBITDA	137	170	(33)	(19)%
Segment Adjusted EBITDA Margin	17%	22%		

Total Segment Net Revenues. Hefty Tableware total segment net revenues increased by $52 million, or 7%, to $815 million. The increase in net revenues was primarily driven by higher pricing through a combination of pricing actions taken as a result of increased material costs and lower levels of trade promotion.

Adjusted EBITDA. Hefty Tableware Adjusted EBITDA decreased by $33 million, or 19%, to $137 million. The decrease in Adjusted EBITDA was primarily driven by pricing actions lagging material cost increases as well as increased labor costs.

Presto Products

(in millions, except for %)	For the Years Ended December 31, 2021	2020	Change	% change
Total segment net revenues	$ 564	$ 533	$ 31	6%
Segment Adjusted EBITDA	69	98	(29)	(30)%
Segment Adjusted EBITDA Margin	12%	18%		

Total Segment Net Revenues. Presto Products total segment net revenues increased by $31 million, or 6%, to $564 million. The increase in net revenues was primarily driven by pricing actions taken in response to increased material costs, partially offset by lower volume in the current year primarily due to the lapping of heightened consumption in the prior year as well as import and third party delays.

Adjusted EBITDA. Presto Products Adjusted EBITDA decreased by $29 million, or 30%, to $69 million. The decrease in Adjusted EBITDA was primarily driven by price increases lagging material cost increases as well as increased labor and logistics costs.

Seasonality

Portions of our business historically have been moderately seasonal. Overall, our strongest sales are in our fourth quarter and our weakest sales are in our first quarter. This is driven by higher levels of sales of cooking products around major U.S. holidays in our fourth quarter, primarily due to the holiday use of Reynolds Wrap, Reynolds Oven Bags and Reynolds Parchment Paper. Our tableware products generally have higher sales in the second quarter of the year, primarily due to outdoor summertime use of disposable plates, cups and bowls.

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.

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

(in millions)	For the Years Ended December 31, 2021	2020
Net cash provided by operating activities	$ 310	$ 319
Net cash used in investing activities	(141)	(143)
Net cash (used in) provided by financing activities	(317)	34
(Decrease) increase in cash and cash equivalents	**$ (148)**	**$ 210**

Cash provided by operating activities

Net cash from operating activities decreased by $9 million, or 3%, to $310 million. The decrease was primarily driven by higher net cash outlays, mainly related to inventory investment, as a result of material costs outpacing price increases during 2021 as well as higher cash tax payments, which were partially offset by the $240 million repurchase of accounts receivables in the prior year previously sold through PEI Group's securitization facility prior to our separation from PEI Group and lower interest payments.

Cash used in investing activities

Net cash used in investing activities decreased by $2 million, or 1%, to $141 million, and was used for the acquisition of property, plant and equipment in both years.

Cash (used in) provided by financing activities

Net cash from financing activities changed by $351 million, from an inflow of $34 million for the year ended December 31, 2020 to an outflow of $317 million for the year ended December 31, 2021. The change in cash flows from financing activities was primarily attributable to higher dividends paid during the current year, changes in principal repayments on the Term Loan Facility and IPO-related activities during the prior year period, which included proceeds received from the IPO and the drawdown of the Term Loan Facility, partially offset by repayments of related party balances.

External Debt Facilities

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

As of December 31, 2021, the outstanding balance under the Term Loan Facility was $2,132 million. As of December 31, 2021, we had no outstanding borrowings under the Revolving Facility, and we had $8 million of letters of credit outstanding, which reduces the borrowing capacity under the Revolving Facility.

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

Interest rate and fees

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

During the year ended December 31, 2020, we entered into a series of interest rate swaps which fixed the LIBO rate to an annual rate of 0.18% to 0.47% (for an annual effective interest rate of 1.93% to 2.22%, including margin) for an aggregate notional amount of $1,650 million, of which $800 million notional value was still in effect as of December 31, 2021. The interest rate swaps outstanding as of December 31, 2021 hedge a portion of the interest rate exposure resulting from our Term Loan Facility for periods ranging from one to four 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 year ended December 31, 2021, we made voluntary principal payments of $100 million related to the Term Loan Facility.

Amortization and maturity

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

Guarantee and security

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

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

Certain covenants and events of default

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

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

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

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

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

During the year ended December 31, 2021, cash dividends totaling $0.92 per share were declared and paid. On January 27, 2022, a quarterly cash dividend of $0.23 per share was declared and is to be paid on February 28, 2022. We expect to continue paying cash dividends on a quarterly basis; however, future dividends are at the discretion of our Board of Directors and will depend upon our earnings, capital requirements, financial condition, contractual limitations (including under the Term Loan Facility) and other factors.

We believe that our projected cash position, cash flows from operations and available borrowings under the Revolving Facility are sufficient to meet debt service, capital expenditures and working capital needs for the foreseeable future. However, we cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our borrowing agreements in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control as further discussed in “Item 1A. Risk Factors”.

Contractual Obligations

The following table summarizes our material contractual obligations as of December 31, 2021:

(in millions)	Total	Less than one year	One to three years	Three to five years	Greater than five years
Long-term debt [1]	$ 2,368	$ 65	$ 128	$ 126	$ 2,049
Operating lease liabilities	65	14	24	16	11
Unconditional capital expenditure obligations	67	67	—	—	—
Postretirement benefit plan obligations	48	3	6	6	33
Total contractual obligations	**$ 2,548**	**$ 149**	**$ 158**	**$ 148**	**$ 2,093**

(1) Total obligations for long-term debt consist of the principal amounts and interest obligations. The interest rate on the floating rate debt balances has been assumed to be the same as the rate in effect as of December 31, 2021, including the impact of cash flow hedges.

As of December 31, 2021, our liabilities for uncertain tax positions and defined benefit pension obligations totaled $9 million. The ultimate timing of these liabilities cannot be determined; therefore, we have excluded these amounts from the contractual obligations table above.

Off-Balance Sheet Arrangements

We have no material off-balance sheet obligations.

Critical Accounting Estimates

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our consolidated financial statements. Critical accounting estimates are those that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition and results of operations. Specific areas requiring the application of management’s estimates and judgments include, among others, assumptions pertaining to valuation assumptions of goodwill and intangible assets, useful lives of long-lived assets and sales incentives. Accordingly, a different financial presentation could result depending on the judgments, estimates or assumptions that are used. A summary of our significant accounting policies and use of estimates is contained in Note 2 - Summary of Significant Accounting Policies of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We believe that the accounting estimates and assumptions described below involve significant subjectivity and judgment, and changes to such estimates or assumptions could have a material impact on our financial condition or operating results. Therefore, we consider an understanding of the variability and judgment required in making these estimates and assumptions to be critical in fully understanding and evaluating our reported financial results.

Revenue Recognition-Sales Incentives

We routinely commit to one-time or ongoing trade-promotion programs with our customers. Programs include discounts, allowances, shelf-price reductions, end-of-aisle or in-store displays of our products and graphics and other trade-promotion activities conducted by the customer, such as coupons. Collectively, we refer to these as sales incentives or trade promotions. Costs related to these programs are recorded as a reduction to revenue. Our trade promotion accruals are primarily based on estimated volume and incorporate historical sales and spending trends by customer and category. The determination of these estimated accruals requires judgment and may change in the future as a result of changes in customer promotion participation, particularly for new programs and for programs related to the introduction of new products. Final determination of the total cost of a promotion is dependent upon customers providing information about proof of performance and other information related to the promotional event. This process of analyzing and settling trade-promotion programs with customers could impact our results of operations and trade promotion accruals depending on how actual results of the programs compare to original estimates. Sales incentives represented 4%, 5% and 6% of total net revenues for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021 and 2020, we had accruals of $40 million and $35 million, respectively, reflected on our consolidated balance sheets in Accrued and other current liabilities related to sales incentive programs.

Goodwill, Indefinite-Lived Intangible Assets and Long-Lived Assets

We test our goodwill and other indefinite-lived intangible assets for impairment annually in the fiscal fourth quarter unless there are indications during a different interim period that these assets may have become impaired. No impairments were identified as a result of our impairment review performed annually during the fourth quarter of fiscal years 2021, 2020 and 2019.

Goodwill

Our reporting units for goodwill impairment testing purposes are Reynolds Cooking & Baking, Hefty Waste & Storage, Hefty Tableware and Presto Products. No instances of impairment were identified during the fiscal year 2021 annual impairment review. All of our reporting units had fair values that significantly exceeded recorded carrying values. However, future changes in the judgments, assumptions and estimates that are used in the impairment testing for goodwill as described below could result in significantly different estimates of the fair values.

In our evaluation of goodwill impairment, we have the option to first assess qualitative factors such as the maturity and stability of the reporting unit, the magnitude of the excess fair value over carrying value from the prior year's impairment testing, other reporting unit operating results as well as new events and circumstances impacting the operations at the reporting unit level. If the result of a qualitative test indicates a potential for impairment, a quantitative test is performed, wherein we compare the estimated fair value of each reporting unit to its carrying value. In all instances where a quantitative test was performed, the estimated fair value exceeded the carrying value of the reporting unit and none of our reporting units were at a risk of failing the quantitative test. If the estimated fair value of any reporting unit had been less than its carrying value, an impairment charge would have been recorded for the amount by which the reporting unit's carrying amount exceeds its fair value.

