BERRY PLASTICS GROUP INC
Form 10-Q
February 03, 2017

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2016
Commission File Number 001-35672

BERRY PLASTICS GROUP, INC.

A Delaware corporation	101 Oakley Street, Evansville, Indiana, 47710 (812) 424-2904	IRS employer identification number 20-5234618

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

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 such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Small reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).
Yes No

Class	Outstanding at February 3, 2017
Common Stock, $.01 par value per share	128.8 million shares

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. The forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". These statements contain words such as "believes," "expects," "may," "will," "should," "would," "could," "seeks," "approximately," "intends," "plans," "estimates," "outlook," "anticipates" or "looking forward" or similar expressions that relate to our strategy, plans, intentions, or expectations. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this Form 10-Q.

Readers should carefully review the factors discussed in our most recent Form 10-K in the section titled "Risk Factors" and other risk factors identified from time to time in our periodic filings with the Securities and Exchange Commission.

Berry Plastics Group, Inc.
Form 10-Q Index
For Quarterly Period Ended December 31, 2016

Part I. Financial Information

Item 1. Financial Statements

Berry Plastics Group, Inc.
Consolidated Statements of Income
(Unaudited)
(in millions of dollars, except per share amounts)

	Quarterly Period Ended December 31, 2016	January 2, 2016
Net sales	$1,502	$1,612
Costs and expenses:		
Cost of goods sold	1,206	1,320
Selling, general and administrative	113	154
Amortization of intangibles	33	36
Restructuring and impairment charges	4	16
Operating income	146	86
Other (income) expense, net	(1)	4
Interest expense, net	68	75
Income before income taxes	79	7
Income tax expense	28	3
Net income	$51	$4
Net income per share:		
Basic	$0.42	$0.03
Diluted	0.40	0.03
Outstanding weighted-average shares:		
Basic	122.0	120.1
Diluted	127.8	124.9

Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(in millions of dollars)

	Quarterly Period Ended December 31, 2016	January 2, 2016
Net income	$51	$ 4
Currency translation	(45)	(29)
Interest rate hedges	17	4
Provision for income taxes related to other comprehensive income items	(6)	(1)
Other comprehensive loss, net of tax	(34)	(26)
Comprehensive income (loss)	$17	$ (22)

See notes to consolidated financial statements.

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Berry Plastics Group, Inc.
Consolidated Balance Sheets
(in millions of dollars)

Assets	December 31, 2016 (Unaudited)	October 1, 2016
Current assets:		
Cash and cash equivalents	$ 331	$ 323
Accounts receivable (less allowance of $8 and $8, respectively)	622	704
Inventories:		
Finished goods	410	397
Raw materials and supplies	276	263
	686	660
Prepaid expenses and other current assets	104	105
Total current assets	1,743	1,792
Property, plant, and equipment, net	2,182	2,224
Goodwill and intangible assets, net	3,556	3,606
Other assets	30	31
Total assets	$ 7,511	$ 7,653
Liabilities		
Current liabilities:		
Accounts payable	$ 503	$ 539
Accrued expenses and other current liabilities	434	449
Current portion of long-term debt	43	43
Total current liabilities	980	1,031
Long-term debt, less current portion	5,710	5,712
Deferred income taxes	281	272
Other long-term liabilities	294	417
Total liabilities	7,265	7,432
Stockholders' equity		
Common stock (122.3 and 122.0 million shares issued, respectively)	1	1
Additional paid-in capital	457	449
Non-controlling interest	3	3
Accumulated deficit	(33)	(84)
Accumulated other comprehensive loss	(182)	(148)
Total stockholders' equity	246	221
Total liabilities and stockholders' equity	$ 7,511	$ 7,653

See notes to consolidated financial statements.

Berry Plastics Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(in millions of dollars)

	Quarterly Period Ended December 31, 2016	January 2, 2016
Cash Flows from Operating Activities:		
Net income	$51	$4
Adjustments to reconcile net cash provided by operating activities:		
Depreciation	87	103
Amortization of intangibles	33	36
Non-cash interest expense	1	3
Deferred income tax	14	(8)
Stock compensation expense	3	4
Other non-cash operating activities, net	(1)	7
Changes in working capital	(43)	37
Changes in other assets and liabilities	(2)	5
Net cash from operating activities	143	191
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(65)	(93)
Proceeds from sale of assets	2	4
Acquisition of business, net of cash acquired	—	(2,286)
Other investing activities, net	(1)	—
Net cash from investing activities	(64)	(2,375)
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings	—	2,492
Repayments on long-term borrowings	(10)	(100)
Proceeds from issuance of common stock	5	7
Payment of tax receivable agreement	(60)	(57)
Debt financing costs	—	(36)
Purchase of non-controlling interest	—	(66)
Net cash from financing activities	(65)	2,240
Effect of exchange rate changes on cash	(6)	(2)
Net change in cash	8	54
Cash and cash equivalents at beginning of period	323	228
Cash and cash equivalents at end of period	$331	$282

See notes to consolidated financial statements.

