PINNACLE FOODS INC.
Form 10-K
February 23, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 25, 2016
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________to _____________.
Commission File Number 001-35844

Pinnacle Foods Inc.
(Exact name of registrant as specified in its charter)

Delaware	35-2215019
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
399 Jefferson Road Parsippany, New Jersey	07054
(Address of Principal Executive Offices)	(Zip Code)

Registrant’s telephone number, including area code: (973) 541-6620
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of the exchange on which registered
Common Stock, par value $0.01 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 ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ 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 ¨
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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller Reporting Company	¨

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

As of June 24, 2016 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of common stock held by non-affiliates of the registrant was approximately $5.05 billion. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

There were 118,152,239 shares of common stock, $0.01 par value, outstanding at February 21, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the annual meeting of shareholders scheduled to be held on May 23, 2017 are incorporated by reference into Part III of this Form 10-K.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, financing needs, plans or intentions relating to acquisitions, business trends and other information that is not historical information. When used in this Form 10-K, the words “estimates,” “expects,” “contemplates,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts,” “may,” “should” and variations of such w similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical facts and operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-K. Such risks, uncertainties and other important factors include, among other things:

competition;
our ability to predict, identify, interpret and respond to changes in consumer preferences;
the loss of any of our major customers;
our reliance on a single source provider for the manufacturing, co-packing and distribution of many of our products;
fluctuations in price and supply of food ingredients, packaging materials and freight;
volatility in commodity prices and our failure to mitigate the risks related to commodity price fluctuation and foreign exchange risk through the use of derivative instruments;
future borrowing and restrictive covenants under our credit facility and the indentures governing our senior notes;
costs and timeliness of integrating acquisitions or our failure to realize anticipated cost savings, revenue enhancements or other synergies therefrom;
litigation or claims regarding our intellectual property rights or termination of our material licenses;
our ability to drive revenue growth in our key product categories or to add products that are in faster growing and more profitable categories;
potential product liability claims;
seasonality;
stock price volatility;
changes in our collective bargaining agreements or shifts in union policy;
changes in the cost of compliance with laws and regulations, including environmental, worker health and workplace safety laws and regulations;
our failure to comply with U.S. Food & Drug Administration, U.S. Department of Agriculture or Federal Trade Commission regulations and the impact of governmental budget cuts;
disruptions in our information technology systems;
future impairments of our goodwill and intangible assets;
difficulty in the hiring or the retention of key management personnel; and
changes in tax statutes, tax rates, or case laws which impact tax positions we have taken.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed under the sections entitled “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K. You should evaluate all forward-looking statements made in this Form 10-K in the context of these risks and uncertainties.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. All forward-looking statements in this Form 10-K apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this Form 10-K. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.

EXPLANATORY NOTE

Unless the context requires otherwise, in this Form 10-K, “Pinnacle,” the “Company,” “we,” “us” and “our” refers to Pinnacle Foods Inc.”, and the entities that are its consolidated subsidiaries.

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PART I
ITEM 1. BUSINESS

Company Overview

We are a leading manufacturer, marketer and distributor of high-quality, branded food products in North America, with annual net sales of approximately $3.1 billion in fiscal 2016. Our brand portfolio enjoys strong household penetration in the United States, where our products can be found in over 85% of U.S. households. Our products are sold through supermarkets, grocery wholesalers and distributors, mass merchandisers, super centers, convenience stores, dollar stores, natural and organic food stores, drug stores and warehouse clubs in the United States and Canada, as well as in military channels and foodservice locations. Given our diverse portfolio of brands with attractive market positions, our business generates significant and stable cash flows that have enabled us to pay regular quarterly dividends to our shareholders, reduce our debt and drive value creation through both reinvestment in our existing brands and periodic strategic acquisitions.

Pinnacle Foods Inc. was incorporated under the name "Crunch Holding Corp. in Delaware on July 28, 2003. Pinnacle Foods Inc. is a holding company whose sole asset is 100% ownership of Peak Finance Holdings LLC (“PFH”). PFH is a holding company whose sole asset is 100% ownership of Pinnacle Foods Finance LLC.

In the fourth quarter of 2016, following the completion of the integration of the Company’s Boulder Brands acquisition (see below), the Company reorganized its reporting structure into four reportable segments. As a result, the Company’s operations are reported in the Frozen segment, the Grocery segment, the Boulder segment and the Specialty segment. The Boulder Brands acquisition is discussed in greater detail in Note 3 to the Consolidated Financial Statements, “Acquisitions.”

Frozen Segment

Birds Eye is the largest brand in the $3.2 billion frozen vegetables category. Collectively, our steamed and non-steamed product offerings hold the #1 position among branded products, with a 30.4% market share. Government programs, such as the USDA’s My Plate program, and nutrition and health professionals continue to identify increased vegetable consumption as a key to better health. We believe that enhancing the taste of vegetables and making them exceptionally convenient are keys to driving more vegetable consumption. Birds Eye has taken a leadership role in increasing vegetable consumption, including encouraging children to eat more vegetables. We are supporters of the USDA’s My Plate program and have engaged in breakthrough marketing efforts with major multi-media family entertainment partners to encourage children to eat more vegetables. We also compete in the frozen complete bagged meals category with our Birds Eye Voila! brand. We are the largest competitor in the frozen complete bagged meal category with a 41.0% market share. Birds Eye Voila! frozen bagged meals provide consumers with a high quality complete meal, including protein, starch, and vegetables, that can be prepared in a skillet in just minutes.

Our Frozen segment also includes Hungry-Man frozen entrées, Van de Kamp’s and Mrs. Paul's frozen prepared seafood, Aunt Jemima frozen breakfast products, Lender's frozen and refrigerated bagels and Celeste frozen pizza. The Frozen segment also includes all of the Company’s business in Canada, including those of the Garden Protein International and Boulder Brands acquisitions.

Grocery Segment

The Grocery segment consists of a diversified portfolio of shelf-stable and refrigerated products including a complete line of shelf-stable pickle products, primarily under the nationally-distributed Vlasic brand, and the regional brands under the Milwaukee’s and Wiejske Wyroby brands. Our Vlasic brand, represented by its trademark Vlasic stork, has the highest consumer awareness and quality ratings in the pickle category. Vlasic is the #1 brand in the $782 million shelf-stable pickle category and Pinnacle brands collectively hold a 34.9% market share.

Our Duncan Hines portfolio includes cake mixes, ready-to-serve frostings, brownie mixes, and cookie mixes. In addition to our traditional cake mix offerings, our cake mix portfolio also includes premium offerings under the Duncan Hines Decadent and Duncan Hines Perfect Size brands. Duncan Hines is the #2 brand with a 25.7% market share in the $1.1 billion cake/brownie mix and frostings category. We compete in the shelf-stable salad dressings category with our Wish-Bone and Western brands, including our new Wish-Bone E.V.O.O., Wish-Bone Ristorante Italiano and Wish-Bone Avocado Oil lines. We hold the #3 position in the $2.1 billion salad dressings category, with a combined share of 11.6%, and Wish-Bone holds the #1 position in the branded Italian segment of the category. Our Grocery segment also includes Armour, Nalley and Brooks canned meat, Mrs. Butterworth's and Log Cabin table syrups, Smart Balance premium margarine/spread, Comstock and Wilderness pie and pastry fruit fillings and Open Pit barbecue sauce.

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Boulder Segment

We offer a portfolio of gluten-free products under the Udi’s and Glutino brands and natural frozen meals under our EVOL brand. Udi’s is the #1 brand in the $355.0 million gluten-free frozen bakery and pizza category with a 38.3% market share. The Boulder segment also includes all of the products under the Earth Balance brand, a plant-based premium refrigerated and shelf-stable portfolio, as well as the rapidly-growing gardein plant-based protein brand.

Specialty Segment

The Specialty segment is comprised of our direct store delivery snacks portfolio, including Tim’s Cascade, Hawaiian kettle style chips, Snyder of Berlin and Husman’s, each of which has strong regional presence. We also manufacture and distribute certain products, mainly in the frozen breakfast, gluten-free, frozen meat substitutes, canned meat, and pie and pastry fruit filling categories, through foodservice channels. The Specialty segment also includes our private label business, which manufactures and distributes products in the canned meat, shelf-stable pickles and frozen prepared seafood categories.

Financial information about our business segments is discussed in greater detail in Note 14 to the consolidated financial statements included elsewhere in this Form 10-K.