To determine the fair value of a reporting unit as part of our quantitative test, we use a capitalization of earnings method under the income approach. Under this approach, we estimate the forecasted Adjusted EBITDA of each reporting unit and capitalize this amount using a multiple. The Adjusted EBITDA amounts are consistent with those we use in our internal planning, which gives consideration to actual business trends experienced and the long-term business strategy. The selection of a capitalization multiple incorporates consideration of comparable entity trading multiples within the same industry and recent sale and purchase transactions. Changes in such estimates or the application of alternative assumptions could produce different results.

Indefinite-Lived Intangible Assets

Our indefinite-lived intangible assets consist of certain trade names. We test indefinite-lived intangible assets for impairment on an annual basis in the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We have the option to first assess qualitative factors such as the maturity of the trade name, the magnitude of the excess fair value over carrying value from the prior year's impairment testing, as well as new events and circumstances impacting the trade name. If the result of a qualitative test indicates a potential for impairment, a quantitative test is performed. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. When a quantitative test is performed we use a relief from royalty computation under the income approach to estimate the fair value of our trade names. This approach requires significant judgments in determining (i) the estimated future branded revenue from the use of the asset; (ii) the relevant royalty rate to be applied to these estimated future cash flows; and (iii) the appropriate discount rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results. No instances of impairment were identified during the fiscal year 2021 annual impairment review. Each of our indefinite-lived intangible assets had fair values that significantly exceeded recorded carrying values.

Long-Lived Assets

Long-lived assets, including finite-lived intangible assets, are reviewed for possible impairment whenever events or changes in circumstances occur that indicate that the carrying amount of an asset (or asset group) may not be recoverable. Our impairment review requires significant management judgment, including estimating the future success of product lines, future sales volumes, revenue and expense growth rates, alternative uses for the assets and estimated proceeds from the disposal of the assets. We review business plans for possible impairment indicators. Impairment occurs when the carrying amount of the asset (or asset group) exceeds its estimated future undiscounted cash flows. When impairment is indicated, an impairment charge is recorded for the difference between the asset's carrying value and its estimated fair value. Depending on the asset, estimated fair value may be determined either by use of a discounted cash flow model or by reference to estimated selling values of assets in similar condition. The use of different assumptions would increase or decrease the estimated fair value of assets and would increase or decrease any impairment measurement.

Recent Accounting Pronouncements

New accounting guidance that we have recently adopted, as well as accounting guidance that has been recently issued but not yet adopted by us, is included in Note 2 - Summary of Significant Accounting Policies of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are subject to risks from adverse fluctuations in interest rates and commodity prices. Our objective in managing our exposure to market risk is to limit the impact on earnings and cash flow.

Interest Rate Risk

We had significant variable rate debt commitments outstanding as of December 31, 2021, which accrue interest at the LIBO rate plus an applicable margin of 1.75%. These on-balance sheet financial instruments expose us to 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 annual effective interest rate of 1.93% to 2.22%, including margin) for an aggregate notional amount of $1,650 million, of which $800 million notional value is still in effect as of December 31, 2021. These interest rate swaps hedge a portion of the interest rate exposure resulting from our Term Loan Facility. We classified these instruments as cash flow hedges. Our cash flow hedge contracts outstanding as of December 31, 2021 cover periods ranging from one to four years. Our average variable rate for an aggregate remaining notional amount of $800 million is a one month LIBO rate plus an applicable margin of 1.75%. The fair value of our interest rate swaps included on our consolidated balance sheets as of December 31, 2021 was not material.

(in millions)	Pay fixed / receive variable notional	Average pay rate
2022	650	0.2%
2023	—	—
2024	—	—
2025	150	0.5%
Total	**$ 800**	

Based on the unhedged outstanding borrowings under the Term Loan Facility as of December 31, 2021, a 100-basis point increase (decrease) in the interest rates under the Term Loan Facility would result in a $13 million increase (decrease) in interest expense, per annum, on our borrowings.

Commodity Risk

We are exposed to commodity and other price risk principally from the purchase of resin, aluminum, natural gas, electricity, carton board and diesel. We use various strategies to manage cost exposures on certain material purchases with the objective of obtaining more predictable costs for these commodities. From time to time, we enter into hedging agreements, including commodity derivative contracts, to hedge commodity prices primarily related to diesel and benzene.

During the year ended December 31, 2021, there were no realized or unrealized gains or losses related to commodity derivatives.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Reynolds Consumer Products Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Reynolds Consumer Products Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition including Sales Incentives

As disclosed in the consolidated financial statements, the Company recorded net revenues of $3,556 million for the year ended December 31, 2021. As described in Note 2 to the consolidated financial statements, consideration in contracts with customers is variable due to anticipated reductions such as discounts, allowances and trade promotions. Accordingly, revenues are recorded net of estimated sales incentives, based on known or expected adjustments. The transaction price is estimated based on the amount of consideration to which management believes they will be entitled.

The principal considerations for our determination that performing procedures relating to revenue recognition including sales incentives is a critical audit matter are a high degree of auditor effort in performing procedures and evaluating audit evidence related to contractual terms in customer arrangements to determine the amount of consideration.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of certain controls relating to revenues and sales incentives. These procedures also included, among others, (i) evaluating contractual terms in customer arrangements that impact management's determination of the consideration including sales incentives related to the product; (ii) evaluating revenue transactions by testing the issuance and settlement of invoices and credit memos; (iii) tracing transactions not settled to a detailed listing of accounts receivable; (iv) sampling outstanding customer invoice balances at year end by obtaining and inspecting source documents, including invoices, sales contracts, and subsequent cash receipts; and (v) testing the completeness and accuracy of data provided by management.

/s/PricewaterhouseCoopers LLP
Chicago, Illinois
February 9, 2022

We have served as the Company's auditor since 2015.

Reynolds Consumer Products Inc.
Consolidated Statements of Income
For the Years Ended December 31
(in millions, except for per share data)

	2021	2020	2019
Net revenues	$ 3,445	$ 3,147	$ 2,883
Related party net revenues	111	116	149
Total net revenues	**3,556**	**3,263**	**3,032**
Cost of sales	(2,745)	(2,290)	(2,152)
Gross profit	**811**	**973**	**880**
Selling, general and administrative expenses	(320)	(358)	(305)
Other expense, net	(13)	(29)	(65)
Income from operations	**478**	**586**	**510**
Interest expense, net	(48)	(70)	(209)
Income before income taxes	**430**	**516**	**301**
Income tax expense	(106)	(153)	(76)
Net income	**$ 324**	**$ 363**	**$ 225**
Earnings per share			
Basic	$ 1.54	$ 1.78	$ 1.45
Diluted	$ 1.54	$ 1.77	$ 1.45
Weighted average shares outstanding:			
Basic	209.8	204.5	155.5
Diluted	209.8	204.5	155.5

See accompanying notes to the consolidated financial statements.

Reynolds Consumer Products Inc.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31
(in millions)

	2021	2020	2019
Net income	$ 324	$ 363	$ 225
Other comprehensive income (loss), net of income taxes:			
Currency translation adjustment	—	—	1
Employee benefit plans	4	(3)	(6)
Interest rate derivatives	5	(1)	—
Other comprehensive income (loss), net of income taxes	9	(4)	(5)
Comprehensive income	**$ 333**	**$ 359**	**$ 220**

See accompanying notes to the consolidated financial statements.

Reynolds Consumer Products Inc.
Consolidated Balance Sheets
As of December 31
(in millions, except for per share data)

	2021	2020
Assets		
Cash and cash equivalents	$ 164	$ 312
Accounts receivable, net	316	292
Other receivables	12	9
Related party receivables	10	8
Inventories	583	419
Other current assets	19	13
Total current assets	**1,104**	**1,053**
Property, plant and equipment, net	677	612
Operating lease right-of-use assets, net	55	61
Goodwill	1,879	1,879
Intangible assets, net	1,061	1,092
Other assets	36	25
Total assets	**$ 4,812**	**$ 4,722**
Liabilities		
Accounts payable	$ 261	$ 185
Related party payables	38	41
Current portion of long-term debt	25	25
Accrued and other current liabilities	160	181
Total current liabilities	**484**	**432**
Long-term debt	2,087	2,208
Long-term operating lease liabilities	46	51
Deferred income taxes	351	326
Long-term postretirement benefit obligation	50	53
Other liabilities	38	37
Total liabilities	**$ 3,056**	**$ 3,107**
Commitments and contingencies (Note 13)		
Stockholders′ equity		
Common stock, $0.001 par value; 2,000 shares authorized; 210 shares issued and outstanding	—	—
Additional paid-in capital	1,381	1,381
Accumulated other comprehensive income	10	1
Retained earnings	365	233
Total stockholders' equity	**1,756**	**1,615**
Total liabilities and stockholders' equity	**$ 4,812**	**$ 4,722**

See accompanying notes to the consolidated financial statements.

