BEMIS CO INC
Form 10-K
February 15, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2018

Commission File Number 1-5277

BEMIS COMPANY, INC.
(Exact name of Registrant as specified in its charter)

Missouri	43-0178130
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2301 Industrial Drive, Neenah, Wisconsin 54956
(Address of principal executive offices)

Registrant's telephone number, including area code: (920) 527-5000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.10 per share	New York Stock Exchange

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 ý NO o

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 o NO ý

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 ý NO o

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 ý NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o	Smaller Reporting Company o
Emerging growth company o	

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). YES o NO ý

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the Registrant on June 29, 2018, based on a closing price of $42.21 per share as reported on the New York Stock Exchange, was $3,841,516,355.

As of February 13, 2019, the Registrant had 91,165,312 shares of Common Stock issued and outstanding.

Documents Incorporated by Reference
Certain information required by Part III will be included in a definitive proxy statement for the Registrant's annual meeting of shareholders or an amendment to this Annual Report on Form 10-K, in either case filed with the Commission within 120 days after December 31, 2018, and is incorporated by reference herein.

BEMIS COMPANY, INC. AND SUBSIDIARIES
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

Forward-Looking Statements

Unless otherwise indicated, references to "Bemis Company," the "Company," "we," "our," and "us" in this Annual Report on Form 10-K refer to Bemis Company, Inc. and its consolidated subsidiaries.

This Annual Report contains certain estimates, predictions, and other "forward-looking statements" (as defined in the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). Forward-looking statements are generally identified with the words "believe," "expect," "anticipate," "intend," "estimate," "target," "may," "wil "project," "should," "continue," "outlook," "approximately," "would," "likely," "could," or the negative thereof or other simila expressions, or discussion of future goals or aspirations, which are predictions of or indicate future events and trends and which do not relate to historical matters. Such statements are based on information available to management as of the time of such statements and relate to, among other things, expectations of the business environment in which we operate, projections of future performance (financial and otherwise), including those of acquired companies, perceived opportunities in the market and statements regarding our strategy and vision. Forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause actual results, performance, or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Factors that could cause actual results to differ from those expected include, but are not limited to:

- Our pending merger with Amcor Limited ("Amcor"), including uncertainties as to timing of completion, the risk that the merger may not be completed in a timely manner or at all and the risk that our shareholders cannot be certain of the value of the consideration they will receive;
- The ability of our foreign operations to maintain working efficiencies, as well as properly adjust to continuing changes in global politics, legislation, and economic conditions;
- Changes in the competitive conditions within our markets, as well as changes in the demand for our goods;
- Changes in import and export regulation that could subject us to liability or impair our ability to compete in international markets;
- The costs, availability, and terms of acquiring our raw materials (particularly for polymer resins and adhesives), as well as our ability to pass any price changes on to our customers;
- Our ability to retain and build upon the relationships and sales of our key customers;
- Variances in key exchange rates that could affect the translation of the financial statements of our foreign entities;
- A failure to realize the full potential of our restructuring activities;
- The potential loss of business or increased costs due to customer or vendor consolidation;
- Our ability to effectively implement and update our global enterprise resource planning ("ERP") systems;
- Fluctuations in interest rates and our borrowing costs, along with other key financial variables;
- A potential failure in our information technology infrastructure or applications and their ability to protect our key functions from cyber-crime and other malicious content;
- Changes in our credit rating;
- Unexpected outcomes in our current and future administrative and litigation proceedings;
- Changes in the value of our goodwill and other intangible assets;
- Changes in governmental regulations, particularly in the areas of environmental, health and safety matters, fiscal incentives, and foreign investment;
- Our ability to realize the benefits of our acquisitions and divestitures, and whether we are able to properly integrate those businesses we have acquired;
- Our ability to effectively introduce new products into the market and to protect or retain our intellectual property rights;

- Changes in our ability to attract and retain high performance employees; and
- Our ability to manage all costs and the funded status associated with our pension plans.

These and other risks, uncertainties, and assumptions identified from time to time in our filings with the Securities and Exchange Commission, including without limitation, those described under Item 1A "Risk Factors" of this Annual Report on Form 10-K and our quarterly reports on Form 10-Q, could cause actual future results to differ materially from those projected in the forward-looking statements. In addition, actual future results could differ materially from those projected in the forward-looking statements as a result of changes in the assumptions used in making such forward-looking statements.

You should read this Annual Report and the documents that we reference in this Annual Report and have filed as exhibits to this Annual Report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I

ITEM 1 — BUSINESS

Bemis Company, Inc., a Missouri corporation (the “Registrant” or “Company”), continues a business formed in 1858. We were incorporated in 1885 as Bemis Bro. Bag Company with the name changed to Bemis Company, Inc. in 1965. We are a global manufacturer of packaging products.

Our long-term strategic objectives are to accelerate growth, focus innovation, and continuously improve. During 2017, we launched Agility, our multi-year, three-pronged approach to fix, strengthen, and grow our business. Our vision is: passionate commitment to the growth and success of our customers will make Bemis the clear choice for inspired packaging solutions.

The majority of our products are sold to customers in the food industry. Other customers include companies in the following types of businesses: chemical, agribusiness, medical, pharmaceutical, personal care, electronics, industrial, and other consumer goods. Further information about our operations in our business segments and geographic areas is available in Note 19 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

As of December 31, 2018, we had approximately 15,700 employees worldwide. Approximately 7,800 of these employees were in the U.S., with 39 percent of the 5,550 hourly production employees covered by collective bargaining agreements involving six different unions. Of the approximately 7,900 employees who were outside the U.S., over half of the hourly production employees and some of the salaried workforce are covered by collective bargaining agreements and are represented by numerous unions.