Frozen Segment

Major Pinnacle Brands	Industry Category	Market Share 52 Weeks Ended December 25, 2016 (1)	Category Rank (1)
Birds Eye	Frozen vegetables	30.4%	#1
Birds Eye Voila!	Frozen complete bagged meals	41.0%	#1
Lender's	Frozen and refrigerated bagels	65.5%	#1
Van de Kamp's Mrs. Paul's	Frozen prepared seafood	25.1%	#2
Aunt Jemima	Frozen pancakes / waffles / French toast	5.0%	#3
Celeste	Frozen pizza for one	5.8%	#4
Hungry-Man	Full-calorie single-serve frozen dinners and entrées	9.6%	#5

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Grocery Segment

Major Pinnacle Brands	Industry Category	Market Share 52 Weeks Ended December 25, 2016 (1)	Category Rank (1)
Vlasic	Shelf-stable pickles	34.9%	#1
Mrs. Butterworth's Log Cabin	Table syrup	20.7%	#1
Comstock Wilderness	Pie / pastry fruit fillings	38.8%	#1
Duncan Hines	Cake / brownie mixes and frostings	25.7%	#2
Smart Balance	Premium margarine/spreads	19.9%	#2
Armour Brooks Nalley	Canned meat	20.4%	#2
Wish-Bone (2) Western	Shelf-stable salad dressings	11.6%	#3

Boulder Segment

Major Pinnacle Brands	Industry Category	Market Share 52 Weeks Ended December 25, 2016 (1)	Category Rank (1)
Udi's	Gluten-free frozen bakery and pizza	38.3%	#1
gardein	Frozen meat/poultry substitutes	15.6%	#2
Glutino	Gluten-free snacks	2.5%	NM
EVOL	Frozen healthy dinners/entrées	2.4%	NM
	Frozen handhelds	0.6%	NM
Earth Balance	Premium margarine/spreads	7.6%	#3

(1) Based on IRI custom Pinnacle databases; rank among branded manufacturers, excluding Private Label.
(2) Pinnacle is the number 3 competitor in the category and Wish-Bone is the number one brand in the Italian segment.

Throughout this Form 10-K, we use data provided by Information Resources Inc. (“IRI”). Unless we indicate otherwise, retail sales, market share, category and other industry data used throughout this Form 10-K for all categories and segments are for U.S. brands and for the 52-week period ended December 25, 2016. This data includes retail sales for food (grocery stores with at least $2.0 million in annual sales), drug (all chain and independent drug retailers, excluding prescription sales), mass merchandisers (Target, Kmart and Shopko), Walmart (Supercenters, Division 1 and Neighborhood Market), club stores (Costco, BJ’s and Sam’s Club), dollar stores (Dollar General, Family Dollar and Fred’s) and military (Defense Commissary Agency commissaries in the continental United States). Retail sales are dollar sales estimated by IRI and represent the value of units sold through cash registers for the relevant period. Market share is the Company’s percentage of the overall category and is calculated using dollar retail sales of U.S. brands.

We view shelf-stable pickles, table syrup, frozen and refrigerated bagels, frozen pancakes/waffles/French toast and pie/pastry fruit fillings as distinct categories. We view the cake/brownie mixes and frostings category as consisting of cake and cupcake mixes, brownie mixes and frostings. We view the frozen vegetables category as consisting of frozen plain vegetables, frozen prepared vegetables and select frozen side dishes, including vegetables. We view the frozen complete bagged meals category as consisting of frozen full-calorie multi-serve dinners, excluding non-bag items. We view the frozen prepared seafood category as consisting of frozen breaded and battered fish, excluding shellfish. We view the frozen meat/poultry substitutes category as consisting of

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frozen meat substitutes, frozen poultry substitutes, and frozen dinners/entrées where the 'meat' component is a plant-based substitute. We view the single-serve frozen dinners and entrées category as consisting of full-calorie single-serve frozen dinners and entrées and select frozen handheld entrees. We view the frozen pizza-for-one category as consisting of total frozen pizza of 12 ounces per unit or less (for single serve packages, or individual units within multi-serve packages), excluding French bread crust and diet-positioned varieties. We view the canned meat category as consisting of shelf-stable prepared chili, shelf-stable lunch meats, shelf-stable Vienna Sausage and shelf-stable potted meats. We view the shelf-stable salad dressings category as consisting of shelf-stable pourable dressings and salad dressing mixes. We view the frozen healthy single-serve dinners and entrees category as consisting of frozen single-serve frozen dinners and entrees with healthy (natural, organic, non-GMO, gluten free or diet) positioning. We view the frozen handhelds category as consisting of both breakfast and non-breakfast frozen handheld offerings, including burritos. We view the frozen gluten free bakery and pizza category as consisting of all gluten free dedicated brands as well as any of the following that contains a gluten free claim: frozen bread, frozen bagels, frozen rolls, frozen dough/biscuits/muffins, frozen single-serve tortillas/taco kits, frozen pizza and frozen pizza crust/dough. We view the gluten free snacks category as consisting of all gluten free dedicated brands as well an any of the following that contains a gluten free claim: cookies, crackers, cupcakes/brownies, carob/yogurt covered snacks, chocolate covered salty snacks, trail mixes, cheese snacks, pretzels, popcorn, tortilla/tostado chips, breakfast/cereal/snack bars, granola bars or other salted snacks with a gluten free claim. We view the premium margarine/spreads category as consisting of any premium margarine or spread.

Although we believe that this information is reliable, we cannot guarantee its accuracy and completeness, nor have we independently verified it. Although we are not aware of any misstatements regarding the industry data that we present in this Form 10-K, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under "Disclosure regarding forward-looking statements" and "Item 1A: Risk Factors."

Competitive Strengths

We believe the following competitive strengths differentiate us from our competitors and contribute to our ongoing success:

Actively Managed Portfolio of Iconic Food Brands with Leading Market Positions

We actively manage our diverse portfolio of food brands that participate in attractive product categories. Our well-recognized brand portfolio enjoys strong household penetration in the United States, where our products can be found in over 85% of U.S. households.

We have prioritized our investment spending and brand-building activities behind brands that have higher growth and margins, greater potential for value-added innovation and enhanced responsiveness to consumer marketing. We manage some of our other brands for stability in sales, market share and cash flow, with a focus on ongoing quality upgrades, competitive pricing and strong merchandising and trade programs. Our brand prioritization strategy is focused on ensuring that the strong, stable cash flows from certain brands are deployed for reinvestment in marketing and on-trend innovation for our higher-margin brands, as well as for debt reduction and other corporate priorities.

Strong Innovation and Marketing Capabilities

Over the past few years, we have continually enhanced our organizational capabilities in the areas of new product innovation and consumer marketing. We have improved our in-house innovation capabilities by augmenting and upgrading our innovation team, with the construction of a state-of-the-art Research and Development ("R&D") facility in our Parsippany, New Jersey headquarters. This facility co-locates our sales, marketing and operations teams with our entire company-wide R&D team, other than gardein, which is located in British Columbia, and better enables us to leverage the innovation experience of our senior management As a result of the Boulder Brands acquisition, we also have sales, marketing, R&D and operations teams in Boulder, Colorado to further enhance our organizational capabilities in the health and wellness arena. Our state-of-the-art manufacturing facility in Denver, Colorado also enables the Company to produce its gluten-free products and improve process capability and product quality. Additionally, we have increased investment in consumer insights and employee innovation training. Recent examples of successfully launched innovations include new varieties of our Duncan Hines Perfect Size and Birds Eye

Steamfresh Flavor Full, Protein Blends and Disney-themed side dishes for kids. We intend to continue to invest in innovation that enables us to further differentiate our brands in the marketplace. Our research and development expenditures totaled $18.1 million, $13.0 million, and $11.3 million for fiscal years 2016, 2015 and 2014, respectively. Our level of research and development expenditures reflects our focus on product development in comparison to basic research.

To complement our accelerated innovation efforts, we have also focused and enhanced our marketing investments. We have partnered with best-in-class branded consumer advertising, digital and media agencies to develop high impact marketing programs

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implemented across television, print, social and digital media. We intend to increase marketing investments over time, as the volume trends and promotional environment in the broader food industry normalize.