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	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	—	—	—	225	—	225
Other comprehensive loss, net of income taxes	—	—	—	—	(5)	(5)
Net transfers (to) from Parent	—	—	—	(11)	—	(11)
Balance as of December 31, 2019	**$ —**	**$ —**	**$ —**	**$ (823)**	**$ 5**	**$ (818)**
Net income	—	—	357	6	—	363
Other comprehensive loss, net of income taxes	—	—	—	—	(4)	(4)
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 ($0.59 per share declared)	—	—	(124)	—	—	(124)
Other	—	4	—	—	—	4
Balance as of December 31, 2020	**$ —**	**$ 1,381**	**$ 233**	**$ —**	**$ 1**	**$ 1,615**
Net income	—	—	324	—	—	324
Other comprehensive income, net of income taxes	—	—	—	—	9	9
Dividends ($0.92 per share declared and paid)	—	—	(192)	—	—	(192)
Balance as of December 31, 2021	**$ —**	**$ 1,381**	**$ 365**	**$ —**	**$ 10**	**$ 1,756**

See accompanying notes to the consolidated financial statements.

Reynolds Consumer Products Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31
(in millions)

	2021	2020	2019
Cash provided by operating activities			
Net income	$ 324	$ 363	$ 225
Adjustments to reconcile net income to operating cash flows:			
Depreciation and amortization	109	99	91
Deferred income taxes	22	67	1
Unrealized (gains) losses on commodity derivatives	—	—	(9)
Stock compensation expense	4	5	—
Change in assets and liabilities:			
Accounts receivable, net	(24)	(279)	2
Other receivables	(3)	(2)	6
Related party receivables	(2)	5	(27)
Inventories	(165)	—	2
Accounts payable	71	54	(6)
Related party payables	(3)	(28)	(89)
Related party accrued interest payable	—	(18)	133
Income taxes payable	(7)	7	72
Accrued and other current liabilities	(15)	38	9
Other assets and liabilities	(1)	8	(7)
Net cash provided by operating activities	**310**	**319**	**403**
Cash used in investing activities			
Acquisition of property, plant and equipment	(141)	(143)	(109)
Advances to related parties	—	—	(170)
Repayments from related parties	—	—	151
Net cash used in investing activities	**(141)**	**(143)**	**(128)**
Cash (used in) provided by financing activities			
Repayment of long-term debt	(125)	(218)	(21)
Dividends paid	(192)	(124)	—
Proceeds from long-term debt, net of discounts	—	2,472	—
Repayments of PEI Group Credit Agreement	—	(8)	—
Advances from related parties	—	240	67
Repayments to related parties	—	(3,627)	(141)
Deferred debt transaction costs	—	(28)	(4)
Proceeds from IPO settlement facility	—	1,168	—
Repayment of IPO settlement facility	—	(1,168)	—
Issuance of common stock	—	1,410	—
Equity issuance costs	—	(69)	—
Net transfers from (to) Parent	—	(14)	(97)
Net cash (used in) provided by financing activities	**(317)**	**34**	**(196)**
Cash and cash equivalents:			
(Decrease) increase in cash and cash equivalents	(148)	210	79
Balance as of beginning of the year	312	102	23
Balance as of end of the year	**$ 164**	**$ 312**	**$ 102**
Cash paid:			
Interest - long-term debt	41	60	103
Interest - related party borrowings	—	23	6
Income taxes	91	76	4

Significant non-cash investing and financing activities

Refer to Note 7 - Leases for details of non-cash additions to operating lease right-of-use assets, net as a result of changes in operating lease liabilities. Refer to Note 17 - Related Party Transactions for details of significant non-cash investing and financing activities.

See accompanying notes to the consolidated financial statements.

Reynolds Consumer Products Inc.
Notes to the Consolidated Financial Statements

Note 1 - Description of Business and Basis of Presentation

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 and storage products and tableware. We sell our products under brands such as Reynolds and Hefty, and also under store brands. Our product portfolio includes aluminum foil, wraps, disposable bakeware, trash bags, food storage bags and disposable tableware. We report four business segments: Reynolds Cooking & Baking; Hefty Waste & Storage; Hefty Tableware; and Presto Products.

Basis of Presentation:

We have prepared the accompanying audited consolidated financial statements in accordance with United States generally accepted accounting principles ("GAAP").

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

All financial information presented after our Corporate Reorganization and IPO represents the consolidated financial statements of our company. Our consolidated statements of income include allocations of certain expenses for services provided by PEI Group prior to our separation in February 2020, 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 PEI Group. Total costs allocated to us for these functions were $2 million and $41 million for the years ended December 31, 2020 and 2019, respectively, and were primarily included in selling, general and administrative expenses in our consolidated statements of income. These amounts include costs of $1 million and $22 million for the years ended December 31, 2020 and 2019, respectively, that were not historically allocated to us as part of PEI Group's normal monthly reporting process. Additionally, in the years ended December 31, 2020 and 2019, costs of $2 million and $28 million, respectively, were allocated to us related to the IPO process that cannot be deferred and offset against the IPO proceeds, as well as costs related to our preparations to operate as a stand-alone public company, which were included in other expense, net in our 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.

Net Parent deficit represented the former Parent’s interest in our net assets. As a direct ownership relationship did not exist between the various entities of our previously combined group, a Net Parent deficit account was shown in our previously combined financial statements. The majority of transactions between us and PEI Group have a history of settlement or were settled for cash in conjunction with our separation from PEI Group and IPO. These transactions have been reflected in our consolidated balance sheets as related party receivables and payables. Transactions that did not have a history of settlement were reflected in equity (deficit) in our previously combined balance sheets as Net Parent deficit and, when cash was utilized (contributed), in our consolidated statements of cash flows as a financing activity in net transfers from (to) Parent. Refer to Note 17 - Related Party Transactions for further information.

Initial Public Offering:

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

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

Note 2 - Summary of Significant Accounting Policies

Use of Estimates:

We prepare our consolidated financial statements in accordance with GAAP, which requires us to make estimates and assumptions that affect a number of amounts in our consolidated financial statements. Significant accounting policy elections, estimates and assumptions include, among others, valuation assumptions of goodwill and intangible assets, useful lives of long-lived assets, sales incentives, income taxes and benefit plan assumptions. We base our estimates on historical experience and other assumptions that we believe are reasonable. If actual amounts differ from estimates, we include the revisions in our consolidated results of operations in the period the actual amounts become known. Historically, the aggregate differences, if any, between our estimates and actual amounts in any year have not had a material effect on our consolidated financial statements.

Currency Translation:

Our consolidated financial statements are presented in U.S. dollars, which is our reporting currency. We translate the results of operations of our subsidiaries with functional currencies other than the U.S. dollar using average exchange rates during each period and translate balance sheet accounts using exchange rates at the end of each period. We record currency translation adjustments as a component of stockholders' equity within accumulated other comprehensive income and transaction gains and losses in other expense, net in our consolidated statements of income.

Cash and Cash Equivalents:

Cash and cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less. We maintain our bank accounts with a relatively small number of high quality financial institutions. Cash balances held by non-U.S. entities as of December 31, 2021 and 2020 were $7 million and $9 million, respectively.

Accounts Receivable:

Accounts receivable are recorded at face amounts less an allowance for doubtful accounts. The allowance is an estimate based on historical collection experience, current economic and market conditions and a review of the current status of each customer's trade accounts receivable balance. We evaluate the aging of the accounts receivable balances and the financial condition of our customers to estimate the amount of accounts receivable that may not be collected in the future and record the appropriate provision. The allowance for doubtful accounts was not material as of December 31, 2021 and 2020.

Inventories:

We value our inventories using the first-in, first-out method. Inventory is valued at actual cost, which includes raw materials, supplies, direct labor and manufacturing overhead associated with production. Inventory is stated at the lower of cost or net realizable value, which includes any costs to sell or dispose. In addition, appropriate consideration is given to obsolescence, excessive inventory levels, product deterioration and other factors in evaluating net realizable value.

Long-Lived Assets:

Property, plant and equipment are stated at historical cost less depreciation, which is computed using the straight-line method over the estimated useful lives of the assets. Machinery and equipment are depreciated over periods ranging from 5 to 20 years and buildings and building improvements over periods ranging from 15 to 40 years. Finite-lived intangible assets, which primarily consist of customer relationships, are stated at historical cost and amortized using the straight-line method (which reflects the pattern of how the assets' economic benefits are consumed) over the assets' estimated useful lives which range from 18 to 20 years.

Expenditures for maintenance and repairs are expensed as incurred. When property, plant or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and any gain or loss realized on disposition is reflected in other expense, net in our consolidated statements of income.

We review long-lived assets, including finite-lived intangible assets, for recoverability on an ongoing basis. Changes in depreciation or amortization are recorded prospectively when estimates of the remaining useful lives or residual values of long-lived assets change. We also review our long-lived assets for impairment when conditions exist that indicate the carrying amount of the assets may not be fully recoverable. In those circumstances, we perform undiscounted cash flow analysis to determine if an impairment exists. When testing for asset impairment, we group assets and liabilities at the lowest level for which cash flows are separately identifiable. If an impairment loss is recorded, it is calculated as the excess of the asset's carrying value over its estimated fair value as determined by an estimate of discounted future cash flows. Depending on the nature of the asset, impairment losses are recorded in either cost of sales or selling, general and administrative expenses in our consolidated statements of income. There were no impairments of long-lived assets in any of the years presented.

Leases:

We determine whether a contract is or contains a lease at contract inception. Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets are recognized at the commencement date at the value of the lease liability, adjusted for any prepayments, lease incentives received and initial direct costs incurred. Lease liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term. Following initial recognition, operating lease liability balances are amortized using the effective interest method, while the related ROU assets are adjusted by the difference between the fixed lease expense recognized and the interest expense associated with the effective interest method in the period.