Berry Plastics Group, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
(tables in millions of dollars, except per share data)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Berry Plastics Group, Inc. ("the Company" or "Berry") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In preparing financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included, and all subsequent events up to the time of the filing have been evaluated. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's most recent Form 10-K filed with the Securities and Exchange Commission.

2. Recently Issued Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates to the FASB's Accounting Standards Codification. During fiscal 2017, there have been no developments to the recently adopted accounting pronouncements from those disclosed in the Company's 2016 Annual Report on Form 10-K that are considered to have a material impact on our unaudited consolidated financial statements.

3. Accounts Receivable Factoring Agreements

A number of the Company's foreign subsidiaries have entered into factoring agreements to sell certain receivables to unrelated third-party financial institutions. The Company accounts for these transactions in accordance with ASC 860, "Transfers and Servicing" ("ASC 860"). ASC 860 allows for the ownership transfer of accounts receivable to qualify for sale treatment when the appropriate criteria is met, which permits the Company to present the balances sold under the program to be excluded from Accounts receivable, net on the Consolidated Balance Sheets. Receivables are considered sold when (i) they are transferred beyond the reach of the Company and its creditors, (ii) the purchaser has the right to pledge or exchange the receivables, and (iii) the Company has surrendered control over the transferred receivables. In addition, the Company provides no other forms of continued financial support to the purchaser of the receivables once the receivables are sold. The table below summarizes the total amount of accounts receivable on the Consolidated Balance Sheets, sold under these factoring arrangements as of the end of the first fiscal quarter:

	December 31, 2016	October 1, 2016
Trade receivables sold to financial institutions	$ 23	$ 23
Net amounts advanced from financial institutions	(19)	(18)
Amounts due from financial institutions	$ 4	$ 5

In addition to the programs described above, the Company has a U.S. based program where certain U.S. based receivables are sold to unrelated third-party financial institutions. There were no amounts outstanding from the financial institutions related to U.S. based programs at December 31, 2016. The fees associated with transfer of receivables for all programs were not material for any of the periods presented.

4. Restructuring and Impairment Charges

The Company incurred restructuring costs related to severance, asset impairment, and facility exit costs of $4 million and $16 million for the quarterly periods ended December 31, 2016 and January 2, 2016, respectively. The tables below set forth the significant components of the restructuring charges recognized, by segment:

	Quarterly Period Ended	
	December 31, 2016	January 2, 2016
Consumer Packaging	$ 2	$ 3
Health, Hygiene & Specialties	2	12
Engineered Materials	—	1
Consolidated	$ 4	$ 16

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The table below sets forth the activity with respect to the restructuring accrual at December 31, 2016:

	Employee Severance	Facilities Exit Costs	Total
Balance at October 1, 2016	$ 7	$ 6	$ 13
Charges	3	1	4
Cash payments	(5)	(2)	(7)
Balance at December 31, 2016	$ 5	$ 5	$ 10

5. Accrued Expenses, Other Current Liabilities and Other Long-Term Liabilities

The following table sets forth the totals included in Accrued expenses and other current liabilities on the Consolidated Balance Sheets:

	December 31, 2016	October 1, 2016
Employee compensation, payroll and other	$ 105	$ 152
Interest	44	53
Rebates	56	54
Restructuring	10	13
Accrued taxes	45	40
Tax receivable agreement obligation	100	60
Accrued operating expenses	74	77
	$ 434	$ 449

The following table sets forth the totals included in Other long-term liabilities on the Consolidated Balance Sheets:

	December 31, 2016	October 1, 2016
Lease retirement obligation	$ 35	$ 34
Sale-lease back deferred gain	25	26
Pension liability	85	88
Deferred purchase price	42	41
Tax receivable agreement obligation	14	114
Interest rate swaps	26	45
Other	67	69
	$ 294	$ 417

The Company made $60 million of payments related to the income tax receivable agreement ("TRA") in the December 31, 2016 quarter, of which Apollo Global Management, LLC received $48 million. The TRA provides for an annual payment to TRA holders at 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local income tax that are actually realized as a result of the utilization of our net operating losses attributable to periods prior to the initial public offering.