Operational Excellence Driving Continued Gross Margin Improvement

Our operational excellence program is a holistic, Company-wide productivity initiative designed to generate annual productivity savings across our supply chain, in the range of 3.5% to 4.0% of our annual Cost of products sold, which has been achieved over the last five years. In fiscal 2016, our operational excellence initiative drove productivity savings of 4.0%. These productivity savings, combined with selective retail price increases have been instrumental in mitigating input cost inflation in periods of significant inflationary pressure, and driving gross margin expansion in periods of more modest inflation. We also pursue other initiatives to drive incremental improvement in our gross margin, including improving our product mix through new product innovation and low-margin SKU rationalization, increasing the effectiveness of our trade promotional spending and realizing synergies from acquisitions. Furthermore, our gross margin benefits from our diversified input cost basket in which no single commodity accounted for more than 5% of our total Cost of products sold in fiscal 2016.

Strong Free Cash Flow Conversion

Our business generates an attractive Adjusted EBITDA (see non GAAP disclosures later) margin and also benefits from modest capital expenditure and working capital requirements and approximately $425.5 million in net operating loss carryovers (“NOLs”) ($188.3 million after IRC Section 382 limitation, subject to an annual limitation of $17.1 million), which combined have resulted in strong and stable free cash flows. Our Adjusted EBITDA margin benefits from the quality of our brand portfolio and our lean and nimble organization structure, with selling, general and administrative expenses, excluding consumer advertising and promotions and one-time items, slightly above 9% of net sales in fiscal 2016. Our NOLs and other tax attributes will generate modest annual cash tax savings in 2016 and thereafter.

We believe our strong free cash flows will enable us to continue to maximize shareholder value through paying a regular quarterly dividend, financing value-enhancing acquisitions, reducing our indebtedness and strategically deploying our capital to fund innovation and organic growth opportunities.

Proven M&A Expertise with Significant Opportunity

We have substantial experience in sourcing, executing and integrating value-enhancing acquisitions. We maintain a highly-disciplined approach to M&A, focusing on opportunities that add new iconic brands to our portfolio and/or allow for strong synergy realization. On January 15, 2016, the Company acquired Boulder Brands Inc. ("Boulder Brands acquisition") which manufactures, markets and distributes a portfolio of health and wellness brands. The acquisition expanded the Company’s presence in growing and complementary health and wellness categories and in the natural and organic retail channels. In November 2016, we hired a dedicated corporate development resource to enhance the Company’s M&A expertise.

Our strong existing platforms in the Frozen, Grocery, and Boulder segments facilitate a large addressable market and provide us with a broad set of potential acquisition targets. We believe our scale, management depth, integration expertise and access to capital will allow us to consider both small and large acquisitions in the future and to seamlessly integrate them to drive maximum value creation.

Experienced, Hands-On Management Team and Board of Directors

Our management team has a demonstrated history of delivering strong operating results, has extensive food industry experience and includes several executives who have managed significantly larger businesses and have led numerous acquisition integrations. Our management team is complimented by an experienced Board of Directors, which includes several individuals with a proven track record of successfully managing and acquiring consumer businesses.

Customers

We have several large customers that account for a significant portion of our sales. Wal-Mart is our largest customer and represented approximately 28%, 27%, and 27% of net sales in each of fiscal years 2016, 2015, and 2014, respectively. Cumulatively, including Wal-Mart, our top ten customers accounted for approximately 63%, 60%, and

62% of net sales in each of fiscal years 2016, 2015, and 2014.

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Marketing

Our marketing programs consist of consumer advertising, consumer promotions, trade promotions, direct marketing and public relations. Our advertising consists of television, newspaper, magazine, digital, mobile and social advertising aimed at increasing consumer preference and usage of our brands. Consumer promotions include free trial offers, targeted coupons and on-package offers to generate trial usage and increase purchase frequency. Our trade promotions focus on obtaining retail feature and display support, achieving optimum retail product prices and securing retail shelf space. Over the long term, we continue to focus on shifting our marketing efforts toward building long-term brand equity through increased consumer marketing.

Intellectual Property

Our intellectual property and other proprietary assets include copyrights, registered and common law trademarks and trademark applications, patents and patent applications, domain names, trade secrets, other proprietary rights and licenses of intellectual property rights of various kinds. We consider these assets and rights, both in the United States and in Canada, among our most valuable assets. We rely on a combination of copyright, trademark, patent, trade secret and unfair competition laws as well as contractual provisions to protect these assets. The duration and scope of the protection afforded to our intellectual property and other assets depends on the type of property in question and the laws and regulations of the relevant jurisdiction. In the case of licenses, they also depend on contractual provisions.

We manufacture and market certain of our frozen food products under the Swanson, Aunt Jemima and Voila! brands pursuant to royalty-free, exclusive and perpetual trademark licenses. The licenses give us the right to use certain Swanson, Aunt Jemima and Voila! trademarks both inside and outside of the United States in connection with the manufacture, distribution, marketing, advertising, and promotion and sale of these products. The licenses contain standard provisions, including those dealing with quality control and termination as well as assignment and consent. If we were to breach any material term of the licenses and not timely cure such breach, Campbell Soup Company, The Quaker Oats Company or Voila! Bakeries, Inc. could terminate the licenses.

We also have a license agreement granting us an exclusive, royalty bearing, perpetual license to use certain Armour trademarks in the United States. Under the license agreement, Smithfield Foods, Inc., as successor to ConAgra, Inc., the licensor, grants us a license for the use of various Armour trademarks in conjunction with shelf-stable products within the United States. We are required to make annual royalty payments to the licensor based upon our annual net sales of the approved shelf-stable products. If we were to materially breach the license agreement, Smithfield Foods, Inc. could terminate the license. We own and maintain Armour registrations in many other countries.

Sales and Distribution

We sell and distribute a majority of our products in the United States and Canada through a combined network of internal sales and broker teams. We employ other brokers for the foodservice and club channels. Through this combination network, our products reach all traditional classes of trade, including supermarkets, grocery wholesalers and distributors, mass merchandisers, super centers, convenience stores, drug stores, warehouse clubs, foodservice and other alternative channels.

Due to the different demands of distribution for frozen, shelf-stable and refrigerated products, we maintain separate distribution systems for these products. In addition to these distribution systems, our snack products are primarily distributed through a direct store delivery network in the Midwest, Mid-Atlantic, and Pacific Northwest, a portion of which we own and operate and a portion of which utilizes third-party providers. We believe that our sales and distribution network is scalable and has the capacity to support substantial increases in volume.

Ingredients and Packaging

We believe that the ingredients and packaging used to produce our products are readily available through multiple sources. Ingredients and packaging typically account for approximately two thirds of our annual Cost of products sold. We use a broad array of ingredients including vegetables and fruits, proteins, grains and oils, sugars, seafood and other agricultural products. Certain vegetables and fruits are purchased under dedicated acreage supply contracts from a number of growers prior to each growing season, while the balance is sourced directly from third parties. Our packaging consists primarily of steel, aluminum, glass jars, plastic bottles, corrugated fiberboard, and various poly-films.

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Manufacturing

Owned and Operated Manufacturing Facilities. We own and operate twelve and lease six manufacturing facilities for our products. See "Item 2, - Properties" for a listing of our manufacturing facilities.

Co-Packing Arrangements. In addition to our own manufacturing facilities, we source a portion of our products under “co-packing” agreements, a common industry practice in which manufacturing is outsourced to other companies. We regularly evaluate our co-packing arrangements to ensure the most cost-effective manufacturing of our products and to utilize company-owned manufacturing facilities most effectively.

Seasonality

Our sales and cash flows are affected by seasonal cyclicality. In general, our sales are highest in the fourth quarter. In addition, since many of our raw materials are agricultural crops, production of these products is predominantly seasonal. As a result our inventory levels tend to be higher in the third quarter, requiring more working capital at that time.

Competition

We face competition in each of our respective product lines. Although we operate in a highly competitive industry, we believe that the strength of our brands has resulted in strong respective competitive positions. We compete with producers of similar products on the basis of, among other things, product quality, brand recognition and loyalty, price, customer service, effective consumer marketing and promotional activities, and the ability to identify and satisfy emerging consumer preferences.

Employees

We employed approximately 5,100 people as of December 25, 2016, with approximately 56% of our hourly employees unionized. Due to the seasonality of our agricultural businesses, our employment fluctuates throughout the year, and thus our average number of employees was approximately 5,500 throughout fiscal 2016. In September, 2016, we completed negotiations and entered into a new collective bargaining agreement with the union representing approximately 420 employees at our Fort Madison, Iowa plant. In January 2017, we entered into a new collective bargaining agreement with approximately 117 of our union employees at our Fennville, Michigan plant. Our other unionized employees are covered under collective bargaining agreements expiring between April 2018 and October 2022. In general, we consider our relationship with employees to be good. See “Item 1A- Risk Factors- Our financial well-being could be jeopardized by unforeseen changes in our employees’ collective bargaining agreements or shifts in union policy.”