Working capital fluctuates throughout the year in relation to business volume and other marketplace conditions. We maintain inventory levels that provide a reasonable balance between obtaining raw materials at favorable prices and maintaining adequate inventory levels to enable us to fulfill our commitment to promptly fill customer orders. Manufacturing backlogs are not a significant factor in the industries in which we operate. The business of each of the reportable segments is not seasonal to any material extent.

We are the owner or licensee of a number of United States and foreign patents and patent applications that relate to certain of our products, manufacturing processes, and equipment. We also have a number of trademarks and trademark registrations in the United States and in foreign countries. Our patents, licenses, and trademarks collectively provide a competitive advantage. However, the loss of any single patent or license alone would not have a material adverse effect on our results as a whole or those of any of our segments. We also keep certain technology and processes as trade secrets.

Our business activities are organized around our three reportable business segments, U.S. Packaging (66 percent of 2018 net sales), Latin America Packaging (15 percent) and Rest of World Packaging (19 percent). A summary of our business activities reported by our three reportable business segments follows.

Definitive Transaction Agreement with Amcor

On August 6, 2018, we announced that our Board of Directors, along with the Board of Directors of Amcor Limited (“Amcor”), unanimously approved a definitive agreement (the "Agreement”) under which Bemis will combine with Amcor in an all-stock combination (the "Merger”).

The Merger will be effected at a fixed exchange ratio of 5.1 Amcor shares for each share of our stock, resulting in Amcor and Bemis shareholders owning approximately 71% and 29% of the combined company, respectively. Closing of the Merger is conditional upon the receipt of regulatory approvals, approval by both Amcor and Bemis shareholders, and satisfaction of other customary conditions. Subject to the satisfaction of the conditions to closing, we expect the Merger to close in the second quarter of calendar year 2019.

U.S. Packaging Segment

The U.S. Packaging segment represents all food, consumer, and industrial products packaging-related manufacturing operations located in the United States. This segment manufactures multilayer polymer, blown and cast film structures which are then converted to produce packaging for processed and fresh meat, dairy, liquids, frozen foods, cereals, snacks, cheese, coffee, condiments, candy, pet food, bakery, lawn and garden, tissue, fresh produce, personal care and hygiene, and agribusiness.

Latin America Packaging Segment
The Latin America Packaging segment includes all food and non-food packaging-related manufacturing operations located in Latin America. This segment manufactures multilayer polymer, blown and cast film structures to produce packaging sold for a variety of food, medical, pharmaceutical, personal care, electronics, and industrial applications. Additional products include injection molded and thermoformed plastic. These packaging solutions are used for a variety of applications including processed and fresh meat, dairy, liquids, snacks, cheese, coffee, condiments, candy, bakery, tissue, fresh produce, personal care and hygiene, disposable diapers, pet food, pharmaceutical, and medical devices.

Rest of World Packaging Segement
The Rest of World Packaging segment includes all food and non-food packaging-related manufacturing operations located in Europe and Asia-Pacific as well as medical device and pharmaceutical packaging-related manufacturing operations in the U.S., Europe, and Asia. This segment manufactures multilayer polymer, blown and cast film structures to produce packaging sold for a variety of food, medical, pharmaceutical, personal care, electronics, and industrial applications. These applications include processed and fresh meat, dairy, liquids, snacks, cheese, coffee, condiments, candy, bakery, tissue, fresh produce, personal care and hygiene, pharmaceutical, and medical devices.

Marketing, Distribution, and Competition
While our sales are made through a variety of distribution channels, substantially all sales are made by our direct sales force. Sales offices and plants are located throughout North America, Latin America, Europe, and Asia-Pacific to provide prompt and economical service to thousands of customers. Our technically trained sales force is supported by product development engineers, design technicians, field service technicians, and a customer service organization.

Sales to the Kraft Heinz Company, and its subsidiaries, accounted for approximately 11 and 10 percent of our sales in 2018 and 2017, respectively. Business arrangements with them and certain large customers require a large portion of the manufacturing capacity at a few individual manufacturing sites. Any change in these business arrangements would typically occur over a period of time, which would allow for an orderly transition for both our manufacturing sites and the customer.

The major markets in which we sell our products historically have been, and continue to be, highly competitive. Areas of competition include service, innovation, quality, and price. This competition is significant as to both the size and the number of competing firms. Competitors include Amcor, Berry Global Group, Inc., Bryce Corporation, Coveris Holdings S.A., Printpack, Inc., Sealed Air Corporation, Sonoco Products Company, Wipak OY, Winpak Ltd, and a variety of other privately held companies.

We consider ourselves to be a significant participant in the markets in which we serve; however, due to the diversity of our business, our precise competitive position in these markets is not reasonably determinable. Advertising is limited primarily to business and trade publications emphasizing our product features and related technical capabilities.

Raw Materials
Polymer resins and films, paper, inks, adhesives, aluminum, and chemicals constitute the major raw materials we use. These are purchased from a variety of global industry sources, and we are not significantly dependent on any one supplier for our raw materials. While temporary industry-wide shortages of raw materials may occur, we expect to continue to successfully manage raw material supplies without significant supply interruptions. Currently, raw materials are readily available.