Some of our leases contain non-lease components, for example common area or other maintenance costs, that relate to the lease components of the agreement. Non-lease components and the lease components to which they relate are accounted for as a single lease component as we have elected to combine lease and non-lease components for all classes of underlying assets. We recognize interest on operating lease liabilities and amortization of ROU assets as a single lease expense for operating leases on a straight-line basis over the lease term, substantially all in cost of sales in our consolidated statements of income. All operating lease cash payments are recorded within cash flows from operating activities in the consolidated statements of cash flows. Our lease agreements do not include significant restrictions, covenants or residual value guarantees.

Goodwill and Indefinite-Lived Intangible Assets:

Goodwill represents the excess of purchase price over the fair value of net assets acquired. We test goodwill for impairment on an annual basis in the fourth quarter and whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We assess goodwill impairment risk by performing a qualitative review of entity-specific, industry, market and general economic factors affecting our goodwill reporting units. Depending on factors such as prior-year test results, current year developments, current risk evaluations and other practical considerations, we may elect to perform quantitative testing instead. In our quantitative testing, we compare a reporting unit's estimated fair value with its carrying value. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans and industry and economic conditions. The key assumptions associated with determining the estimated fair value are forecasted Adjusted EBITDA and a relevant earnings multiple. Our actual results and conditions may differ over time. If the carrying value of a reporting unit's net assets exceeds its fair value, we would recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value.

Our indefinite-lived intangible assets consist of certain trade names. We test indefinite-lived intangible assets for impairment on an annual basis in the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Depending on factors such as prior-year test results, current year developments, current risk evaluations and other practical considerations, we may elect to perform quantitative testing instead. If potential impairment risk exists for a specific asset, we quantitatively test it for impairment by comparing its estimated fair value with its carrying value. We determine estimated fair value using the relief-from-royalty method, using key assumptions including planned revenue growth rates, market-based discount rates and estimates of royalty rates. If the carrying value of the asset exceeds its fair value, we consider the asset impaired and reduce its carrying value to the estimated fair value.

Revenue Recognition:

After assessing our customers' creditworthiness, we recognize revenue when control over products transfers to our customers, which generally occurs upon delivery or shipment of the products. We account for product shipping, handling and insurance as fulfillment activities, with revenues for these activities recorded in net revenues and costs recorded in cost of sales. Any taxes collected on behalf of government authorities are excluded from net revenues.

Consideration in our contracts with customers is variable due to anticipated reductions such as discounts, allowances and trade promotions, collectively referred to as "sales incentives". Accordingly, revenues are recorded net of estimated sales incentives, based on known or expected adjustments. The transaction price reflects our estimate of the amount of consideration to which we will be entitled, using an expected value method. We base these estimates principally on historical utilization and redemption rates, anticipated performance and our best judgment at the time to the extent that it is probable that a significant reversal of revenue recognized will not occur. Estimates of sales incentives are monitored and adjusted each period until the sales incentives are realized.

We consider purchase orders, which in some cases are governed by master supply agreements, to be the contracts with a customer. Key sales terms, such as pricing and quantities ordered, are established frequently, so most customer arrangements and related sales incentives have a duration of one year or shorter. We generally do not have any unbilled receivables at the end of a period. Deferred revenues are not material and primarily include customer advance payments typically collected a few days before product delivery, at which time deferred revenues are reclassified and recorded as net revenues. We generally do not receive non-cash consideration for the sale of goods nor do we grant payment financing terms greater than one year. We do not incur any significant costs to obtain a contract.

Marketing, Advertising and Research and Development:

We promote our products with marketing and advertising programs. These programs include, but are not limited to, cooperative advertising, in-store displays and consumer marketing promotions. The costs of end-consumer marketing programs that are conducted in conjunction with our customers, such as coupons, are recorded as a reduction to revenue. We do not defer these costs on our consolidated balance sheets and all marketing and advertising costs are recorded as an expense in the year incurred. Advertising expense was $43 million, $72 million and $57 million in the years ended December 31, 2021, 2020 and 2019, respectively. We expense product research and development costs as incurred. Research and development expense was $36 million, $41 million and $33 million in the years ended December 31, 2021, 2020 and 2019, respectively. We record marketing and advertising as well as research and development expenses in selling, general and administrative expenses.

Stock-based Compensation:

Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the period in which the awards vest in accordance with applicable guidance under Accounting Standards Codification ("ASC") 718, Compensation—Stock Compensation. In contemplation of us issuing shares to the public, we granted restricted stock units ("RSUs") in July 2019 to certain members of management, pursuant to retention agreements entered into with these employees. These RSUs vest upon satisfaction of both a performance-based vesting condition, which was satisfied when we completed our IPO on February 4, 2020, and a service-based vesting condition, which 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. We have also granted RSUs to certain members of management and to certain members of our Board of Directors that have a service-based vesting condition. In addition, we granted performance stock units ("PSUs") to certain members of management that have a performance-based vesting condition. We account for forfeitures of outstanding but unvested grants in the period they occur.

Financial Instruments:

We are exposed to certain risks relating to our ongoing business operations. To manage the volatility relating to these exposures, we enter into various derivative instruments from time to time under our risk management policies. We are not a party to leveraged derivatives and, by policy, do not use financial instruments for speculative purposes.

Interest Rate Derivatives:

We manage interest rate risk by using interest rate derivative instruments. Interest rate swaps (pay fixed, receive variable) are entered into as cash flow hedges to manage a portion of the interest rate risk associated with our floating-rate borrowings.

We record interest rate derivative instruments at fair value (Level 2) and on a net basis by counterparty based on our master netting arrangements. The instruments are classified in our consolidated balance sheets in other assets or other liabilities, as applicable. Cash flows from interest rate derivative instruments are classified as operating activities in our consolidated statements of cash flows based on the nature of the derivative instrument. We have elected to use hedge accounting for our interest rate derivative instruments. Accordingly, the effective portion of the gain or loss on the open hedging instrument is recorded in other comprehensive income and is reclassified into earnings as interest expense, net when settled. We terminate derivative instruments if the underlying asset or liability matures or is repaid, or if we determine the underlying forecasted transaction is no longer probable of occurring.

Commodity Derivatives:

We are exposed to price risk related to forecasted purchases of certain commodities that we primarily use as raw materials. From time to time we may enter into derivative financial instruments to mitigate certain risks.

We record commodity derivative financial instruments at fair value (Level 2) and on a gross basis in our consolidated balance sheets in other current assets or accrued and other current liabilities due to their relatively short-term duration. Cash flows from commodity

Transfers of Financial Assets:

Prior to our separation from PEI Group and IPO in February 2020, we accounted for transfers of financial assets, such as non-recourse accounts receivable factoring arrangements, when we surrendered control over the related assets. Determining whether control has transferred requires an evaluation of relevant legal considerations, an assessment of the nature and extent of our continuing involvement with the assets transferred and any other relevant considerations. We had a non-recourse factoring arrangement in which we sold eligible receivables to a special purpose entity ("SPE") consolidated by PEI Group in exchange for cash. We transferred sold accounts receivables in their entirety to PEI Group and satisfied all of the conditions to report the transfer of financial assets in their entirety as a sale. The SPE was considered to be a VIE, however we were not its primary beneficiary because we did not have the power to direct any of its most significant activities through our arrangement as a collecting agent. On January 30, 2020, we repurchased all of the U.S. accounts receivable sold for $264 million, $240 million of which was settled in cash and the remaining amount used to settle certain current related party receivables. The proceeds from the sales of receivables are included in cash from operating activities in our consolidated statements of cash flows.

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 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 consolidated financial statements.

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 adopted the standard as of January 1, 2021 with no material impact on our consolidated financial statements.

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

Recently Issued Accounting Guidance:

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

Note 3 - Inventories

Inventories consisted of the following:

	As of December 31, 2021	As of December 31, 2020
	(in millions)	
Raw materials	$ 206	$ 138
Work in progress	63	54
Finished goods	276	194
Spare parts	38	33
Inventories	**$ 583**	**$ 419**

Note 4 - Property, Plant and Equipment, Net

Property, plant and equipment, net consisted of the following:

	As of December 31, 2021	As of December 31, 2020
	(in millions)	
Land and land improvements	$ 43	$ 36
Buildings and building improvements	183	145
Machinery and equipment	1,126	1,005
Construction in progress	77	118
Property, plant and equipment, at cost	1,429	1,304
Less: accumulated depreciation	(752)	(692)
Property, plant and equipment, net	**$ 677**	**$ 612**

Depreciation expense was $78 million, $68 million and $59 million for the years ended December 31, 2021, 2020 and 2019, respectively, of which $70 million, $62 million and $55 million, respectively, was recognized in cost of sales and $8 million, $6 million and $4 million, respectively, was recognized in selling, general and administrative expenses.