Financial Information About Geographical Areas

For information about our geographic segments, see Note 14 to the consolidated financial statements in this Form 10-K.

Governmental, Legal and Regulatory Matters

Food Safety and Labeling

We are subject to extensive regulation, including, among other things, the Food, Drug and Cosmetic Act, as amended by the Food Safety Modernization Act, the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, and the rules and regulations promulgated thereunder by the U.S. Food and Drug Administration. This comprehensive and evolving regulatory program governs, among other things, the manufacturing, composition and ingredients, labeling, packaging, and safety of food, including compliance with current Good Manufacturing Practices. In addition, the Nutrition Labeling and Education Act of 1990 prescribes the format and content of certain information required to appear on the labels of food products. We are also subject to regulation by certain other governmental agencies, including the U.S. Department of Agriculture.

Our operations and products are also subject to state and local regulation, including the registration and licensing of plants, enforcement by state health agencies of various state standards, and the registration and inspection of facilities.

Compliance with federal, state and local regulation is costly and time-consuming. Enforcement actions for violations of federal, state, and local regulations may include seizure and condemnation of products, cease and desist orders, injunctions or monetary penalties. We believe that our practices are sufficient to maintain compliance with applicable government regulations.

Federal Trade Commission

We are subject to certain regulations by the Federal Trade Commission. Advertising of our products is subject to such regulation pursuant to the Federal Trade Commission Act and the regulations promulgated thereunder.

Employee Safety Regulations

We are subject to certain health and safety regulations, including regulations issued pursuant to the Occupational Safety and Health Act. These regulations require us to comply with certain manufacturing, health, and safety standards to protect our employees from accidents.

Environmental Regulation

We are subject to a number of federal, state, and local laws and other requirements relating to the protection of the environment and the safety and health of personnel and the public. These requirements relate to a broad range of our activities, including: the discharge of pollutants into the air and water; the identification, generation, storage, handling, transportation, disposal, recordkeeping, labeling, and reporting of, and emergency response in connection with, hazardous materials (including asbestos) associated with our operations; noise emissions from our facilities; and safety and health standards, practices, and procedures that apply to the workplace and the operation of our facilities.

In order to comply with these requirements, we may need to spend substantial amounts of money and other resources from time to time to (i) construct or acquire new equipment, (ii) acquire or amend permits to authorize facility operations, (iii) modify, upgrade, or replace existing and proposed equipment and (iv) clean up or decommission our facilities or other locations to which our wastes have been sent. For example, some of our baking facilities are required to obtain air emissions permits and to install bag filters. Many of our facilities discharge wastewater into municipal treatment works, and may be required to pre-treat the wastewater and/or to pay surcharges. Some of our facilities use and store in tanks large quantities of materials, such as sodium chloride and ammonia, that could cause environmental damage if accidentally released. We use some hazardous materials in our operations, and we generate and dispose of hazardous wastes as a conditionally exempt small quantity generator. Our capital and operating budgets include costs and expenses associated with complying with these laws. If we do not comply with environmental requirements that apply to our operations, regulatory agencies could seek to impose civil, administrative, and/or criminal liabilities, as well as seek to curtail our operations. Under some circumstances, private parties could also seek to impose civil fines or penalties for violations of environmental laws or recover monetary damages, including those relating to property damage or personal injury.
Many of our plants were in operation before current environmental laws and regulations were enacted. Our predecessors have in the past had to remediate soil and/or groundwater contamination at a number of locations, including petroleum contamination caused by leaking underground storage tanks which they removed, and we may be required to do so again in the future. We have sold a number of plants where we have ceased operations, and it is possible that future renovations or redevelopment at these facilities might reveal additional contamination that may need to be addressed. Although remediation costs in the past have not been material, future remediation costs may be.
The presence of hazardous materials at our facilities or at other locations to which we have sent hazardous wastes for treatment or disposal, may expose us to potential liabilities associated with the cleanup of contaminated soil and groundwater under federal or state “Superfund” statutes. Under the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (“CERCLA”), owners and operators of facilities from which there has been a release or threatened release of hazardous materials, together with those who have transported or arranged for the transportation or disposal of those materials, are liable for (i) the costs of responding to and remediating that release and (ii) the restoration of natural resources damaged by any such release. Under CERCLA and similar state statutes, liability for the entire cost of cleaning up the contaminated site can, subject to certain exceptions, be imposed upon any such party regardless of the lawfulness of the activities that led to the contamination.
See “Item 1A— Risk Factors— We and our third-party co-packers and suppliers are subject to laws and regulations relating to protection of the environment, worker health, and workplace safety. Costs to comply with these laws and regulations, or claims with respect to environmental, health and safety matters, could have a significant negative impact on our business.”

Insurance

We maintain general liability and product liability, property, worker’s compensation, business interruption, director and officer and other insurance in amounts and on terms that we believe are customary for companies similarly situated. In addition, we maintain excess insurance where we believe it is reasonably cost effective.

Additional Information

Additional information pertaining to our businesses, including operating segments, is set forth under the caption “Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations and Related Information” under

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Item 7 of this Form 10-K and in Note 14 to the Consolidated Financial Statements, “Segments”, which is included under Item 8 of this Form 10-K.

Our reports on Form 10-K, along with all other reports and amendments, are filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC"). You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C., 20549. Please call 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our filings are also available free of charge to the public from commercial document retrieval services and at the web site maintained by the SEC at http://www.sec.gov. We also make available through our internet website at http://www.pinnaclefoods.com under the heading “Investor Center,” our annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports after we electronically file any such materials with the SEC. In addition, copies of our (i) Corporate Governance Guidelines, (ii) charters for the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee and (iii) Code of Business Conduct and Ethics are available through our internet website at http://www.pinnaclefoods.com under the heading “Investor Center” and under the sub-heading “Governance Documents”. References to our website are intended to be inactive textual references only and the information posted on, accessed through or otherwise connected to it shall not be deemed to be incorporated by reference into this report.

Executive Officers of the Registrant

Pursuant to General Instruction G of Form 10-K, the following is included in Part I of this Annual Report and sets forth certain information as of February 23, 2017 concerning our executive officers:

Mr. Michael Allen

Mr. Allen, age 55, was named Executive Vice President and President, Boulder in September 2016. In this role, Mr. Allen leads Pinnacle’s Boulder segment of brands. Mr. Allen joined Pinnacle Foods with 20 years of experience in the food industry, including focus in the natural, organic and health-forward channels. Before Pinnacle, Mr. Allen held the role of President, Morning Foods Division at the Kellogg Company and he also served as President, Frozen Foods Division from February 2009 to July 2013. Mr. Allen joined the Kellogg Company in 1997 and progressed through various leadership roles in marketing, innovation and general management. Mr. Allen holds a degree in Communications from Centennial College in Toronto.

Mr. Michael Barkley

Mr. Barkley, age 50, was named Executive Vice President, Meals and Sides and Chief Marketing Officer in December 2015. Mr. Barkley oversees the Meals and Sides category team and channels marketing. Additionally, Mr. Barkley's responsibilities as Chief Marketing Officer include strengthening and harmonizing the Company’s marketing across the business teams, overseeing agency relationships and developing marketing talent. From December 2013 to December 2015, Mr. Barkley served as the Company’s Senior Vice President and General Manager Meals and Sides. Prior to joining Pinnacle, Mr. Barkley served as Vice President and General Manager of Healthy Beverages, Vice President Simple Meals and Vice President Ready to Serve Soup at Campbell Soup Company from 2008 to 2013. Prior to joining Campbell, Mr. Barkley led consumer health brands in various Vice President and General Manager roles at Johnson & Johnson and Bristol-Meyers Squibb. Mr. Barkley holds a B.S. degree from the University of Virginia and an M.B.A. from the University of North Carolina.

Mr. Christopher Boever

Mr. Boever, age 49, was named Executive Vice President and Chief Customer Officer in December, 2011. Mr. Boever oversees the sales force and broker organization for Pinnacle’s U.S. organization. From June 2007 to December 2011, Mr. Boever worked at ConAgra Foods, Inc., most recently serving as Senior Vice President Sales, leading the sales organization for the Consumer Division. At ConAgra he advanced through positions of increasing responsibility including strategy, planning and operations across a portfolio of frozen, grocery, refrigerated and snack food brands.