Environmental Matters

Our operations and the real property we own or lease are subject to broad environmental laws and regulations by multiple jurisdictions. These laws and regulations pertain to the discharge of certain materials into the environment, handling and disposition of waste, and cleanup of contaminated soil and ground water as well as various other protections of the environment. We believe that we are in substantial compliance with applicable environmental laws and regulations based on implementation of our Environmental, Health, and Safety Management System and regular audits. However, we cannot predict with certainty that we will not in the future incur liability with respect to noncompliance with environmental laws and regulations due to contamination of sites formerly or currently owned or operated by us (including contamination caused by prior owners and operators of such sites) or the off-site disposal of regulated materials, which could be material. In addition, these laws and regulations are constantly changing, and we cannot always anticipate these changes.

See Note 18 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for further information regarding certain environmental matters.

Available Information

We are a large accelerated filer (as defined in Exchange Act Rule 12b-2) and are also an electronic filer. Electronically filed reports (Forms 4, 8-K, 10-K, 10-Q, S-3, S-8, etc.) can be accessed at the Securities and Exchange Commission (SEC) website (http://www.sec.gov). Electronically filed and furnished reports can also be accessed through our own website (http://www.bemis.com), under Investors/SEC Filings or by writing for free information, including SEC filings, to Investor Relations, Bemis Company, Inc., 2301 Industrial Drive, Neenah, Wisconsin 54956, or calling (920) 527-5000. In addition, our Board Committee charters, Principles of Corporate Governance, and our Code of Conduct can be electronically accessed at our website under About Bemis/Corporate Governance or, free of charge, by writing directly to the Company, Attention: Corporate Secretary. We will post any amendment to, or waiver from, a provision of the Code of Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer, and other persons performing similar functions on the Investor Relations section of our website (www.bemis.com) promptly following the date of such amendment or waiver.

Explanation of Terms Describing the Company's Products

Aseptic packaging — Packaging used in a flash-heating process in which a food product and its packaging are sterilized separately and then combined and sealed under sterile conditions. This process retains more nutrients and uses less energy than conventional sterilization techniques and extends the shelf life of processed food without using preservatives.

Barrier products — Products that provide protection and extend the shelf life of the package contents. These products provide protection from oxygen, moisture, light, odor, or other environmental factors by combining different types of plastics and additives into a multilayered plastic package.

Cast film — A plastic film that is extruded through a straight slot die as a flat sheet during its manufacturing process.

Coextruded film — A blown or cast film extruded with multiple layers extruded simultaneously.

CSD labels — Carbonated soft drink labels.

Extruded film — A plastic film manufactured by forcing heated resin through a shaped die. This forms a tube of thin plastic film which is then expanded by an internal column of air to produce a continuous ribbon of film.

EZ Open packaging — Package technologies such as peelable closures or laser scoring used to allow the consumer easy access to a packaged product. EZ Open packaging may be combined with reclose features such as plastic zippers to allow for convenient storage of the packaged material once opened.

Film laminate — A multilayer plastic film made by laminating two or more films together with the use of adhesive or a molten plastic to achieve a barrier for the packaged contents.

Flexible pouches — A packaging option that delivers a semi-finished package, instead of rollstock, to a customer for filling product and sealing/closing the package for distribution.

Flexographic printing — The most common flexible packaging printing process using a raised rubber or alternative material image mounted on a printing cylinder.

Forming films — A flexible plastic film that is designed to take the shape determined by a cavity when subjected to heat and vacuum.

Injection molded plastic — Plastic that is created through a manufacturing process where heated plastic is injected into a die or mold.

Multipack — A film manufactured by a modified extrusion process that is used for wrapping and holding multipacks of products such as canned goods and bottles of liquids, replacing corrugate and fiberboard.

Narrow-web rolls — Films that are produced one-across at widths typically less than one meter and can be produced in either tube or roll form depending on the application.

Recyclable packaging — A film manufactured through proprietary methods that allows consumers to recycle through existing How2Recycle store drop-offs.

Retort packaging — A multilayer flexible or rigid package able to withstand the thermal processing used for sterilization, similar to the process used for pressure cooking. The food is prepared and sealed in a package and then heated to approximately 250 degrees Fahrenheit under high pressure. This process extends the food product's shelf life under normal room temperature conditions.

Rigid packaging — A form of packaging in which the shape of the package is retained as its contents are removed. Cups, tubs, trays and clamshell packaging are examples of rigid packaging options.

Rollstock — The principal form in which flexible packaging material is delivered to a customer. Finished film wound on a core is converted in a process at the end user's plant that forms, fills, and seals the package of product for delivery to customers.

Rotogravure printing — A high quality printing process utilizing a metal engraved cylinder.

Shrink bags/films — An extruded packaging film that is cooled, reheated, and stretched at a temperature near its melting point. The film is made to shrink around a product by an application of thermal treatment, and can be a barrier product if a layer of oxygen barrier material is added.

Specialty film — Plastic films that are produced for non-food applications and are typically used as either secondary packaging
or incorporated into a film structure to impart specific physical and /or performance characteristics.

Sterilization packaging — Packaging materials and preformed packaging systems that support the sterilization process, physical and sterile barrier protection through global distribution, and aseptic operating room presentation of life saving medical devices and technologies.
Thermoformed plastic packaging — A package formed by applying heat to a film to shape it into a tray or cavity and then sealing a flat film on top of the package after it has been filled.
Vacuum skin packaging ("VSP") — Vacuum skin packaging combines the benefits of traditional vacuum packs in terms of shelf life extension and premium second-skin presentation of meats, fish, and ready-made meals. VSP systems include multilayer high barrier top webs and adapted forming webs and trays.