6. Long-Term Debt

Long-term debt consists of the following:

	Maturity Date	December 31, 2016	October 1, 2016

Term loan	February 2020	$1,348	$1,351
Term loan	January 2021	814	814
Term loan	October 2022	1,895	1,895
Revolving line of credit	May 2020	—	—
5 1/8% Second Priority Senior Secured Notes	July 2023	700	700
5 1/2% Second Priority Senior Secured Notes	May 2022	500	500
6% Second Priority Senior Secured Notes	October 2022	400	400
Debt discounts and deferred fees		(52)	(58)
Capital leases and other	Various	148	153
Total long-term debt		5,753	5,755
Current portion of long-term debt		(43)	(43)
Long-term debt, less current portion		$5,710	$5,712

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The Company was in compliance with all covenants as of December 31, 2016.

Debt discounts and deferred financing fees are presented net of Long-term debt, less the current portion on the Consolidated Balance Sheets and are amortized to Interest expense through maturity.

7. Financial Instruments and Fair Value Measurements

In the normal course of business, the Company is exposed to certain risks arising from business operations and economic factors. The Company may use derivative financial instruments to help manage market risk and reduce the exposure to fluctuations in interest rates and foreign currencies. These financial instruments are not used for trading or other speculative purposes. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. To the extent hedging relationships are found to be effective, as determined by FASB guidance, changes in the fair value of the derivatives are offset by changes in the fair value of the related hedged item and recorded to Accumulated other comprehensive loss. Management believes hedge effectiveness is evaluated properly in preparation of the financial statements.

Foreign Currency Forward Contracts Not Designated as Hedges

The primary purpose of our foreign currency hedging activities is to manage the potential changes in value associated with the changes in foreign currencies on future foreign cash movements for certain jurisdictions. The changes in fair value of these derivative contracts are recognized in Other (income) expense, net, on our Consolidated Statements of Income and are largely offset by the remeasurement of the underlying intercompany loan. The foreign currency forward contracts are Level 2 fair value measurements and we use a discounted cash flow analysis along with significant other observable inputs to determine the fair value of the foreign currency forward contract if it is outstanding at the end of the period. These contracts are typically entered into and settled within the given quarterly reporting period.

Cash Flow Hedging Strategy

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of Accumulated other comprehensive loss and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. The categorization of the framework used to price these derivative instruments is considered a Level 2 fair value measurement, and we utilize a discounted cash flow calculation along with significant other observable inputs to determine the fair value.

In February 2013, the Company entered into an interest rate swap transaction to manage cash flow variability associated with interest rate volatility on $1 billion of outstanding variable rate term loan debt. The agreement swapped the greater of a three-month variable LIBOR contract or 1.00% for a fixed annual rate of 2.355% with an effective date in May 2016 and expiration in May 2019. In June 2013, the Company elected to settle this derivative instrument and received $16 million as a result of this settlement. The effective portion of the interest rate swap is included in Accumulated other comprehensive loss and is being amortized to Interest expense from May 2016 through May 2019, the original term of the swap agreement.

In March 2014, the Company entered into an interest rate swap transaction to manage cash flow variability associated with interest rate volatility on $1 billion of outstanding variable rate term loan debt. The agreement swaps the greater of a three-month variable LIBOR contract or 1.00% for a fixed annual rate of 2.59%, with an effective date in February 2016 and expiration in February 2019.

In September 2015, the Company entered into an interest rate swap transaction to manage cash flow variability associated with interest rate volatility on $1 billion of outstanding variable rate term loan debt. The agreement swapped the greater of a three-month variable LIBOR contract or 1.00% for a fixed annual rate of 1.7185%, with an effective date in December 2015 and expiration in June 2019.

The Company records the changes in fair value of derivative instruments designated for hedge accounting as prescribed in ASC 815 – Derivatives and Hedging, in Accumulated other comprehensive loss, net of tax, which are included in Deferred income taxes. All other changes in derivative instruments not designated as hedging instruments flow through the Consolidated Statement of Income. The Company has designated all of their interest rate swaps as cash flow hedges.