From January 1991 to June 2007, Mr. Boever worked in various headquarters and field positions at Hormel Foods. Mr. Boever holds a Bachelor of Business Administration degree from the University of Wisconsin, Whitewater.

Mr. Mark Clouse

Mr. Clouse, age 48, was appointed Chief Executive Officer effective May 23, 2016. From January 2016 to May 2016, Mr. Clouse served as Executive Vice President and Chief Commercial Officer at Mondelez International, Inc. He previously served as Executive Vice President and Chief Growth Officer from July 2014 until December 2015 and Executive Vice President and President, North America from October 2012 to March 2015. He was President of the Snacks and Confectionery business in North America from

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June 2011 to October 2012, Senior Vice President of the Biscuits Global Category Team from October 2010 to June 2011, Managing Director of Kraft Foods Brazil from January 2008 to September 2010 and President of Kraft Foods Greater China from January 2006 to January 2008. Prior to that, Mr. Clouse held various positions of increasing responsibility around the world. During Mr. Clouse's 20-year tenure at Kraft Foods Inc. and the subsequent spin-off of Mondelez, Mr. Clouse held a broad range of leadership positions involving iconic brands such as Oreo, Nabisco, Cadbury and Trident, oversaw the company's commercial execution for all of its five geographic regions, as well as the global sales function, was responsible for the company's growth strategy and oversaw key areas such as corporate strategy, global marketing, global sales, and research, development and quality. Mr. Clouse is a graduate of the U.S. Military Academy at West Point, with a degree in economics.

Ms. Mary Beth DeNooyer

Ms. DeNooyer, age 46, was named Executive Vice President and Chief Human Resources Officer in May 2013. As Chief Human Resources Officer, Ms. DeNooyer leads all human resources responsibilities throughout the Company including organizational development, recruitment and talent management, training, compensation and benefits, employee relations, diversity and communications. From April 2011 through June 2012, Ms. DeNooyer served as Senior Vice President and Chief Human Resources Officer, in addition to her role as head of Compensation and Benefits, for the division of Sara Lee which was later spun-off as Hillshire Brands. From March 2010 to April 2011, Ms. DeNooyer served as Senior Vice President, Compensation and Benefits at Sara Lee. Ms. DeNooyer held Human Resources leadership positions at The Pepsi Bottling Group from 1998 to 2010 and General Mills from 1994 to 1998. Ms. DeNooyer holds a Bachelor's Degree in Business Administration from Drexel University and a Master's Degree in Industrial and Labor Relations from Cornell University.

Mr. Michael Kelley Maggs

Mr. Maggs, age 65, was named Executive Vice President and General Counsel in March 2013. Previously, Mr. Maggs served as Senior Vice President, General Counsel and Secretary since Pinnacle's inception in 2001. Mr. Maggs oversees all legal and corporate secretary activities at Pinnacle. He was associated with affiliates of CDM Investor Group LLC from 1993 until 2007. Prior to his involvement with Pinnacle, Mr. Maggs held the same position with International Home Foods Inc. from November 1996 to December 2000. From 1993 to 1996, Mr. Maggs was employed with Stella Foods, Inc. as Vice President and General Counsel. Prior to that time, he was engaged in the private practice of law in Virginia and New York. Mr. Maggs is a graduate of Niagara University and received his Juris Doctor from George Mason University Law School.

Mr. Mark Schiller

Mr. Schiller, age 55, was named Executive Vice President and President North America Retail in January 2015. In this role, Mr. Schiller oversees the management of all of the Company's retail brands and private label, excluding brands within the Boulder segment and snack business. From May 2013 to December 2014, Mr. Schiller served as Executive Vice President and President Birds Eye Frozen Division. From June 2010 to May 2013, Mr. Schiller served as Executive Vice President and President Duncan Hines Grocery Division. From March 2002 to April 2010, Mr. Schiller worked at PepsiCo as Senior Vice President of Frito Lay New Ventures, President of Quaker Foods and Snacks North America, and Senior Vice President and General Manager of Frito Lay Convenience Foods Division. From 1998 to 2002, Mr. Schiller was Chief Operating Officer and Co-President of Tutor Time Learning Systems, Inc. From 1996 to 1998, Mr. Schiller served as President of Valley Recreation Products, Inc. Mr. Schiller began his career at the Quaker Oats Company in 1985 where he progressed through a number of marketing, sales and supply chain roles. Mr. Schiller holds a Bachelor of Arts degree from Tulane University and an MBA from Columbia University Graduate School of Business.

Mr. Craig Steeneck

Mr. Steeneck, age 58, was named Executive Vice President and Chief Financial Officer in July 2007. Mr. Steeneck oversees our financial operations, treasury, tax, investor relations, corporate development and information technology. From June 2005 to July 2007, Mr. Steeneck served as Executive Vice President, Supply Chain Finance and IT, where he helped redesign the supply chain to generate savings and improved financial performance. From April 2003 to June 2005, Mr. Steeneck served as Executive Vice President, Chief Financial Officer and Chief Administrative Officer of

Cendant Timeshare Resort Group (now Wyndham Worldwide), playing key roles in wide-scale organization of internal processes and staff management. From March 2001 to April 2003, Mr. Steeneck served as Executive Vice President and Chief Financial Officer of Resorts Condominiums International (now Wyndham Worldwide) From October 1999 to February 2001, he was the Chief Financial Officer of International Home Foods Inc. Mr. Steeneck is a member of the Board of Directors of Freshpet, Inc. since November 2014, and serves as Chairman of its Audit Committee. Mr. Steeneck is a member of the Board of Directors of Hostess Brands Inc. since November 2016, and he serves as Chairman of its Audit Committee. Mr. Steeneck is an honors graduate of the University of Rhode Island.

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Mr. D. Michael Wittman
Mr. Wittman, age 55, was named Executive Vice President and Chief Supply Chain Officer in November 2015. In his role, Mr. Wittman has overall corporate responsibility for the end-to-end supply chain, including procurement, manufacturing, customer service, warehousing and distribution. Additionally, Mr. Wittman oversees Pinnacle's food quality and safety programs. From December 2008 to October 2015, Mr. Wittman served as Vice President of Supply Chain for Mars Chocolate North America where he was responsible for the supply chain for the confectionery business. Prior to Mars, Mr. Wittman spent over 25 years within the Johnson & Johnson Family of Companies, including leadership roles in J&J Consumer Companies and McNeil Consumer Products. Mr. Wittman holds a Bachelor of Science degree in Accounting from St. Edward's University in Austin, Texas.

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ITEM 1A. RISK FACTORS

RISK FACTORS
Risks Related to Our Business
We face significant competition in our industry, which could cause us to lose market share, lower prices, or increase advertising and promotional expenditures. Our success also depends on our ability to predict, identify and interpret changes in consumer preferences and develop and offer new products rapidly enough to meet those changes.
The food products business is highly competitive. Numerous brands and products compete for shelf space and sales, with competition based primarily on product quality, brand recognition and loyalty, price, trade promotion, consumer promotion, customer service, and the ability to identify and satisfy emerging consumer preferences. We compete with a significant number of companies of varying sizes, including divisions, subdivisions, or subsidiaries of larger companies. Many of these competitors have multiple product lines, substantially greater financial and other resources available to them, and may be substantially less leveraged than Pinnacle. In addition, private label is a significant competitor, particularly in the frozen vegetables, shelf-stable pickles, table syrup, frozen and refrigerated bagels, and pie/pastry fruit fillings categories. We may not be able to compete successfully with these companies and private label. Competitive pressures or other factors could cause us to lose market share, which may require us to lower prices, increase marketing and advertising expenditures, or increase the use of discounting or promotional campaigns, each of which would materially and adversely affect our margins and could result in a decrease in our operating results and profitability.
Our success depends on our ability to predict, identify, and interpret the tastes and dietary habits of consumers and to offer products that appeal to those preferences. There are inherent marketplace risks associated with new product or packaging introductions, including uncertainties about trade and consumer acceptance. If we do not succeed in offering products that consumers want to buy, our sales and market share will decrease, resulting in reduced profitability. If we are unable to accurately predict which shifts in consumer preferences will be long-lasting, or are unable to introduce new and improved products to satisfy those preferences, our sales will decline. In addition, given the variety of backgrounds and identities of consumers in our consumer base, we must offer a sufficient array of products to satisfy the broad spectrum of consumer preferences. As such, we must be successful in developing innovative products across a multitude of product categories. Finally, if we fail to rapidly develop products in faster-growing and more profitable categories, we could experience reduced demand for our products, or fail to expand margins.
We are also subject to the effect that the overall economic conditions have upon consumer sentiment and retail sales.