ITEM 1A — RISK FACTORS

The following factors, as well as factors described elsewhere in this Form 10-K, or in other filings by the Company with the Securities and Exchange Commission, could adversely affect the Company's consolidated financial position, results of operations or cash flows. Other factors not presently known to us or that we presently believe are not material could also affect our business operations and financial results.

Risks Related to the Proposed Merger Transaction with Amcor

The Merger is subject to a number of conditions beyond our control. Failure to complete the Merger within the expected timeframe, or at all, could adversely affect our business, results of operations and our stock price.
The consummation of the Merger remains conditioned, among other things, on: (i) approval by Amcor shareholders of the Scheme by the requisite majority under the Australian Corporations Act 2001 (Cth) (the "Australian Act"), (ii) approval by our shareholders of the Merger by the requisite majority under the General and Business Corporation Law of Missouri, (iii) expiration or earlier termination of any applicable waiting period and receipt of regulatory consents, approvals and clearances, in each case, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and under relevant antitrust, competition and foreign investment legislation in certain other relevant jurisdictions, (iv) approval of the Scheme by the Federal Court of Australia under the Australian Act, (v) approval from the New York Stock Exchange to the listing of shares of New Amcor to be issued in the Merger and (vi) no events having occurred that would have a material adverse effect on the Company or Amcor.

Although we currently anticipate the remaining conditions will be satisfied during the second quarter of 2019, we do not know with certainty whether and when these remaining conditions will be satisfied. If one or more of these conditions is not satisfied, and as a result, we do not complete the Merger, we would remain liable for significant transaction costs without realizing any benefits of the Merger. Certain costs associated with the Merger have already been incurred or may be payable even if the Merger is not consummated. In addition to the above risks, we may be required to pay to Amcor a termination fee of $130 million if the Merger is terminated under certain circumstances, including if, among other things, we terminate the Transaction Agreement with Amcor (the "Transaction Agreement") to enter into a superior proposal or if the Merger is terminated following our board of directors changing its recommendation or failing to publicly affirm the board recommendation after receipt of a competing proposal. Finally, disruptions to our business resulting from the announcement and uncertain timing of the Merger, including adverse changes in our relationships with our customers, partners, suppliers and employees, could result in the event that the Merger is not consummated.

Our stock price may also fluctuate significantly based on announcements regarding the Merger or based on market perceptions of the likelihood of us satisfying the closing conditions related to the Merger. Such announcements may lead to perceptions in the market that the Merger may not be completed, which could cause our stock price to fluctuate or decline. If we do not consummate the Merger, the price of our common stock may decline significantly from the current market price, which may reflect a market assumption that the proposed Merger will be consummated. Any of these events could harm our business, results of operations and financial condition and could cause a decline in the price of our common stock.

Our shareholders cannot be sure of the value of the consideration they will receive in the Merger.
Our shareholders cannot be sure of the precise value of the consideration they will receive in the Merger because the market price of Amcor's shares will fluctuate prior to the consummation of the Merger. In addition, the number of New Amcor shares our shareholders will receive in the Merger is fixed under the Transaction Agreement and will not be adjusted at closing of the Merger as a result of increases or decreases in the trading price of our common stock or Amcor shares or currency exchange rates following the announcement of the Merger. As a result, we could deliver greater value to the Amcor shareholders than had been anticipated by us should the value of the shares of our common

stock increase relative to the value of Amcor shares from the date of execution of the Agreement. Stock price changes may result from a variety of factors, including changes in the respective businesses, operations or prospects, regulatory considerations, governmental actions, legal proceedings and general business, market, industry, political or economic conditions and changes in currency exchange rates between the U.S. dollar and Australian dollar. Market assessments of the benefits of the Merger and the likelihood the Merger will be consummated could also impact the price of our common stock and Amcor’s shares. Many of these factors are beyond either company’s control.

Our shareholders will have a reduced ownership and voting interest in the combined company after the Merger and will exercise less influence over management.
Currently, our shareholders have the right to vote in the election of our board and the power to approve or reject any matters requiring shareholder approval under applicable law and certificate of incorporation and bylaws. Upon completion of the Merger, each of our shareholders who receives shares of the combined company's common stock pursuant to the Transaction Agreement will become a shareholder of the combined company with a percentage ownership that is smaller than our shareholders' current percentage ownership of the Company.

Based on the fixed exchange ratio of 5.1 New Amcor shares for every one Bemis share, after the Merger our shareholders are expected to become owners of approximately 29% of the outstanding shares of the combined company. Our shareholders would therefore have a less significant impact on the election of the combined company's board and on the approval or rejection of future proposals submitted to a shareholder vote.

Lawsuits may be filed against us and our directors in an effort to challenge the Merger, and an adverse ruling in such lawsuits may prevent the Merger from becoming effective or from becoming effective within the expected timeframe.
Putative class action lawsuits naming us and our directors as defendants may be brought by shareholders challenging the Merger and seeking, among other things, to enjoin consummation of the Merger. As such, if any of the plaintiffs are successful in obtaining an injunction prohibiting the consummation of the Merger, then such injunction may prevent the Merger from becoming effective or from becoming effective within the expected timeframe.

We have incurred and will incur expenses in connection with the negotiation and completion of the Merger, including advisor fees and the costs and expenses of filing, printing and mailing the joint proxy statement/prospectus.
We have and will continue to incur transaction and merger-related costs in connection with the Merger, which may be in excess of those anticipated by us.

We expect to continue to incur a number of non-recurring costs associated with completing the Merger. These fees and costs may be substantial. The majority of the non-recurring expenses will consist of transaction costs related to the Merger and include, among others, employee retention costs, fees paid to financial, legal and accounting advisors, and severance and benefit costs. We may also incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs.