Note 5 - Goodwill and Intangible Assets

Goodwill by reportable segment was as follows:

	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products	Total
			(in millions)		
Balance as of December 31, 2019	$ 794	$ 505	$ 282	$ 298	**$ 1,879**
Movements	—	—	—	—	—
Balance as of December 31, 2020	794	505	282	298	**1,879**
Movements	—	—	—	—	—
Balance as of December 31, 2021	**$ 794**	**$ 505**	**$ 282**	**$ 298**	**$ 1,879**

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Movements	—	—	—	—	—
Balance as of December 31, 2021	**$ 794**	**$ 505**	**$ 282**	**$ 298**	**$ 1,879**

Intangible assets, net consisted of the following:

	As of December 31, 2021			As of December 31, 2020		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
	(in millions)					
Finite-lived intangible assets						
Customer relationships	$ 580	$ (371)	$ 209	$ 580	$ (342)	$ 238
Trade names	25	(23)	2	25	(21)	4
Total finite-lived intangible assets	**605**	**(394)**	**211**	**605**	**(363)**	**242**
Indefinite-lived intangible assets						
Trade names	850	—	850	850	—	850
Total intangible assets	**$ 1,455**	**$ (394)**	**$ 1,061**	**$ 1,455**	**$ (363)**	**$ 1,092**

Amortization expense for intangible assets was $31 million, $31 million and $32 million for the years ended December 31, 2021, 2020 and 2019, respectively, and has been recognized in selling, general and administrative expenses. For the next five years, we estimate annual amortization expense of approximately $28 million each year.

Note 6 - Debt

Long-Term Debt:

Long-term debt consisted of the following:

	As of December 31,	
	2021	2020
	(in millions)	
Term Loan Facility	$ 2,132	$ 2,257
Deferred financing transaction costs	(18)	(21)
Original issue discounts	(2)	(3)
	2,112	2,233
Less: current portion	(25)	(25)
Long-term debt	**$ 2,087**	**$ 2,208**

External Debt Facilities

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

Borrowings under the External Debt Facilities bear interest at a rate per annum equal to, at our option, either a base rate or a LIBO rate plus an applicable margin of 1.75%. During September 2020, we entered into a series of interest rate swaps to hedge a portion of the interest rate exposure resulting from these borrowings. Refer to Note 8 – 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. We are currently in compliance with the covenants contained in our External Debt Facilities.

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

Term Loan Facility

The Term Loan Facility matures in February 2027. The Term Loan Facility amortizes in equal quarterly installments of $6 million, which commenced in June 2020, with the balance payable on maturity. During the year ended December 31, 2021, we made voluntary principal payments of $100 million on our Term Loan Facility.

Revolving Facility

The Revolving Facility matures in February 2025 and includes a sub-facility for letters of credit. As of December 31, 2021, we had no outstanding borrowings under the Revolving Facility, and we had $8 million of letters of credit outstanding, which reduces the borrowing capacity under the Revolving Facility.

Fair Value of Our Long-Term Debt

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

Interest expense, net:

Interest expense, net consisted of the following:

	For the Years Ended December 31,		
	2021	2020	2019
		(in millions)	
Interest expense, Term Loan Facility	$ 41	$ 52	$ —
Amortization of deferred financing transaction costs	4	4	1
Interest expense, PEI Group U.S. Term Loan	—	8	101
Interest expense, related party borrowings [(1)]	—	5	140
Interest income, related party receivables [(1)]	—	—	(33)
Other	3	1	—
Interest expense, net	**$ 48**	**$ 70**	**$ 209**

(1) Refer to Note 17 – Related Party Transactions for additional information.

Scheduled Maturities

Below is a schedule of required future repayments on our debt outstanding as of December 31, 2021:

	(in millions)
2022	$ 25
2023	25
2024	25
2025	25
2026	25
Thereafter	2,007
Total long-term debt	**$ 2,132**

Note 7 - Leases

We lease certain buildings and plant and equipment. Our leases have reasonably assured remaining lease terms of up to 8 years. Certain leases include options to renew for up to 15 years. At lease inception, we determine the lease term by assuming the exercise of those renewal options that are reasonably certain. Some leases have variable payments, however, because they are not based on an index or rate, they are not included in the measurement of ROU assets and operating lease liabilities. Variable payments for real estate leases relate primarily to common area maintenance, insurance, taxes and utilities associated with the properties. Variable payments for equipment leases relate primarily to hours, miles, or other quantifiable usage factors, which are not determinable at the time of lease inception. These variable payments are expensed as incurred. The discount rate applied to our leases in determining the present value of lease payments is our incremental borrowing rate based on the information available at the commencement date. Leases with an initial term of 12 months or less are not recorded in our consolidated balance sheets and we recognize lease expense for these leases on a straight-line basis over the lease term. We do not have finance leases.

Lease costs consisted of the following:

	As of December 31, 2021	As of December 31, 2020 (in millions)	As of December 31, 2019
Operating lease costs	$ 15	$ 16	$ 11
Variable lease costs	1	1	1
Short-term lease costs	3	3	5
Total lease costs	**$ 19**	**$ 20**	**$ 17**

Future lease payments under non-cancellable leases were as follows:

	As of December 31, 2021 (in millions)
2022	$ 14
2023	12
2024	12
2025	10
2026	6
Thereafter	11
Total undiscounted lease payments	**65**
Less: imputed interest	(8)
Operating lease liabilities	**$ 57**

As of December 31, 2021, there were no material lease transactions that we have entered into but have not yet commenced.

Operating lease liabilities and ROU assets included in our consolidated balance sheets were as follows:

	As of December 31, 2021 (in millions)	As of December 31, 2020
Accrued and other current liabilities	$ 11	$ 13
Long-term operating lease liabilities	46	51
	$ 57	**$ 64**
Operating lease right-of-use assets, net	$ 55	$ 61

During the years ended December 31, 2021 and 2020, new leases and lease modifications resulted in the recognition of ROU assets and corresponding lease liabilities of $9 million and $31 million, respectively. During the years ended December 31, 2021, 2020 and 2019, cash flows from operating activities in the consolidated statements of cash flows reflected $15 million, $14 million, and $10 million, respectively, of payments for operating lease liabilities.

As of December 31, 2021, the weighted average remaining lease term and weighted average discount rate for operating leases was 5.42 years and 5.09%, respectively.

Note 8 - Financial Instruments

Interest Rate Derivatives

During the year ended December 31, 2020, we entered into a series of interest rate swaps which fixed the LIBO rate to an annual rate of 0.18% to 0.47% (for an annual effective interest rate of 1.93% to 2.22%, including margin) for an aggregate notional amount of $1,650 million, of which $800 million notional value was still in effect as of December 31, 2021. These interest rate swaps hedge a portion of the interest rate exposure resulting from our Term Loan Facility. We classified these instruments as cash flow hedges. Our cash flow hedge contracts outstanding as of December 31, 2021 cover periods ranging from one to four years. The effective portion of the gain or loss on the open hedging instrument is recorded in accumulated 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. The effect of our interest rate derivatives on accumulated other comprehensive income and the consolidated statements of income for the year ended December 31, 2021 were not material. The fair value of our interest rate contracts designated as cash flow hedging instruments included on our consolidated balance sheets as of December 31, 2021 and 2020 was not material.

Note 9 - Benefit Plans

Defined Benefit Plan

After our separation from PEI Group and IPO in February 2020, we established a defined benefit plan for certain of our employees. The initial liability was $2 million which was funded during 2020. The plan is non-contributory and eligible employees are fully vested after five years of service. The impact of the liability of the defined benefit plan on our consolidated balance sheets as of December 31, 2021 and 2020 was not material.

Defined Contribution Plans

We offer defined contribution plans to eligible employees in the United States as well as employees in certain other countries. Our expense relating to defined contribution plans was $26 million, $24 million and $20 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Postretirement Benefit Plan

Certain of our employees in the United States participate in a postretirement benefit plan. Our postretirement benefit plan is not funded. The changes in and the amount of the accumulated postretirement benefit obligation were as follows:

	As of December 31,	
	2021	2020
	(in millions)	
Accumulated postretirement benefit obligation as of January 1	$ 54	$ 51
Service cost	1	1
Interest cost	1	2
Benefits paid	(3)	(4)
Actuarial (gains) losses	(5)	4
Accumulated postretirement benefit obligation as of December 31	**$ 48**	**$ 54**

The accrued benefit obligation was included in our consolidated balance sheets as follows:

	As of December 31, 2021	As of December 31, 2020
	(in millions)	
Accrued and other current liabilities	$ 3	$ 3
Long-term postretirement benefit obligation	45	51
	$ 48	**$ 54**

A portion of our accrued benefit obligation has been recorded in accumulated other comprehensive income as follows:

	As of December 31, 2019	Changes	As of December 31, 2020	Changes	As of December 31, 2021
			(in millions)		
Net actuarial gain (loss)	$ 15	$ (5)	$ 10	$ 5	$ 15
Deferred income tax (expense) benefit	(4)	2	(2)	(1)	(3)
Accumulated other comprehensive income	**$ 11**	**$ (3)**	**$ 8**	**$ 4**	**$ 12**

We used the following weighted-average assumptions to determine our postretirement benefit obligations:

	As of December 31, 2021	As of December 31, 2020
Discount rate	2.90%	2.54%
Health care cost trend rate assumed for next year	6.60%	6.90%
Ultimate trend rate	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2029	2029

The year-end discount rate for our plan reflects a weighted-average rate from a high-quality corporate bond yield curve that matches the expected duration of the benefit payments. Changes in our discount rates were primarily the result of changes in bond yields year-over-year. Our expected health care cost trend rate is based on historical costs and long-term expectations.

Components of Net Periodic Postretirement Costs:

Our total net periodic pension and postretirement benefit cost for each of the years ended December 31, 2021, 2020 and 2019 was not material. Prior to the separation from PEI Group in February 2020, our net periodic benefit costs included only our other postretirement benefit plan. After the separation, total net periodic benefit costs include all costs associated with our defined benefit and other postretirement plans.