If we lose one or more of our major customers, or if any of our major customers experience significant business interruption or enact initiatives to improve their cost structure, our results of operations could be adversely affected.

We have several large customers that account for a significant portion of our sales. We do not have long-term supply contracts with any of our major customers. Our large customers may choose to purchase products from us based on a combination of factors such as price, consumer demand, customer service performance, their desired inventory levels, and other factors. Changes in any of our major customers' strategies, including a reduction in the number of brands they carry, initiatives to improve their cost structure, or a shift of shelf space to private label products, may adversely affect sales.

The loss of one or more major customers, a material reduction in sales to these customers as a result of competition from other food manufacturers, or the occurrence of a significant business interruption of our customers' operations would result in a decrease in our revenues, operating results, and earnings and could adversely affect the market price of our common stock.

In addition, as the retail grocery trade continues to consolidate and our retail customers grow larger and become more sophisticated, our retail customers may demand lower pricing and increased promotional programs. If we fail to use our sales and marketing expertise to maintain our category leadership positions to respond to these trends, or if we lower our prices or increase promotional support of our products and are unable to increase the volume of our products sold, our profitability and financial condition may be adversely affected.

For the manufacturing, co-packing and distribution of many of our products, we primarily rely on single source providers where a significant disruption in a facility or loss of arrangements could affect our business, financial condition, and results of operations.

With the exception of our Birds Eye frozen vegetable products which are produced in two facilities (Waseca, Minnesota and Darien, Wisconsin, which has approximately three times the production capacity of the Waseca location), none of our products are produced

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in significant amounts at multiple manufacturing facilities or co-packers. Significant unscheduled downtime at any of our facilities or co-packers due to equipment breakdowns, power failures, natural disasters, or any other cause could materially adversely affect our ability to provide products to our customers, which would have a material adverse effect on our business, financial condition and results of operations.

We rely upon co-packers for some of our production needs, including certain Birds Eye products, a significant portion of products acquired through the Boulder Brands acquisition and our Duncan Hines frosting products, among others. We believe that there are a limited number of competent, high-quality co-packers in the industry, and if we were required to obtain additional or alternative co-packing agreements or arrangements in the future, we may not be able to do so on satisfactory terms or in a timely manner.

We sell a majority of our products in the United States and Canada through a combination of a direct and broker network. Our business could suffer disruption if either of our major United States or Canada brokers were to default in the performance of their obligations to perform brokerage services or fail to effectively represent us to the retail grocery trade.

We are vulnerable to fluctuations in the price and supply of food ingredients, packaging materials, and freight.

The prices of the food ingredients, packaging materials and freight are subject to fluctuations in price attributable to, among other things, changes in supply and demand of crops or other commodities, fuel prices and government-sponsored agricultural and livestock programs. The sales prices to our customers are a delivered price. Therefore, changes in our input costs could impact our gross margins. Our ability to pass along higher costs through price increases to our customers is dependent upon competitive conditions and pricing methodologies employed in the various markets in which we compete. To the extent competitors do not also increase their prices, customers and consumers may choose to purchase competing products or may shift purchases to lower-priced private label or other value offerings which may adversely affect our results of operations.

We use significant quantities of food ingredients and other agricultural products as well as plastic, paper corrugated fiberboard, aluminum, glass jars and steel packaging materials provided by third-party suppliers. We buy from a variety of producers and manufacturers, and alternate sources of supply are generally available. However, the supply and price are subject to market conditions and are influenced by other factors beyond our control, such as general economic conditions, unanticipated demand, problems in production or distribution, natural disasters, weather conditions during the growing and harvesting seasons, insects, plant diseases, and fungi.

Adverse weather conditions may occur more frequently as a result of climate change and other factors. There is concern that greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. Long-term climate changes may negatively impact the price or availability of key raw materials. Adverse weather conditions and natural disasters can reduce crop size and crop quality, which in turn could reduce our supplies of raw materials, lower recoveries of usable raw materials, increase the prices of our raw materials, increase our cost of transporting and storing raw materials, or disrupt our production schedules.

We do not have long-term contracts with many of our suppliers, and, as a result, they could increase prices or fail to deliver. The occurrence of any of the foregoing could increase our costs and disrupt our operations.

If our assessments and assumptions about commodity prices, as well as ingredient and other prices and currency exchange rates, prove to be incorrect in connection with our hedging or forward-buy efforts or planning cycles, our costs may be greater than anticipated and our financial results could be adversely affected. Volatility in commodity prices will impact our results of operations.

From time to time, we enter into commodity forward contracts to fix the price of diesel fuel, natural gas, soybean oil and other commodity purchases at a future delivery date. However, such strategies do not fully address commodity price risk. Adverse movements in commodity prices over the terms of the contracts or instruments could decrease the economic benefits we derive from these strategies. Additionally, changes in the value of our commodities derivatives are recorded in the Cost of products sold line in our Consolidated Statements of Operations. Accordingly, volatility in commodities could result in volatility in our results of operations. As of December 25, 2016, the potential change in fair value of commodity derivative instruments, assuming a 10% adverse movement in the underlying commodity prices, would have resulted in an unrealized net loss of $1.7 million.

In addition, certain parts of our foreign operations in Canada expose us to fluctuations in foreign exchange rates. Net sales in Canada accounted for 3.5% of Consolidated Net Sales for fiscal 2016. We also seek to reduce our exposure to such foreign exchange risks primarily through the use of foreign exchange-related derivative financial instruments. We enter into derivative financial instruments to protect the value or fix the amount of certain obligations in terms of our functional currency. As of December 25,

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2016, a 10% decline in the U.S. dollar relative to the Canadian dollar would have decreased the fair value of our foreign exchange forward contracts by $1.0 million.
We may cease any of our current programs or use other hedging or derivative programs in the future. The extent of our hedges at any given time depends on our assessment of the markets for these commodities, diesel fuel and natural gas, including our assumptions about future prices and currency exchange rates. For example, if we believe market prices for the commodities we use are unusually high, we may choose to hedge less, or even none, of our upcoming requirements. If we fail to hedge and prices or currency exchange rates subsequently increase, or if we institute a hedge and prices or currency exchange rates subsequently decrease, our costs may be greater than anticipated or greater than our competitors’ costs and our financial results could be adversely affected. See “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations-Quantitative and Qualitative Disclosures About Market Risk” for a discussion of our current hedging and derivatives programs.

We may not be able to successfully identify, evaluate and integrate businesses we may acquire in the future and we may not be able to realize anticipated cost savings, revenue enhancements, or other synergies from such acquisitions.

We may not be able to identify and complete acquisitions in the future, and our failure to do so could limit our ability to grow our business beyond our existing brands. If we do acquire businesses in the future, the process of integrating such businesses involves risks. Some of these risks include, but are not limited to, demands on management related to the potential significant increase in the size of our business, the diversion of management’s attention from the management of daily operations and difficulties in the assimilation of different corporate cultures and business practices. Failure to successfully integrate acquired businesses may result in reduced levels of revenue, earnings or operating efficiency than might have been achieved if we had not acquired such businesses.

Litigation or claims regarding our trademarks and any other proprietary rights or termination of our material licenses may have a significant, negative impact on our business.
We attempt to protect our intellectual property rights through a combination of trademark, patent, copyright and trade secret laws. We consider our trademarks to be of significant importance to our business and devote resources to the establishment and protection of our trademarks and other intellectual property rights. However, our trademark or other intellectual property applications are not always approved. Third parties may also oppose our intellectual property applications, or otherwise challenge our use of our trademark or other intellectual property. The actions we have taken or will take in the future may not be adequate to prevent violation of our trademark or other proprietary rights by others or prevent others from seeking to block sales of our products as an alleged violation of their trademark or other proprietary rights. We may need to initiate future claims or litigation or defend claims or litigation against us to enforce our trademark or other proprietary rights or to defend ourselves against claimed infringement of the trademark or other proprietary rights of others. Any future claims or litigation of this type, even without merit, could result in a material adverse effect on our business, financial condition or results of operations. Any such future claims or litigation may: (a) be expensive and time consuming to defend; (b) cause us to cease making, licensing or using products that incorporate the challenged intellectual property; (c) require us to rebrand our products or redesign our packaging, if feasible; (d) divert management’s attention and resources; or (e) require us to enter into royalty or licensing agreements in order to obtain the right to use a third party’s intellectual property, which, if required, may not be available to us on acceptable terms or at all. Any inability to use our trademarks or other proprietary rights could harm our business and sales through reduced demand for our products and reduced revenues.
Additionally, we manufacture certain brands under license agreements from various third parties. The loss of these licenses could have a material adverse effect on our business.