The aforementioned costs, as well as other unanticipated costs and expenses, could have a material adverse effect on our financial condition and operating results.

Other Risks

Global operations — Changing conditions in the U.S. and foreign countries, may significantly impact our reported results of operations.
We have operations globally. Our revenues and net income may be adversely affected by economic conditions, political situations, and changing laws and regulations, as to which we have no control. Additionally, our operations could be disrupted by geopolitical conditions such as boycotts and sanctions, acts of war, terrorist activity or other similar events. Such events could make it difficult or impossible to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our business globally or in certain regions. While we maintain similar manufacturing capacities at different locations and coordinate multi source supplier programs on many of our materials which would better enable us to respond to these types of events, we cannot be sure that our plans will fully protect us from all such disruptions. Similarly, more ordinary course disruptions that are directly attributable to the foreign nature of our business, such as flight and shipping delays or cancellations, could also significantly impact business operations.

The political instability and incrementally challenging economic environment in Brazil are impacting our business. As consumers, retailers, and our customers react to the situation in the region, our unit volumes and mix of products sold are adversely impacted. The challenges associated with the economic environment in Brazil are putting pressure on our sales and earnings.

Changes in market demand and competition — Changes in consumer demand or buying habits for our goods, an increase in substitutions, or significant innovation by our competitors, may adversely affect our business.
Our success depends on our ability to respond timely to changes in customer product needs and market acceptance of our products. We must produce products that meet the quality, performance, and price expectations of our customers.

Additionally, because many of our products are used to package consumer goods, our sales and profitability could be negatively impacted by changes in consumer preferences for those underlying products.

We also operate in a highly competitive industry. Our response to marketplace competition may result in lower than expected net pricing of our products.

Imports and exports — We are subject to governmental export and import controls and duties, tariffs or taxes that could subject us to liability or impair our ability to compete in international markets.
Certain of our products are subject to export controls and may be exported only with the required export license or through an export license exception. If we were to fail to comply with export licensing, customs regulations, economic sanctions and other laws, we could be subject to substantial civil and criminal penalties, including fines for the Company and incarceration for responsible employees and managers, and the possible loss of export or import privileges. In addition, if our distributors fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected through reputational harm and penalties. Obtaining the necessary export license for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

Furthermore, export control laws and economic sanctions prohibit the shipment of certain products to embargoed or sanctioned countries, governments and persons. While we train our employees to comply with these regulations, we cannot assure that a violation will not occur, whether knowingly or inadvertently. Any such shipment could have negative consequences including government investigations, penalties, fines, civil and criminal sanctions, and reputational harm. In addition, our global business can be negatively affected by import and export duties, tariff barriers, and related local government protectionist measures, and the unpredictability with which these can occur. For example, we are currently working with our customers to address recent duties imposed by the U.S. government on aluminum foil sourced from China used to manufacture certain products. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in our decreased ability to export or sell our products to existing or potential customers with international operations. Any limitation on our ability to export or sell our products could adversely affect our business, financial condition and results of operations.

Raw materials — Raw material cost increases or shortages could adversely affect our results of operations.
As a manufacturer, our sales and profitability are dependent on the availability and cost of raw materials, which are subject to price fluctuations. Inflationary and other increases in the costs of raw materials have occurred in the past and are expected to recur, and our performance depends in part on our ability to reflect changes in costs in selling prices for our products. We have generally been successful in managing the impact of higher raw material costs by increasing selling prices through our contractual pass-through mechanisms with most of our customers. The disruption of raw materials from certain single-source providers could impact our supply chain. Additionally, natural disasters, such as hurricanes, tornadoes, and fires, may also negatively impact the production or delivery capacity of our raw material suppliers in the chemical and paper industries. This could result in increased raw material costs or supply shortages, which may have a negative impact on our profitability if the cost increases are sustained sequentially over multiple periods or, in the case of a shortage, if we are unable to secure raw materials from alternative sources.

Key customers — The loss of key customers or a significant reduction in sales to those customers could significantly reduce our revenues.
Our customer base includes key (generally large) customers that are important to our success and represent a sizable portion of sales. Our required response to continued marketplace competition could result in lower than expected net pricing of our products. Furthermore, if key customers experience financial pressure, they could request more favorable contractual terms, which could place additional pressure on our margins and cash flows.

Exchange rates — We have foreign currency conversion and transaction risks that may adversely affect our operating results.

In 2018, approximately 28 percent of our sales were generated by entities operating outside of the U.S. Because of this, variations in exchange rates may have a sizable effect on the translation of the financial statements of our foreign entities. Our primary foreign exchange exposure is to the Brazilian Real, but we also have foreign exchange exposure to the Euro, Argentine Peso, Mexican Peso, British Pound, and other currencies. A strengthening U.S. dollar relative to foreign currencies has a dilutive conversion effect on our financial statements. Conversely, a weakening U.S. dollar has an additive translation effect. In some cases, we sell products denominated in a currency different from the currency in which the related costs are incurred. In short, the volatility of currency exchange rates may impact our operating results.

Restructuring activities — Our restructuring activities and cost saving initiatives may not achieve the results we anticipate.
We are undertaking and may continue to undertake restructuring activities and cost reduction initiatives to optimize our asset base, improve operating efficiencies and generate cost savings. We cannot be certain that we will be able to complete these initiatives as planned or that the estimated operating efficiencies or cost savings from such activities will be fully realized or maintained over time. In addition, we may not be successful in migrating production from one facility to another.