	Balance Sheet Location	December 31, 2016	October 1, 2016
Interest rate swaps	Other long-term liabilities	$ 26	$ 45

The effect of the Company's derivative instruments on the Consolidated Statement of Income is as follows:

		Quarterly Period Ended	
Derivatives instruments	Statement of Operations Location	December 31, 2016	January 2, 2016
Interest rate swaps	Interest expense, net	$ 5	$ —
Foreign currency swaps	Other (income) expense, net	$ 1	$ —

Non-recurring Fair Value Measurements

The Company has certain assets that are measured at fair value on a non-recurring basis when impairment indicators are present or when the Company completes an acquisition. The Company adjusts certain long-lived assets to fair value only when the carrying values exceed the fair values. The categorization of the framework used to value the assets is considered Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value. These assets that are subject to our annual impairment analysis primarily include our definite lived and indefinite lived intangible assets, including Goodwill and our property, plant and equipment. The Company reviews Goodwill and other indefinite lived assets for impairment as of the first day of the fourth fiscal quarter each year, and more frequently if impairment indicators exist. The Company determined Goodwill and other indefinite lived assets were not impaired in our annual fiscal 2016 assessment. No impairment indicators were identified in the current quarter.

Included in the following table are the major categories of assets measured at fair value on a non-recurring basis as of December 31, 2016 and October 1, 2016, along with the impairment loss recognized on the fair value measurement during the period:

	As of December 31, 2016				
	Level 1	Level 2	Level 3	Total	Impairment
Indefinite-lived trademarks	$—	$ —	$248	$248	$ —
Goodwill	—	—	2,394	2,394	—
Definite lived intangible assets	—	—	914	914	—
Property, plant, and equipment	—	—	2,182	2,182	—
Total	$—	$ —	$5,738	$5,738	$ —

	As of October 1, 2016				
	Level 1	Level 2	Level 3	Total	Impairment
Indefinite-lived trademarks	$—	$ —	$248	$248	$ —
Goodwill	—	—	2,406	2,406	—
Definite lived intangible assets	—	—	952	952	—
Property, plant, and equipment	—	—	2,224	2,224	3
Total	$—	$ —	$5,830	$5,830	$ 3

The Company's financial instruments consist primarily of cash and cash equivalents, long-term debt, interest rate swap agreements and capital lease obligations. The fair value of our long-term indebtedness exceeded book value by $63 million as of December 31, 2016. The Company's long-term debt fair values were determined using Level 2 inputs as other significant observable inputs were not available.

8. Income Taxes

The Company's effective tax rate was 35% and 43% for the quarterly period ended December 31, 2016 and January 2, 2016, respectively. Within the quarter, the effective tax rate was favorably impacted primarily by the discrete item related to share based compensation excess tax benefit of 4%, partially offset by foreign valuation allowance and other discrete items.

9. Operating Segments

The Company's operations are organized into three operating segments: Consumer Packaging, Health, Hygiene & Specialties, and Engineered Materials. The structure is designed to align us with our customers, provide improved service, and drive future growth in a cost efficient manner. In October 2016, the Company realigned portions of our operating segments in order to leverage geographic management teams and commercial activities. In the prior year quarter $36 million of Net sales from the Retail & Industrial product line, which is primarily international, was moved from Engineered Materials to the Specialties product line within Health, Hygiene & Specialties. Additionally, with the intent that the announced AEP Industries Inc. acquisition will be operated within the Engineered Materials segment, $79 million of Core Films Net sales were moved from Consumer Packaging to Engineered Materials. As result of these organizational realignments, we have recast prior period segment amounts. Selected information by reportable segment is presented in the following tables:

	Quarterly Period Ended December 31, 2016	January 2, 2016
Net sales:		
Consumer Packaging	$549	$604
Health, Hygiene & Specialties	570	600
Engineered Materials	383	408
Total net sales	$1,502	$1,612
Operating income:		
Consumer Packaging	$34	$39
Health, Hygiene & Specialties	59	13
Engineered Materials	53	34
Total operating income	$146	$86
Depreciation and amortization:		
Consumer Packaging	$59	$62
Health, Hygiene & Specialties	44	55
Engineered Materials	17	22
Total depreciation and amortization	$120	$139

	December 31, 2016	October 1, 2016
Total assets:		
Consumer Packaging	$ 3,254	$3,315
Health, Hygiene & Specialties	3,439	3,504
Engineered Materials	818	834
Total assets	$ 7,511	$7,653

Selected information by geography is presented in the following tables:

	Quarterly Period Ended December 31, 2016	January 2, 2016
Net sales:		
North America	$1,204	$1,307
South America	80	79
Europe	149	165
Asia	69	61
Total net sales	$1,502	$1,612

	December 31, 2016	October 1, 2016
Long-lived assets:		
North America	$4,677	$4,724
South America	375	386
Europe	431	462
Asia	285	289
Total long-lived assets:	$5,768	$5,861

Selected information by product line is presented in the following tables:

	Quarterly Period Ended December 31, 2016	January 2, 2016
Net sales:		
Rigid Open Top	42	42
Rigid Closed Top	58	58
Consumer Packaging	100 %	100 %
Health	20	17
Hygiene	46	45
Specialties	34	38
Health, Hygiene & Specialties	100 %	100 %
Core Films	73	71
Retail & Industrial	27	29
Engineered Materials	100 %	100 %

Goodwill

In connection with the change in reporting segments, the Company reallocated goodwill to the segments under the provisions of ASC 350. The changes in the carrying amount of goodwill by reportable segment are as follows:

	Consumer Packaging	Health, Hygiene & Specialties	Engineered Materials	Total
Balance as of October 1, 2016	$ 1,520	$ 801	$ 85	$2,406
Segment realignment	(110)	7	103	—
Foreign currency translation adjustment	(1)	(11)	—	(12)
Balance as of December 31, 2016	$ 1,409	$ 797	$ 188	$2,394

10. Contingencies and Commitments

The Company is party to various legal proceedings in addition to the above involving routine claims which are incidental to its business. Although the Company's legal and financial liability with respect to such proceedings cannot be estimated with certainty, management believes that any ultimate liability would not be material to its financial statements.

The Company has various purchase commitments for raw materials, supplies, and property and equipment incidental to the ordinary conduct of business.

11. Basic and Diluted Net Income per Share

Basic net income per share is calculated by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. Diluted net income per share is computed by dividing the net income attributable to common stockholders by the weighted-average number of common share equivalents outstanding for the period determined using the treasury-stock method and the if-converted method. For purposes of this calculation, stock options are considered to be common stock equivalents and are only included in the calculation of diluted net income per share when their effect is dilutive.

The following tables and discussion provide a reconciliation of the numerator and denominator of the basic and diluted net income per share computations. The calculation below provides net income per share on both a basic and diluted basis for the quarterly periods ended December 31, 2016 and January 2, 2016:

	Quarterly Period Ended	
(in millions, except per share amounts)	December 31, 2016	January 2, 2016
Numerator		
Consolidated net income	$51	$4
Denominator		
Weighted average common shares outstanding - basic	122.0	120.1
Dilutive shares	5.8	4.8
Weighted average common and common equivalent shares outstanding - diluted	127.8	124.9

Per common share income		
Basic	$0.42	$0.03
Diluted	$0.40	$0.03

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12. Accumulated Other Comprehensive Income (Loss)

The components and activity of Accumulated other comprehensive income (loss) are as follows:

	Currency Translation	Defined Benefit Pension and Retiree Health Benefit Plans	Interest Rate Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at October 1, 2016	$ (82)	$ (44)	$ (22)	$ (148)
Other comprehensive income (loss) before reclassifications	(45)	—	12	(33)
Net amount reclassified from accumulated other comprehensive income (loss)	—	—	5	5
Provision for income taxes related to other comprehensive income items	—	—	(6)	(6)
Balance at December 31, 2016	$ (127)	$ (44)	$ (11)	$ (182)

	Currency Translation	Defined Benefit Pension and Retiree Health Benefit Plans	Interest Rate Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at September 26, 2015	$ (81)	$ (25)	$ (13)	$ (119)
Other comprehensive income (loss) before reclassifications	(29)	—	4	(25)
Net amount reclassified from accumulated other comprehensive income (loss)	—	—	—	—
Provision for income taxes related to other comprehensive income items	—	—	(1)	(1)
Balance at January 2, 2016	$ (110)	$ (25)	$ (10)	$ (145)