We may be unable to drive revenue growth in our key product categories or add products that are in faster growing and more profitable categories.
The food and beverage industry’s overall growth is linked to population growth. Our future results will depend on our ability to drive revenue growth in our key product categories. Because our operations are concentrated in North

America, where growth in the food and beverage industry has been moderate, our success also depends in part on our ability to enhance our portfolio by adding innovative new products in faster growing and more profitable categories. Our failure to drive revenue growth in our key product categories or develop innovative products for new and existing categories could materially and adversely affect our profitability, financial condition and results of operations.

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We may be subject to product recalls or product liability claims should the consumption of any of our products cause injury, illness or death.
We sell food products for human consumption, which involves risks such as product contamination or spoilage, misbranding, product tampering, and other adulteration of food products. Consumption of a misbranded, adulterated, contaminated, or spoiled product may result in personal illness or injury.
We could be subject to claims or lawsuits relating to an actual or alleged illness or injury, and we could incur liabilities that are not insured or exceed our insurance coverage. Even if product liability claims against us are not successful or fully pursued, these claims could be costly and time consuming and may require our management to spend time defending the claims rather than operating our business.
A product that has been actually or allegedly misbranded or becomes adulterated could result in product withdrawals or recalls, destruction of product inventory, negative publicity, temporary plant closings, and substantial costs of compliance or remediation. Recalls might also be required due to usage of raw materials provided by third-party suppliers. A significant product recall could cause our products to be unavailable for a period of time and reduce our sales. Any of these events, including a significant product liability judgment against us, could result in a loss of demand for our food products, which could have a material adverse effect on our financial condition, results of operations or cash flows.

Due to the seasonality of the business, our revenue and operating results may vary from quarter to quarter.

Our sales and cash flows are affected by seasonal cyclicality. Sales of frozen foods, including frozen vegetables and frozen complete bagged meals, tend to be marginally higher during the winter months. Seafood sales peak during Lent, in advance of the Easter holiday. Sales of pickles, relishes, barbecue sauces, potato chips and salad dressings tend to be higher in the spring and summer months, and demand for Duncan Hines, Smart Balance and Earth Balance products, Birds Eye vegetables and our pie and pastry fruit fillings tend to be higher around the Easter, Thanksgiving, and Christmas holidays. Since many of the raw materials we process under the Birds Eye and Vlasic brands are agricultural crops, production of these products is predominantly seasonal, occurring during and immediately following the purchase of such crops. We also increase our Duncan Hines inventories in advance of the peak fall selling season. As a result, our inventory levels tend to be higher during August, September, and October, and thus we require more working capital during these months. We are typically a seasonal net user of cash in the third quarter of the calendar year.

For these reasons, sequential quarterly comparisons are not a good indication of our performance or how we may perform in the future. If we are unable to obtain access to working capital or if seasonal fluctuations are greater than anticipated, there could be a material adverse effect on our financial condition, results of operations or cash flows.

We face risks associated with certain pension obligations.

We hold investments in equity and debt securities in our qualified defined benefit pension plan. Deterioration in the value of plan assets, resulting from a general financial downturn or otherwise, could cause an increase in the underfunded status of our defined benefit pension plan, thereby increasing our obligation to make contributions to the plan. The underfunding in our pension plan totaled $54.6 million as of December 25, 2016. The decrease in discount rates from approximately 6.0% in 2008 to 4.0% as of December 25, 2016 has had a significant impact on our funding status. Changes in interest rates in the future could have a significant effect on our funded status.

Our obligation to make contributions to the pension plan could reduce the cash available for working capital and other corporate uses and may have a material adverse impact on our operations, financial condition and liquidity.

Our financial well-being could be jeopardized by unforeseen changes in our employees’ collective bargaining agreements or shifts in union policy.

We employed approximately 5,100 people as of December 25, 2016, with approximately 56% of our hourly employees unionized. Failure to extend or renew our collective bargaining agreements or a prolonged work stoppage or strike at any facility with union employees could have a material adverse effect on our business, financial condition, or results of operations. In addition, we may not be able to reach new agreements upon the expiration of our existing collective bargaining agreements and if we do reach new agreements, such agreements may not be on terms that we consider favorable. Furthermore, labor organizing activities could result in additional employees becoming unionized.

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We and our third-party co-packers and suppliers are subject to laws and regulations relating to protection of the environment, worker health, and workplace safety. Costs to comply with these laws and regulations, or claims with respect to environmental, health and safety matters, could have a significant negative impact on our business.
Our operations are subject to various federal, state and local laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of solid and hazardous materials and wastes, employee exposure to hazards in the workplace and the cleanup of contaminated sites. We are required to obtain and comply with environmental permits for many of our operations, and sometimes we are required to install pollution control equipment or to implement operational changes to limit air emissions or wastewater discharges and/or decrease the likelihood of accidental releases of hazardous materials. We could incur substantial costs, including cleanup costs, civil or criminal fines or penalties, and third-party claims for property damage or personal injury as a result of any violations of environmental laws and regulations, noncompliance with environmental permit conditions or contamination for which we may be responsible that is identified or that may occur in the future. Such costs may be material.
Under federal and state environmental laws, we may be liable for the costs of investigation, removal or remediation of certain hazardous or toxic substances, as well as related costs of investigation and damage to natural resources, at various properties, including our current and former properties and the former properties of our predecessors, as well as offsite waste handling or disposal sites that we or our predecessors have used. Liability may be imposed upon us without regard to whether we knew of or caused the presence of such hazardous or toxic substances. Any such locations, or locations that we may acquire in the future, may result in liability to us under such laws or expose us to third party actions such as tort suits based on alleged conduct or environmental conditions. In addition, we may be liable if hazardous or toxic substances migrate from properties for which we may be responsible to other properties.
In addition to regulations applicable to our operations, failure by any of our co-packers or other suppliers to comply with regulations, or allegations of compliance failure, may disrupt their operations and could result in potential liability. Even if we were able to obtain insurance coverage or compensation for any losses or damages resulting from the non-compliance of a co-packer or supplier with applicable regulations, our brands and reputation may be adversely affected by negative perceptions of our brands stemming from such compliance failures.

We cannot predict what environmental or health and safety legislation or regulations will be enacted in the future or how existing or future laws or regulations will be enforced, administered or interpreted. We also cannot predict the amount of future expenditures that may be required in order to comply with such environmental or health and safety laws or regulations or to respond to environmental claims.

Unsuccessful implementation of business strategies may adversely affect our results of operations.

If we are not able to complete projects designed to improve our processes, systems and business planning, our operating profits may be adversely impacted. In addition, if the initiatives we have implemented to identify productivity opportunities in order to drive margin improvement, or any future cost-saving initiatives, do not generate the expected cost savings and synergies, our results of operations may be adversely affected.

Our operations are subject to regulation by the U.S. Food and Drug Administration (“FDA”), U.S. Department of Agriculture (“USDA”), Federal Trade Commission (“FTC”) and other governmental entities and such regulations are subject to change from time to time which could impact how we manage our production and sale of products. Federal budget cuts could result in furloughs for government employees, including inspectors and reviewers for our plants and products and for our suppliers’ plants and products, which could materially impact our ability to manufacture regulated products.

Our operations are subject to extensive regulation by the FDA, the USDA and other national, state, and local authorities. For example, we are subject to the Food, Drug and Cosmetic Act and regulations promulgated thereunder by the FDA. This comprehensive regulatory program governs, among other things, the manufacturing, composition and ingredients, packaging, and safety of food. Under this program, the FDA regulates manufacturing practices for foods through, among other things, its current “good manufacturing practices” regulations, or cGMPs, and specifies the recipes for certain foods. Our processing facilities and products are subject to periodic inspection by federal, state, and local authorities. In addition, we must comply with similar laws in Canada. The FTC and other authorities regulate how we market and advertise our products, and we could be the target of claims relating to alleged false or deceptive advertising under federal, state, and foreign laws and regulations. Changes in these laws or regulations or the introduction of new laws or regulations could increase the costs of doing business for us or our customers or suppliers or restrict our actions, causing our results of operations to be adversely affected.