Consolidation of customer base — A significant consolidation of our customer base could negatively impact our business.
Many of our largest customers have acquired companies with similar or complementary product lines. This consolidation has increased the concentration of our business with our largest customers. Such consolidation may be accompanied by pressure from customers for lower prices, reflecting the increase in the total volume of products purchased or the elimination of a price differential between the acquiring customer and the company acquired. While we have generally been successful at managing customer consolidations, increased pricing pressures from our customers could have a material adverse effect on results of operations.

Implementing our ERP system — We face risks related to the implementation of our global enterprise resource planning system.
We are currently engaged in a multi-year process of conforming the majority of our operations onto one global ERP system. The ERP system is designed to improve the efficiency of our supply chain and financial transaction processes, accurately maintain our books and records, and provide information important to the operation of the business to our management team. The ERP system will continue to require significant investment of human and financial resources, and we may experience significant delays, increased costs and other difficulties as a result. Any significant disruption or deficiency in the design and implementation of the ERP system could adversely affect our ability to fulfill and invoice customer orders, apply cash receipts, place purchase orders with suppliers, and make cash disbursements, and could negatively impact data processing and electronic communications among business locations, which may have a material adverse effect on our business, consolidated financial condition or results of operations. We also face the challenge of supporting our older systems and implementing necessary upgrades to those systems while we implement the new ERP system.

Interest rates — An increase in interest rates could reduce our reported results of operations.
At December 31, 2018, our variable rate borrowings approximated $654.3 million (which includes $400 million fixed rate notes that have been effectively converted to variable rate debt through the use of a fixed to variable rate interest rate swap). Fluctuations in interest rates can increase borrowing costs and have an adverse impact on results of operations. Accordingly, increases in short-term interest rates will directly impact the amount of interest we pay. For each one percent increase in variable interest rates, our annual interest expense would increase by approximately $6.5 million on the $654.3 million of variable rate debt outstanding as of December 31, 2018.

Information technology — A failure in our information technology systems could negatively affect our business.
We depend on information technology to record and process customers' orders, manufacture and ship products in a timely manner, and maintain the financial accuracy of our business records. Increased global information technology (“IT”) security threats and more sophisticated cyber-crime pose a potential risk to the security and availability of our IT systems, networks, and services, including those that are managed, hosted, provided, or used by third parties, as well as the confidentiality, availability, and integrity of our data. Other malicious activity, such as unauthorized access attempts, phishing, attempts at monetary theft through our IT systems, computer viruses or other malignant codes may also pose a threat to our operations. If the IT systems, networks, or service providers we rely upon fail to function properly, or if we suffer a loss or disclosure of business or other sensitive information, due to any number of causes,

ranging from catastrophic events to power outages to security breaches, and our business continuity plans do not effectively and timely address these failures, we may suffer interruptions in our ability to manage operations and reputational, competitive, or business harm, which may adversely affect our business operations or financial condition. We have experienced IT failures and breaches in the past, but they have not been material and did not significantly affect our business operations.

Credit rating — A downgrade in our credit rating could increase our borrowing costs and negatively affect our financial condition and results of operations.
In addition to using cash provided by operations, we regularly issue commercial paper to meet our short-term liquidity needs. Our credit ratings are important to our ability to issue commercial paper at favorable rates of interest. A downgrade in our credit rating could increase the cost of borrowing or the fees associated with our bank credit facility.

Litigation — Litigation or regulatory developments could adversely affect our business operations and financial performance.
We are, and in the future will become, involved in lawsuits, regulatory inquiries, and governmental and other legal proceedings arising out of the ordinary course of our business. As we expand our global footprint, we become exposed to more uncertainty regarding the regulatory environment. The timing of the final resolutions to lawsuits, regulatory inquiries, and governmental and other legal proceedings is typically uncertain. Additionally, the possible outcomes of, or resolutions to, these proceedings could include adverse judgments or settlements, either of which could require substantial payments. See “Legal Proceedings" included in Item 3 of this Annual Report on Form 10-K.

Goodwill and other intangible assets — A significant write-down of goodwill and/or other intangible assets would have a material adverse effect on our reported results of operations and net worth.
We review our goodwill balance for impairment at least once a year using the business valuation methods allowed in accordance with current accounting standards. These methods include the use of a weighted-average cost of capital to calculate the present value of the expected future cash flows of our reporting units. Future changes in the cost of capital, expected cash flows, or other factors may cause our goodwill and/or other intangible assets to be impaired, resulting in a non-cash charge against results of operations to write down these assets for the amount of the impairment. In addition, if we make changes in our business strategy or if external conditions adversely affect our business operations, we may be required to record an impairment charge for goodwill or intangibles, which would lead to decreased assets and reduced net operating results. If a significant write down is required, the charge would have a material adverse effect on our reported results of operations and net worth. In December 2017, we recorded pre-tax impairment charges totaling $196.6 million ($145.5 million, net of taxes) related to the Latin America Packaging segment. We have identified the valuation of intangible assets and goodwill as a critical accounting estimate. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Judgments—Intangible assets and goodwill” included in Item 7 of this Annual Report on Form 10-K.

Environmental, health, and safety regulations — Changing government regulations in environmental, health, and safety matters may adversely affect our company.
Numerous legislative and regulatory initiatives have been passed and anticipated in response to concerns about Greenhouse Gas emissions and climate change. We are a manufacturing entity that utilizes petrochemical-based raw materials to produce many of our products. Increased environmental legislation or regulation could result in higher costs for us in the form of higher raw material cost, as well as energy and freight costs. It is possible that certain materials might cease to be permitted to be used in our processes. We could also incur additional compliance costs for monitoring and reporting emissions and for maintaining permits. Additionally, a sizable portion of our business comes from healthcare packaging and food packaging, both highly regulated markets. If we fail to comply with these regulatory requirements, our results of operations could be adversely impacted.