The service cost component of net periodic postretirement costs, interest cost and amortization of actuarial gain are recognized in cost of sales in the consolidated statements of income.

We used the following weighted-average assumptions to determine our net periodic postretirement health care cost:

	For the Years Ended December 31, 2021	2020	2019
Discount rate	2.54%	3.24%	4.37%
Health care cost trend rate assumed for next year	6.90%	7.20%	7.70%
Ultimate trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2029	2029	2029

Future Benefit Payments:

Expected contributions for the next fiscal year equal the estimated benefit payments of $3 million.

Our estimated future benefit payments for our postretirement benefit plan as of December 31, 2021 were as follows:

		(in millions)
2022	$	3
2023		3
2024		3
2025		3
2026		3
2027-2031		14

Note 10 - 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, which was satisfied when we completed our IPO on February 4, 2020, and a service-based vesting condition, which 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 in February 2020, we established an equity incentive plan for purposes of granting stock-based compensation awards to certain of our senior management, our non-executive directors and to certain employees, to incentivize their performance and align their interests with ours. We have granted RSUs to certain employees and non-employee directors that have a service-based vesting condition. In addition, we have granted performance stock units (“PSUs”) to certain members of management that have a performance-based vesting condition. We account for forfeitures of outstanding but unvested grants in the period they occur. A maximum of 10.5 million shares of common stock were initially available for issuance under equity incentive awards granted pursuant to the plan. In the years ended December 31, 2021 and 2020, 0.2 million and 0.3 million RSUs and 0.2 million and 0.2 million PSUs were granted, respectively.

A summary of activity for RSUs and PSUs for the years ended December 31, 2021 and 2020, is as follows (in millions, except for per share data):

	Shares		Weighted-Average Grant-Date Fair Value Per Share
Unvested, at January 1, 2020	—	$	—
Granted	0.5		29
Forfeited	(0.1)		27
Vested	—		—
Unvested, at December 31, 2020	0.4	$	29
Granted	0.3		30
Forfeited	—		—
Vested	(0.1)		28
PSU performance adjustment	(0.2)		30
Unvested, at December 31, 2021	0.4	$	29

Unrecognized compensation expense relating to unvested RSUs and PSUs as of December 31, 2021, was $6 million, which is expected to be recognized over a weighted average period of 1.4 years.

There were stock-based compensation awards representing 0.4 million shares outstanding at December 31, 2021 and 2020. Stock-based compensation expense was $4 million and $5 million for the years ended December 31, 2021 and 2020, respectively.

Note 11 - Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	As of December 31,	
	2021	2020
	(in millions)	
Trade promotion allowances	$ 40	$ 35
Accrued personnel costs	34	63
Other	86	83
Accrued and other current liabilities	**$ 160**	**$ 181**

Note 12 - Other Expense, Net

Other expense, net consisted of the following:

	For the Years Ended December 31,		
	2021	2020	2019
		(in millions)	
Factoring discount (1)	$ —	$ —	$ 25
Allocated related party management fee (2)	—	—	10
IPO and separation-related costs (3)	14	31	31
Other	(1)	(2)	(1)
Other expense, net	**$ 13**	**$ 29**	**$ 65**

(1) Reflects the loss on sale that we incurred when we sold our U.S. trade receivables through PEI Group's securitization facility. Our participation in this facility ceased upon the completion of our Corporate Reorganization and IPO.

(2) Reflects our allocation, from PEI Group, of a management fee that was charged by Rank to PEI Group, which ceased upon the completion of our Corporate Reorganization and IPO.

(3) Reflects costs related to our separation to operate as a stand-alone public company and the IPO process.

Note 13 - 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 December 31, 2021, there were no legal proceedings pending other than those for which we have determined that the possibility of a material outflow is remote.

Note 14 - Accumulated Other Comprehensive Income

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

	For the Years Ended December 31,		
	2021	2020	2019
		(in millions)	
Currency translation adjustments:			
Balance as of beginning of period	$ (6)	$ (6)	$ (7)
Currency translation adjustments	—	—	1
Other comprehensive income	—	—	1
Balance as of end of period	**$ (6)**	**$ (6)**	**$ (6)**
Employee benefit plans:			
Balance as of beginning of period	$ 8	$ 11	$ 14
Adoption of new accounting principle	—	—	3
Net actuarial gain (loss) arising during period	6	(4)	(5)
Deferred tax (expense) benefit on net actuarial gain (loss)	(1)	2	1
(Gains) and losses reclassified into net income:			
Amortization of actuarial gain	(1)	(1)	(2)
Other comprehensive income (loss)	4	(3)	(6)
Balance as of end of period	**$ 12**	**$ 8**	**$ 11**
Interest rate derivatives:			
Balance as of beginning of period	$ (1)	$ —	$ —
Gain (loss) arising during period, net of income tax	5	(1)	—
Other comprehensive income (loss)	5	(1)	—
Balance as of end of period	**$ 4**	**$ (1)**	**$ —**
Accumulated other comprehensive income			
Balance as of beginning of period	$ 1	$ 5	$ 7
Adoption of new accounting principle	—	—	3
Other comprehensive income (loss)	9	(4)	(5)
Balance as of end of period	**$ 10**	**$ 1**	**$ 5**

Note 15 - Income Taxes

Prior to our separation from PEI Group and IPO in February 2020, our U.S. operations were included in the U.S. federal consolidated and certain state and local tax returns filed by PEI Group. We also file certain separate U.S. state and local and foreign income tax returns. For the periods prior to the separation, income tax (expense) benefit are presented in the consolidated financial statements as if we filed tax returns on a stand-alone basis. Upon separation from PEI Group, becoming a separate taxable entity and the change from carve-out financial statements to consolidated financial statements, we have remeasured certain deferred taxes. These adjustments have been recognized directly in equity.

The components of income before income tax were as follows:

	For the Years Ended December 31,		
	2021	2020	2019
		(in millions)	
Income before income taxes:			
United States	$ 424	$ 511	$ 300
International	6	5	1
Total income before income taxes	**$ 430**	**$ 516**	**$ 301**

Significant components of income tax expense were as follows:

	For the Years Ended December 31,		
	2021	2020	2019
		(in millions)	
Current			
United States			
Federal	$ 69	$ 70	$ 68
State	14	14	8
Foreign	1	1	—
Total current income tax expense	**84**	**85**	**76**
Deferred			
United States			
Federal	19	54	3
State	3	13	(3)
Foreign	—	1	—
Total deferred income tax expense	**22**	**68**	**—**
Total income tax expense	**$ 106**	**$ 153**	**$ 76**

A reconciliation of income taxes computed at the U.S. Federal statutory income tax rate of 21% for 2021, 2020 and 2019, to our income tax expense was as follows:

	For the Years Ended December 31,		
	2021	2020	2019
		(in millions)	
U.S. Federal income tax expense at the statutory rate	$ 90	$ 108	$ 63
U.S. State income tax expense	15	17	2
Non-deductible expenses	—	2	6
CARES Act	—	27	—
Return to provision adjustments	1	(2)	3
Other	—	1	2
Total income tax expense	**$ 106**	**$ 153**	**$ 76**

Deferred Tax Assets and Liabilities

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of our net deferred income tax liability were as follows:

	As of December 31,	
	2021	2020
	(in millions)	
Deferred tax assets		
Employee benefits	$ 26	$ 24
Lease obligations	13	15
Inventory	9	7
Reserves	4	2
Tax losses	4	4
Tax credits	—	4
Total deferred tax assets	56	56
Valuation allowance	(6)	(5)
Total deferred tax assets after valuation allowance	50	51
Deferred tax liabilities		
Intangible assets	(293)	(291)
Property, plant and equipment	(93)	(72)
Lease right-of-use assets	(13)	(14)
Other	(2)	—
Total deferred tax liabilities	(401)	(377)
Net deferred tax liabilities	**$ (351)**	**$ (326)**

State and foreign net operating loss carryforwards, presented on a gross basis, and tax credit carryforwards were as follows:

	As of December 31,	
	2021	2020
	(in millions)	
State and foreign net operating loss carryforwards		
Expires within 5 years	$ —	$ —
Expires after 5 years or no expiration	42	49
Total net operating loss carryforwards	**$ 42**	**$ 49**
Tax credit carryforwards		
Expires within 5 years	$ —	$ 4
Total tax credit carryforwards	**$ —**	**$ 4**

Deferred tax assets related to state and foreign net operating loss carryforwards and state tax credit carryforwards are available to offset future state and foreign taxable earnings. We have provided a valuation allowance to reduce the carrying value of certain of these deferred tax assets, as we have concluded that, based on the available evidence, it is more likely than not that the deferred tax assets will not be fully realized. Valuation allowances relating to these losses were $4 million and $5 million as of December 31, 2021 and 2020, respectively. There were no material changes in valuation allowances in any of the years presented.

Uncertain Tax Positions

ASC 740 prescribes a recognition threshold of more-likely-than not to be sustained upon examination as it relates to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. Our policy is to include interest and penalties related to gross unrecognized tax benefits in income tax expense.