13. Guarantor and Non-Guarantor Financial Information

Berry Plastics Corporation ("Issuer") has notes outstanding which are fully, jointly, severally, and unconditionally guaranteed by its parent, Berry Plastics Group, Inc. (for purposes of this Note, "Parent") and substantially all of Issuer's domestic subsidiaries. Separate narrative information or financial statements of the guarantor subsidiaries have not been included because they are 100% owned by Parent and the guarantor subsidiaries unconditionally guarantee such debt on a joint and several basis. A guarantee of a guarantor subsidiary of the securities will terminate upon the following customary circumstances: the sale of the capital stock of such guarantor if such sale complies with the indentures, the designation of such guarantor as an unrestricted subsidiary, the defeasance or discharge of the indenture, as a result of the holders of certain other indebtedness foreclosing on a pledge of the shares of a guarantor subsidiary or if such guarantor no longer guarantees certain other indebtedness of the issuer. The guarantees of the guarantor subsidiaries are also limited as necessary to prevent them from constituting a fraudulent conveyance under applicable law and any guarantees guaranteeing subordinated debt are subordinated to certain other of the Company's debts. Parent also guarantees the Issuer's term loans and revolving credit facilities. The guarantor subsidiaries guarantee our term loans and are co-borrowers under our revolving credit facility. Presented below is condensed consolidating financial information for the Parent, Issuer, guarantor subsidiaries and non-guarantor subsidiaries. The

Issuer and guarantor financial information includes all of our domestic operating subsidiaries; our non-guarantor subsidiaries include our foreign subsidiaries, certain immaterial domestic subsidiaries and the unrestricted subsidiaries under the Issuer's indentures. The Parent uses the equity method to account for its ownership in the Issuer in the Condensed Consolidating Supplemental Financial Statements. The Issuer uses the equity method to account for its ownership in the guarantor and non-guarantor subsidiaries. All consolidating entries are included in the eliminations column along with the elimination of intercompany balances.

Condensed Supplemental Consolidated Balance Sheet

	December 31, 2016					
	Parent	Issuer	Guarantor Subsidiaries	Non— Guarantor Subsidiaries	Eliminations	Total
Current assets	—	226	879	638	—	1,743
Intercompany receivable	275	2,840	—	—	(3,115)	—
Property, plant, and equipment, net	—	74	1,416	692	—	2,182
Other assets	365	4,142	4,070	533	(5,524)	3,586
Total assets	$640	$7,282	$ 6,365	$ 1,863	$ (8,639)	$7,511
Current liabilities	100	226	419	235	—	980
Intercompany payable	—	66	2,926	123	(3,115)	—
Other long-term liabilities	294	5,822	104	65	—	6,285
Stockholders' equity (deficit)	246	1,168	2,916	1,440	(5,524)	246
Total liabilities and stockholders' equity (deficit)	$640	$7,282	$ 6,365	$ 1,863	$ (8,639)	$7,511

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	October 1, 2016					
	Parent	Issuer	Guarantor Subsidiaries	Non— Guarantor Subsidiaries	Eliminations	Total
Current assets	—	161	945	686	—	1,792
Intercompany receivable	364	2,797	—	—	(3,161)	—
Property, plant and equipment, net	—	76	1,434	714	—	2,224
Other assets	302	4,101	4,094	557	(5,417)	3,637
Total assets	$666	$7,135	$ 6,473	$ 1,957	$ (8,578)	$7,653
Current liabilities	60	207	480	284	—	1,031
Intercompany payable	—	—	2,992	169	(3,161)	—
Other long-term liabilities	385	5,822	126	68	—	6,401
Stockholders' equity (deficit)	221	1,106	2,875	1,436	(5,417)	221
Total liabilities and stockholders' equity (deficit)	$666	$7,135	$ 6,473	$ 1,957	$ (8,578)	$7,653

Condensed Supplemental Consolidated Statements of Operations

	Quarterly Period Ended December 31, 2016					
	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	$—	$ 143	$ 979	$ 380	$ —	$1,502
Cost of goods sold	—	116	789	301	—	1,206
Selling, general and administrative	—	42	75	(4)	—	113
Amortization of intangibles	—	2	25	6	—	33
Restructuring and impairment charges	—	—	4	—	—	4
Operating income	—	(17)	86	77	—	146
Other expense (income), net	—	4	—	(5)	—	(1)
Interest expense, net	—	6	45	17	—	68
Equity in net income of subsidiaries	(79)	(92)	—	—	171	—
Income (loss) before income taxes	79	65	41	65	(171)	79
Income tax expense (benefit)	28	14	—	14	(28)	28
Consolidated net income (loss)	$51	$ 51	$ 41	$ 51	$ (143)	$51
Comprehensive net income (loss)	$51	$ 62	$ 41	$ 6	$ (143)	$17