Patents and proprietary technology — Our success is dependent on our ability to develop and successfully introduce new products and to develop, acquire and retain intellectual property rights.
Our success depends in large part on our proprietary technology. We rely on intellectual property rights, including patents, trademarks and trade secrets, as well as confidentiality provisions and licensing arrangements, to establish our proprietary rights. If we are unable to enforce our intellectual property rights, our competitive position may suffer. Our pending patent applications, and our pending trademark registration applications, may not be allowed or competitors may challenge the validity or scope of our patents or trademarks. In addition, our patents, trademarks and other intellectual property rights may not provide us a significant competitive advantage. We may need to spend significant resources monitoring our intellectual property rights. Our competitive position may be harmed if we cannot detect infringement and enforce our intellectual property rights quickly or at all. Competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing

technologies. Intellectual property rights and our ability to enforce them may be unavailable or limited in some countries which could make it easier for competitors to capture market share and could result in lost revenues.

Attracting and retaining key personnel — If we are unable to attract and retain key personnel, we may be adversely affected.

Our continued success depends, in large part, on our ability to identify, attract, motivate, train and retain qualified personnel in key functions and geographic areas. Losing the services of key employees in any of our operations could make it difficult to meet our objectives. To effectively manage our global business, we will need to continue to recruit, train, assimilate, motivate and retain employees who actively promote and meet the standards of a high performance culture.

Funded status of pension plans — Recognition of pension liabilities may cause a significant reduction in stockholders' equity.
In December of 2013, new amendments to our U.S. pension plan for salaried and non-union hourly employees were implemented. These amendments have frozen all further benefit accruals for the majority of employees entitled to benefits under the U.S. pension plans. While the amendments reduced some risk related to future service costs, there is still risk associated with ongoing liability re-measurement and plan asset valuations. Accounting standards issued by the Financial Accounting Standards Board ("FASB") require balance sheet recognition of the funded status of our defined benefit pension and postretirement benefit plans. If the fair value of our pension plans' assets at a future reporting date decreases or if the discount rate used to calculate the projected benefit obligation ("PBO") as of that date decreases, we will be required to record the incremental change in the excess of PBO over the fair value of the assets as a reduction of shareholders' equity. The resulting non-cash after-tax charge would represent future expense and would be recorded directly as a decrease in the Accumulated Other Comprehensive Income component of stockholders' equity. While we cannot estimate the future funded status of our pension liability with any certainty at this time, we believe that if the market value of assets or the discount rate used to calculate our pension liability materially decreases, the adjustment could significantly reduce our shareholders' equity. We have identified pension assumptions as a critical accounting estimate. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates and Judgments — Pension costs" and "— Pension assumptions sensitivity analysis" included in Item 7 of this Annual Report on Form 10-K.

ITEM 1B — UNRESOLVED STAFF COMMENTS

None.

ITEM 2 — PROPERTIES

Properties utilized by us at December 31, 2018, were as follows:

U.S. Packaging Segment
This segment has 25 manufacturing plants located in 12 states, of which 24 are owned directly by us or our subsidiaries and one is leased from an outside party. Initial building lease term provides for a minimum term of 20 years and has one or more renewal options.

Latin America Packaging Segment
This segment has 13 manufacturing plants located in 3 countries, of which 11 are owned directly by us or our subsidiaries and 2 are leased from an outside party. Initial building lease terms provide for minimum terms of 6 to 20 years and have one or more renewal options.

Rest of World Packaging Segment
This segment has 16 manufacturing plants located in two states within the U.S., the Commonwealth of Puerto Rico, and eight other countries, of which 11 are owned directly by us or our subsidiaries and 5 are leased from outside parties. Initial building lease terms generally provide for minimum terms of 5 to 20 years and have one or more renewal options.

Corporate and General
We consider our plants and other physical properties to be suitable, adequate, and of sufficient productive capacity to meet the requirements of our business. The manufacturing plants operate at varying levels of utilization depending on the type of operation and market conditions. Our executive offices are located in Neenah, Wisconsin.

ITEM 3 — LEGAL PROCEEDINGS

We are involved in a number of lawsuits incidental to our business, including environmental-related litigation and routine litigation arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these cases, we believe, except as discussed below, that any ultimate liability would not have a material adverse effect on the Company’s consolidated financial condition or results of operations.

Environmental Matters
We are a potentially responsible party ("PRP") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (commonly known as “Superfund”) and similar state and foreign laws in proceedings associated with 12 sites around the United States and one in Brazil. These proceedings were instituted by the United States Environmental Protection Agency and certain state and foreign environmental agencies at various times beginning in 1983. Superfund and similar state and foreign laws create liability for investigation and remediation in response to releases of hazardous substances in the environment. Under these statutes, joint and several liability may be imposed on waste generators, site owners and operators, and others regardless of fault. Although these regulations could require us to remove or mitigate the effects on the environment at various sites, perform remediation work at such sites, or pay damages for loss of use and non-use values, we expect our liability in these proceedings to be limited to monetary damages. We expect our future liability relative to these sites to be insignificant, individually and in the aggregate.

We are involved in other environmental-related litigation arising in the ordinary course of business. We accrue environmental costs when it is probable that these costs will be incurred and can be reasonably estimated. Our reserve for environmental liabilities at December 31, 2018 and 2017 was $0.3 million and $0.9 million, respectively, and is included in other liabilities and deferred credits on the accompanying consolidated balance sheet.