The following table summarizes the activity related to our gross unrecognized tax benefits:

	For the Years Ended December 31,		
	2021	2020	2019
		(in millions)	
Balance as of beginning of the year	$ 4	$ 2	$ 1
Increase associated with tax positions taken during the current year	1	2	1
Ending unrecognized tax benefits	**$ 5**	**$ 4**	**$ 2**

Each year we file income tax returns in the various federal, state, local and foreign income taxing jurisdictions in which we operate. Foreign jurisdictions comprise Canada and China. Our income tax returns are subject to examination and possible challenge by the tax authorities. Although ultimate timing is uncertain, the net amount of tax liability for unrecognized tax benefits may change within the next twelve months due to changes in audit status, settlements of tax assessments and other events.

Prior to February 4, 2020, we were part of consolidated U.S. federal tax returns filed by PEI Group. Under a Tax Matters Agreement, entered into as part of our corporate reorganization prior to our IPO, PEI Group has retained responsibility for all U.S. federal tax matters for periods to and including February 4, 2020.

Taxes Paid

Taxes paid were $91 million, $76 million and $4 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Prior to our separation from PEI Group and IPO, our U.S. entities were members of a consolidated U.S. tax entity group for federal and certain state tax returns filed by the PEI Group. For periods prior to our separation, the current U.S. federal and state tax liabilities of our U.S. entities was aggregated with the other members of the consolidated U.S. tax entity group and settled on a net basis by a related party. There was no formal tax sharing agreement. The settlement of our current U.S. federal and state taxes for the periods prior to our separation were recognized directly as a movement in Net Parent deficit.

Note 16 - Segment Information

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

Reynolds Cooking & Baking

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

Hefty Waste & Storage

Our Hefty Waste & Storage segment produces both branded and store brand trash and food storage bags. Our branded products are sold under the Hefty Ultra Strong and Hefty Strong brands for trash bags, and as the Hefty and Baggies brands for our food storage bags.

Hefty Tableware

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

Presto Products

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

Information by Segment

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

Adjusted EBITDA represents each segment's earnings before interest, tax, depreciation and amortization and is further adjusted to exclude unrealized gains on commodity derivatives, factoring discounts, the allocated related party management fee and IPO and separation-related costs.

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

The accounting policies applied by our segments are the same as those described in Note 2 - Summary of Significant Accounting Policies. Transactions between segments are at negotiated prices.

2021	**Reynolds Cooking & Baking**	**Hefty Waste & Storage**	**Hefty Tableware**	**Presto Products**	**Segment total**	**Unallocated**[1]	**Total**
				(in millions)			
Net revenues	$ 1,314	$ 876	$ 815	$ 560	**$ 3,565**	$ (9)	**$ 3,556**
Intersegment revenues	—	8	—	4	**12**	(12)	**—**
Total segment net revenues	1,314	884	815	564	**3,577**	(21)	**3,556**
Adjusted EBITDA	255	173	137	69	**634**		
Depreciation and amortization	21	18	16	21	**76**	33	**109**
Capital expenditures	42	22	19	53	**136**	5	**141**
Total assets	562	290	165	247	**1,264**	3,548	**4,812**

2020	**Reynolds Cooking & Baking**	**Hefty Waste & Storage**	**Hefty Tableware**	**Presto Products**	**Segment total**	**Unallocated**[1]	**Total**
				(in millions)			
Net revenues	$ 1,159	$ 809	$ 763	$ 532	**$ 3,263**	$ —	**$ 3,263**
Intersegment revenues	—	9	—	1	**10**	(10)	**—**
Total segment net revenues	1,159	818	763	533	**3,273**	(10)	**3,263**
Adjusted EBITDA	254	236	170	98	**758**		
Depreciation and amortization	20	15	14	19	**68**	31	**99**
Capital expenditures	33	30	24	38	**125**	18	**143**
Total assets	433	248	157	204	**1,042**	3,680	**4,722**

2019	Reynolds Cooking & Baking	Hefty Waste & Storage	Hefty Tableware	Presto Products (in millions)	Segment total	Unallocated[1]	Total
Net revenues	$ 1,076	$ 695	$ 751	$ 510	**$ 3,032**	$ —	**$ 3,032**
Intersegment revenues	—	14	—	1	**15**	(15)	**—**
Total segment net revenues	1,076	709	751	511	**3,047**	(15)	**3,032**
Adjusted EBITDA	209	190	178	91	**668**		
Depreciation and amortization	20	13	9	21	**63**	28	**91**
Capital expenditures [2]	34	41	6	24	**105**	8	**113**

(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 ROU assets, goodwill, intangible assets, related party receivables and other assets.

(2) Until October 31, 2019, the property, plant and equipment included in our Hefty Tableware segment was contributed to us from PEI Group. No capital expenditures were incurred by us in relation to these items. On November 1, 2019, as part of our separation from PEI Group, we acquired the legal title to these assets.

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

	For the Years Ended December 31, 2021	2020 (in millions)	2019
Segment Adjusted EBITDA	$ 634	$ 758	$ 668
Corporate / unallocated expenses	(33)	(41)	(13)
	601	717	655
Adjustments to reconcile to GAAP income before income taxes			
Depreciation and amortization	(109)	(99)	(91)
Interest expense, net	(48)	(70)	(209)
Factoring discount	—	—	(25)
Allocated related party management fee	—	—	(10)
IPO and separation-related costs	(14)	(31)	(31)
Unrealized gains on derivatives	—	—	9
Other	—	(1)	3
Consolidated GAAP income before income taxes	**$ 430**	**$ 516**	**$ 301**

Information in Relation to Products

Net revenues by product line are as follows:

	For the Years Ended December 31, 2021	2020 (in millions)	2019
Waste and storage products [1]	$ 1,448	$ 1,351	$ 1,220
Cooking products	1,314	1,159	1,076
Tableware	815	763	751
Unallocated	(21)	(10)	(15)
Net revenues	**$ 3,556**	**$ 3,263**	**$ 3,032**

(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.

Geographic Data

Geographic data for net revenues (recognized based on location of our business operations) and long-lived assets (representing property, plant and equipment) are as follows:

	For the Years Ended December 31,		
	2021	2020	2019
		(in millions)	
Net revenues:			
United States	$ 3,495	$ 3,206	$ 2,982
Other	61	57	50
Net revenues	**$ 3,556**	**$ 3,263**	**$ 3,032**

	As of December 31,	
	2021	2020
	(in millions)	
Long-lived assets		
United States	$ 671	$ 606
Other	6	6
Long-lived assets	**$ 677**	**$ 612**

Entity-wide Disclosures

Net revenues from our largest customer and its affiliates were 44%, 43% and 43% of total net revenues for the years ended December 31, 2021, 2020 and 2019, respectively. The net revenues from our largest customer were recognized across all of our segments. No other customers accounted for 10% or more of our total net revenues in any of the years presented.

Note 17 - Related Party Transactions

We historically operated as part of PEI Group. In preparation for our IPO in February 2020, PEI Group transferred its interest in us to Packaging Finance Limited ("PFL"). PFL owns the majority of our outstanding common stock and owns the majority of the outstanding common stock of PEI Group. In addition to the pre-IPO allocation of expenses for certain services related to group wide functions provided by PEI Group discussed in Note 1 – Description of Business and Basis of Presentation, other transactions between us and PEI Group are described below.

On-going Related Party Transactions

For the years ended December 31, 2021, 2020 and 2019, revenues from products sold to PEI Group were $111 million, $116 million and $149 million, respectively. For the years ended December 31, 2021, 2020 and 2019, products purchased from PEI Group were $343 million, $330 million and $438 million, respectively. For the years ended December 31, 2021, 2020 and 2019, PEI Group charged us freight and warehousing costs of $60 million, $80 million and $134 million, respectively, which were included in cost of sales. The resulting related party receivables and payables are settled regularly with PEI Group in the normal course of business. Furthermore, $143 million and $92 million of dividends were paid to PFL during the years ended December 31, 2021 and 2020, respectively.

Transactions Related to our Separation from PEI Group

On November 1, 2019, as part of our separation from PEI Group, we acquired the legal title to certain property, plant and equipment and inventories from PEI Group for cash consideration of $112 million which represented fair market value and is presented within net transfers from (to) Parent in our consolidated statements of cash flows. These assets are directly attributable to our business and have been historically reflected in our consolidated financial statements, at their respective net book values, within our Hefty Tableware segment.

We had written interest-bearing loan agreements in place with PEI Group. In June 2019, all of our non-current related party receivables and a portion of current related party receivables were used to reduce the balances outstanding of various related party borrowings, related party accrued interest payable and related party payables. As a result of this process, we net settled related party borrowings of $1,714 million, related party accrued interest payable of $655 million and related party payables of $94 million. Accordingly, we had no related party long-term receivables as of December 31, 2019. Related party borrowings were $2,214 million as of December 31, 2019. Related party accrued interest payable was $18 million as of December 31, 2019. We remitted accrued interest payable on the borrowings to PEI Group as and when requested in conjunction with its cash management activities. Interest expense and income related to these loan agreements were accrued based on the written loan agreements. During the year ended December 31, 2019, we borrowed $98 million ($31 million non-cash), from PEI Group and repaid borrowings of $141 million. In addition, during the year ended December 31, 2019, $36 million of accrued interest was capitalized into related party borrowings. During the year ended December 31, 2019, we advanced loans of $170 million to PEI Group and received repayments of $151 million. The weighted average contractual interest rate related to our related party borrowings as of December 31, 2019 was 2.20%.