Brazil Tax Dispute - Goodwill Amortization

During October 2013, Dixie Toga, Ltda ("Dixie Toga"), a Bemis subsidiary, received an income tax assessment in Brazil for the tax years 2009 through 2011 that relates to the amortization of certain goodwill generated from the acquisition of Dixie Toga. The income tax assessed for those years is approximately $9.8 million, translated to U.S. dollars at the December 31, 2018 exchange rate. We expect that tax examinations for years after 2011 will include similar assessments as we continue to claim the tax benefits associated with the goodwill amortization. An ultimate adverse resolution on these assessments, including interest and penalties, could be material to our consolidated results of operations and/or cash flows.

We have been advised by our legal and tax advisors that our position with respect to the deductions is allowable under the tax laws of Brazil. We are contesting the disallowance and believe it is more likely than not the tax benefit will be sustained in its entirety and consequently have not recorded a liability. In May of 2017, we received a favorable administrative decision. The government is appealing this decision to the next administrative level. We intend to litigate the matter if it is not resolved at the administrative appeals levels. The ultimate outcome could take several years. At this time, we believe that final resolution of the assessment will not have a material impact on our consolidated financial statements.

Brazil Tax Credits

During October 2018, Bemis Do Brasil Industria E Comercio De Embalagens Ltda. ("Bemis Brazil"), a Bemis subsidiary, received a final decision from the Brazilian court regarding our claim that certain indirect taxes were incorrectly required to be paid in the years 2001 through 2017. As a result of this case, Bemis Brazil expects to receive tax credits for the overpaid tax and related interest that can be used to offset various Brazilian federal taxes in future years. The exact methodology to compute the amount of the tax credit is still being determined by the tax authorities. In the fourth quarter of 2018, Bemis Brazil hired an outside consultant to compile documentation required to claim the credit. Bemis Brazil has estimated that it is probable to receive a benefit, net of fees and applicable Brazilian taxes, of $10.1 million (translated into US dollars as of December 31, 2018) for the years 2009-2017. We reflected the $10.1 million benefit by recording $15.3 million on the consolidated statement of income in other operating income offset by $5.2 million of income tax included within income taxes provision (benefit). Bemis Brazil has not completed the estimation of tax credits for the years 2001 through 2008 given the need to gather and review manual records from this time period. The completion of this estimate is expected in 2019 and will result in recording further benefits. In addition, a taxpayer favorable decision on the methodology to compute the tax credits may result in significantly more tax credits, subject to some limitations, being available to Bemis Brazil.

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 — MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol BMS. On December 31, 2018, there were 2,849 registered holders of record of our common stock. We did not repurchase any of our equity securities in the twelve months ended December 31, 2018. As of December 31, 2018, under authority granted by the Board of Directors, we have remaining authorization to repurchase an additional 18,187,211 shares of our common stock.

The graph below matches the cumulative 5-Year total return of holders of Bemis Company, Inc.'s common stock with the cumulative total returns of the S&P Midcap 400 index and a customized peer group of twenty companies that includes: Albemarle Corp, AptarGroup Inc., Ashland Global Holdings Inc., Avery Dennison Corp, Ball Corp, Berry Global Group Inc., Crown Holdings Inc., Graphic Packaging Holding Co, Greif Inc., Minerals Technologies Inc., Newmarket Corp, Owens-illinois Inc., Packaging Corp Of America, Polyone Corp, RPM International Inc., Sealed Air Corp, Sensient Technologies Corp, Silgan Holdings Inc., Sonoco Products Co and Westrock Co. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on 12/31/2013 and tracks it through 12/31/2018.

	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
Bemis Company, Inc.	100.00	113.42	114.86	125.85	129.18	127.43
S&P Midcap 400	100.00	109.77	107.38	129.65	150.71	134.01
Peer Group	100.00	115.87	111.56	131.89	159.72	132.29

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6 — SELECTED FINANCIAL DATA

FIVE-YEAR CONSOLIDATED REVIEW
(dollars in millions, except per share amounts)

Years Ended December 31,	2018	2017	2016	2015	2014
Operating Data					
Net sales	$4,089.9	$4,046.2	$4,004.4	$4,071.4	$4,343.5
Net income	225.7	94.0	236.2	214.9	239.1
Common Share Data					
Basic earnings per share from continuing operations	2.48	1.03	2.51	2.50	2.39
Diluted earnings per share from continuing operations	2.47	1.02	2.48	2.47	2.36
Adjusted diluted earnings per share from continuing operations (1)	2.79	2.39	2.69	2.55	2.30
Dividends per share	1.24	1.20	1.16	1.12	1.08
Book value per share	13.36	13.23	13.59	12.70	14.59
Weighted-average shares outstanding for computation of diluted earnings per share	91.5	91.9	95.1	97.9	101.2
Common shares outstanding at December 31,	91.0	90.8	92.7	95.1	98.2
Capital Structure and Other Data					
Current ratio	1.8x	1.9x	2.0x	1.9x	2.7x
Working capital	$533.0	$571.0	$589.4	$529.9	$806.4
Total assets	3,571.0	3,699.9	3,715.7	3,489.8	3,610.8
Short-term debt, including current portion of long-term debt	12.0	21.0	17.3	35.4	31.3
Long-term debt	1,348.6	1,542.4	1,527.8	1,353.9	1,311.6
Total equity	1,215.9	1,201.2	1,259.7	1,207.4	1,433.0
Depreciation and amortization	167.6				