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

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

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

On February 4, 2020, we entered into a transition services agreement with a subsidiary of PEI Group, whereby PEI Group will continue to provide certain administrative services to us, including information technology services; accounting, treasury, financial reporting and transaction support; human resources; procurement; tax, legal and compliance related services; and other corporate services for up to 24 months. In addition, we entered into a transition services agreement with Rank Group Limited (an affiliate of PEI Group) whereby, upon our request, Rank Group Limited will provide certain administrative services to us, including financial reporting, consulting and compliance services, insurance procurement and human resources support, legal and corporate secretarial support, and related services for up to 24 months. For the years ended December 31, 2021 and 2020, we incurred $6 million and $10 million, respectively, related to transition services which was included in selling, general and administrative expenses in our consolidated statements of income.

Note 18 - Subsequent Events

Quarterly Cash Dividend

On January 27, 2022, our Board of Directors approved a cash dividend of $0.23 per common share to be paid on February 28, 2022 to shareholders of record on February 14, 2022.

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) are designed to ensure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the appropriate time periods, and that such information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure. We, under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2021.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements under all potential conditions. Therefore, effective internal control over financial reporting provides only reasonable, and not absolute, assurance with respect to the preparation and presentation of financial statements.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021 using the criteria set forth in the Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As a result of that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2021, as stated in its report which appears in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the fiscal quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 will appear in the Company's Proxy Statement for its 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will appear in the Company's Proxy Statement for its 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 will appear in the Company's Proxy Statement for its 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 will appear in the Company's Proxy Statement for its 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 will appear in the Company's Proxy Statement for its 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. The following consolidated financial statements are filed as part of this Annual Report on Form 10-K under Part II, Item 8:

2. Exhibits: See "Index to Exhibits" immediately preceding the signature page of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

None.

INDEX TO EXHIBITS

Exhibit	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 (File No. 001-39205) 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 (File No. 001-39205) filed with the SEC on February 4, 2020)
4.1	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934 (incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed with the SEC on February 12, 2021)
10.1†	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.2†	Reynolds Consumer Products Inc. Equity Incentive Plan (incorporated herein by reference to Exhibit 99 to the Company's Registration Statement on Form S-8 (File No. 333-236204) filed with the SEC on January 31, 2020)
10.3*†	Reynolds Consumer Products Inc. Equity Incentive Plan, as amended and restated effective January 27, 2022
10.4†	Form of Restricted Stock Unit Award Letter (incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.5†	Form of Restricted Stock Award Letter (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.6*†	Form of Restricted Stock Unit Award Agreement under the Equity Incentive Plan
10.7*†	Form of Performance Share Unit Award Agreement under the Equity Incentive Plan
10.8†	Form of Performance Share Unit Award Letter (incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.9†	Employment Agreement, dated July 8, 2019, between Reynolds Consumer Products LLC and Lance Mitchell (incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.10†	Employment Agreement, dated July 8, 2019, between Reynolds Consumer Products LLC and Michael Graham (incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.11†	Employment Agreement, dated July 8, 2019, between Reynolds Consumer Products LLC and Craig Cappel (incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.12†	Employment Agreement, dated July 18, 2019, between Reynolds Consumer Products LLC and Stephan Pace (incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.13†	Employment Agreement, dated July 29, 2019, between Reynolds Consumer Products LLC and Rachel Bishop (incorporated herein by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on January 28, 2020)
10.14*†	Employment Agreement, dated July 8, 2019, between Reynolds Consumer Products LLC and Judith Buckner
10.15†	Lance Mitchell Transaction Success Bonus Letter, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.16†	Michael Graham Transaction Success Bonus Letter, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.17†	Craig Cappel Transaction Success Bonus Letter, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.18†	Stephan Pace Transaction Success Bonus Letter, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.19†	Rachel Bishop Transaction Success Bonus Letter, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2020)
10.20†	Lance Mitchell Restricted Stock Memo, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.21†	Michael Graham Restricted Stock Memo, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.22†	Craig Cappel Restricted Stock Memo, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.23†	Stephan Pace Restricted Stock Memo, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.24†	Rachel Bishop Restricted Stock Memo, dated July 8, 2019 (incorporated herein by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2020)

10.25	Master Supply Agreement, dated November 1, 2019, between Reynolds Consumer Products LLC, as Seller, and Pactiv LLC, as Buyer (incorporated herein by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.26	Master Supply Agreement, dated November 1, 2019, between Pactiv LLC, as Seller, and Reynolds Consumer Products LLC, as Buyer (incorporated herein by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.27	Warehousing and Freight Services Agreement, dated November 1, 2019, between Pactiv LLC and Reynolds Consumer Products LLC (incorporated herein by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.28	Transition Services Agreement, dated November 1, 2019, between Pactiv LLC and Reynolds Consumer Products LLC (incorporated herein by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-234731) filed with the SEC on November 15, 2019)
10.29	Transition Services Agreement, dated January 22, 2020, between Rank Group Limited and Reynolds Consumer Products Inc. (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2020)
10.30	Transition Services Agreement, dated February 4, 2020, between Reynolds Group Holdings Inc. and Reynolds Consumer Products Inc. (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2020)
10.31	Amended and Restated Lease Agreement, dated January 1, 2020, between Pactiv LLC and Reynolds Consumer Products LLC (incorporated herein by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 filed with the SEC on January 21, 2020)
10.32	Tax Matters Agreement, dated February 4, 2020 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2020)
10.33	Registration Rights Agreement, dated February 4, 2020, between Packaging Finance Limited and Reynolds Consumer Products Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2020)
10.34	Stockholders Agreement dated February 4, 2020, between Packaging Finance Limited and Reynolds Consumer Products Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2020)
10.35	Credit Agreement between Reynolds Consumer Products LLC, as borrower, Reynolds Consumer Products Inc., as parent, and certain lenders party thereto (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2020)
21.1*	List of subsidiaries
23.1*	Consent of PricewaterhouseCoopers LLP
24.1*	Power of Attorney (see signature page to this Annual Report on Form 10-K)
31.1*	Certification of Principal Executive Officer of the Company Pursuant to Rule 13a-14 of 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 of the Company Pursuant to Rule 13a-14 of 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 of the Company 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 of the Company Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

REYNOLDS CONSUMER PRODUCTS INC.
(Registrant)

By: /s/ Lance Mitchell
Lance Mitchell
Chief Executive Officer
February 9, 2022

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby make, constitute and appoint Lance Mitchell and Michael Graham, and each of them acting individually, his or her true and lawful attorneys-in-fact and agents, with full power of substitution, for them and in their name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K, and any amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Lance Mitchell Lance Mitchell	Chief Executive Officer and Director (Principal Executive Officer)	February 9, 2022
/s/ Michael Graham Michael Graham	Chief Financial Officer (Principal Financial Officer)	February 9, 2022
/s/ Chris Mayrhofer Chris Mayrhofer	Senior Vice President and Controller (Principal Accounting Officer)	February 9, 2022
/s/ Richard Noll Richard Noll	Director and Chairman of the Board of Directors	February 9, 2022
/s/ Gregory Cole Gregory Cole	Director	February 9, 2022
/s/ Helen Golding Helen Golding	Director	February 9, 2022
/s/ Marla Gottschalk Marla Gottschalk	Director	February 9, 2022
/s/ Allen Hugli Allen Hugli	Director	February 9, 2022
/s/ Ann Ziegler Ann Ziegler	Director	February 9, 2022

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STOCKHOLDER INFORMATION

HEADQUARTERS

Reynolds Consumer Products Inc.
1900 W. Field Court
Lake Forest, Illinois 60045
800-879-5067 or 224-295-6800
ReynoldsConsumerProducts.com

COMMON STOCK

The company's common stock is traded on the Nasdaq stock market under the symbol "REYN."

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PriceWaterhouseCoopers
Chicago, Illinois

INVESTOR RELATIONS

Inquiries from shareholders, analysts, or prospective investors should be directed to:

Mark Swartzberg
Vice President, Investor Relations
Investors@ReynoldsBrands.com
224-295-6801

TRANSFER AGENT

Inquiries for stock transfer requirements, lost certificates, and changes to addresses should be directed to:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
ASTFinancial.com

2022 ANNUAL MEETING

Annual Meeting of Stockholders of Reynolds Consumer Products Inc. will be held on Wednesday, April 27, 2022, at 4:00 p.m., Central Time.

The Annual Meeting will be completely virtual. You may attend the meeting, submit questions, and vote your shares electronically during the meeting via live webcast by visiting:
www.virtualshareholdermeeting.com/REYN2022

Instructions on how to attend and participate in the Annual Meeting via the webcast are posted on this site.

FORWARD-LOOKING STATEMENTS

This report contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including our first quarter and fiscal year 2022 guidance. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expects," "intends," "outlook," "forecast," "committed," "plans," "anticipates," "believes," "estimates," "predicts," "model," "assumes," "confident," "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 and other strategies and anticipated trends in our business, including expected levels of increases in commodity costs and volume. 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 but not limited to the risk factors set forth in our most recent Annual Report on Form 10-K.

For additional information on these and other factors that could cause our actual results to materially differ from those set forth herein, please see our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and subsequent filings. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Annual Report Design by Curran & Connors, Inc. / www.curran-connors.com

Reynolds Consumer Products Inc.
1900 W. Field Court
Lake Forest, IL 60045