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We seek to comply with applicable regulations through a combination of employing internal personnel to ensure quality-assurance compliance (for example, assuring that food packages contain only ingredients as specified on the package labeling) and contracting with third-party laboratories that conduct analysis of products for the nutritional-labeling requirements. Compliance with federal, state and local regulations is costly and time-consuming. Failure to comply with applicable laws and regulations or maintain permits and licenses relating to our operations could subject us to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could result in increased operating costs resulting in a material adverse effect on our operating results and business.

Our business operations could be disrupted if our information technology systems fail to perform adequately.
The efficient operation of our business depends on our information technology systems, some of which are managed by third-party service providers. We rely on our information technology systems to effectively manage our business data, digital marketing activities, communications, supply chain, order entry and fulfillment, and other business processes. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, cyber-attacks and viruses. Any such damage or interruption could have a material adverse effect on our business.
Computer viruses, hackers and employee or vendor misconduct, and other external hazards, could expose our data systems to security breaches, cyber-attacks or other disruptions. In addition, we routinely transmit and receive personal, confidential and proprietary information by e-mail and other electronic means. While we attempt to develop secure transmission capabilities with third-party vendors and others with whom we do business, we may be unable to put in place secure capabilities with all of such vendors and third parties and, in addition, these third parties may not have appropriate controls in place to protect the confidentiality of the information.
Like other North American companies, our computer systems are regularly subject to and will continue to be the target of computer viruses, malware or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. While we have experienced threats to our data and systems, to date, we are not aware that we have experienced a material breach of cyber-security. However, over time, and particularly recently, the sophistication of these threats continues to increase. Our administrative and technical controls as well as other preventative actions we take to reduce the risk of cyber incidents and protect our information may be insufficient to detect or prevent unauthorized access, other physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems or those of third parties with whom we do business. In addition, new technology that could result in greater operational efficiency may further expose our computer systems to the risk of cyber-attacks.
The increased risks identified above could expose us to data loss, disruption of service, monetary and reputational damages and significant increases in compliance costs and costs to improve the security and resiliency of our computer systems. The compromise of personal, confidential or proprietary information could also subject us to legal liability or regulatory action under evolving cyber-security, data protection and privacy laws and regulations enacted by the U.S. federal and state governments or other jurisdictions or by various regulatory organizations or exchanges. As a result, our ability to conduct our business and our results of operations might be materially and adversely affected.

Failure to optimize our supply chain or disruption of our supply chain could have an adverse effect on our business, financial condition and results of operations.

In coordination with our suppliers, our ability to make, move and sell products is critical to our success. Our inability to maintain sufficient internal production capacity or our inability to enter into co-packing agreements on terms that are beneficial to the Company could have an adverse effect on our business.

Additionally, damage or disruption to our collective manufacturing or distribution capabilities resulting from weather, any potential effects of climate change, natural disaster, disease, crop spoilage, fire or explosion, terrorism, pandemics, strikes, repairs or enhancements at our facilities, or other reasons, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, and may require additional resources to restore our supply chain.

We have a significant amount of goodwill and intangible assets on our Consolidated Balance Sheets that are subject to impairment based upon future adverse changes in our business and the overall economic environment.

At December 25, 2016, the carrying value of goodwill and tradenames was $2,163.2 million and $2,529.6 million, respectively. We evaluate the carrying amount of goodwill and indefinite-lived intangible assets for impairment on an annual basis, in the third quarter, or more frequently if an event occurs or circumstances change that would reduce the fair value below its carrying amount. The value of goodwill and intangible assets will be derived from our business operating plans and is susceptible to an adverse change in demand, input costs, general changes in the business, or changes in the overall economic environment and could require an impairment charge in the future.

If we are unable to retain our key management personnel, our future performance may be impaired and our financial condition could suffer as a result.
Our success depends to a significant degree upon the continued contributions of senior management, certain of whom would be difficult to replace. Departure by certain of our executive officers could have a material adverse effect on our business, financial condition, or results of operations. We do not maintain key-man life insurance on any of our executive officers. The services of such personnel may not continue to be available to us.

We may not be able to utilize all of our net operating loss carryovers.

If there is an unfavorable adjustment from a United States Internal Revenue Service ("IRS") examination (whether as a result of a change in law, IRS policy or otherwise) that reduces any of our NOLs, cash taxes may increase and impact our ability to pay dividends or make interest payments on our indebtedness. As of December 25, 2016, we had gross NOLs for U.S. federal income tax purposes of approximately $425.5 million. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an "ownership change" is subject to annual limitations on its ability to utilize its pre-change NOLs to offset future taxable income. Our existing NOLs are subject to annual limitations under Section 382 of the Code. For further detail on our NOLs, see Note 15 "Provision for Income Taxes" to our consolidated financial statements.

Maintaining, extending and expanding our reputation and brand image is essential to our business success.

Our success depends on our ability to maintain brand image for our existing products, extend our brands into new geographies and to new distribution platforms, including online, and expand our brand image with new product offerings.

We seek to maintain, extend and expand our brand image through marketing investments, including advertising and consumer promotions, and product innovation. Continuing global focus on health and wellness, including weight management, and increasing attention from the media, shareholders, consumers, activists and other stakeholders on the role of food marketing could adversely affect our brand image. It could also lead to stricter regulations and increased focus on food and snacking marketing practices. Increased legal or regulatory restrictions on our advertising, consumer promotions and marketing, or our response to those restrictions, could limit our efforts to maintain, extend and expand our brands. Moreover, adverse publicity about regulatory or legal action against us, product quality and safety, or environmental and human rights risks in our supply chain could damage our reputation and brand image, undermine our customers' confidence and reduce demand for our products, even if the regulatory or legal action is unfounded or these matters are immaterial to our operations.

In addition, our success in maintaining, extending and expanding our brand image depends on our ability to adapt to a rapidly changing marketing and media environment, including our increasing reliance on social media and online dissemination of marketing and advertising campaigns. We are subject to a variety of legal and regulatory restrictions on how and to whom we market our products. These restrictions may limit our ability to maintain, extend and expand our brand image, particularly as social media and the communications environment continue to evolve. Negative posts or comments about us on social networking web sites (whether factual or not) or security breaches related to use of our social media and failure to respond effectively to these posts, comments or activities could seriously damage our reputation and brand image across the various regions in which we operate. In addition, we might fail to invest sufficiently in maintaining, extending and expanding our brand image. As a result, we might be required to recognize impairment charges on our intangible assets or goodwill. If we do not successfully maintain, extend and expand our reputation and brand image, then our brands, product sales, financial condition and results of operations could be materially and adversely affected.

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Risks Related to Our Indebtedness

Our leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to rising interest rate risk and prevent us from meeting our obligations under our indebtedness.

This leverage could have important consequences, including:

- requiring a portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures, and future business opportunities or to pay dividends;
- exposing us to the risk of rising interest rates to the extent of borrowings under our senior secured credit facility that are not hedged;
- making it more difficult for us to make payments on our indebtedness;
- increasing our vulnerability to general economic and industry conditions;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- subjecting us to restrictive covenants that may limit our flexibility in operating our business;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes; and
- placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

In the future, we may be able to incur significant additional amounts of debt, which could increase the risks associated with our leverage.

Our debt agreements contain restrictions that will limit our flexibility in operating our business.

Our senior secured credit facilities and the indentures governing our existing notes contain various covenants that limit our restricted subsidiaries' ability to, among other things:

- incur additional indebtedness and make guarantees;
- create liens on assets;
- engage in mergers or consolidations;
- sell assets;
- pay dividends and distributions or repurchase our capital stock;
- make investments, loans and advances, including acquisitions; and
- engage in certain transactions with affiliates.

The senior secured credit facilities require us to maintain a net first lien leverage ratio not to exceed 5.75 to 1.00. Our ability to comply with this ratio can be affected by events beyond our control, and we cannot assure you that we will continue to comply with this ratio. Our senior secured credit facilities also contain certain customary affirmative covenants and events of default.

A breach of any of these covenants or failure to maintain or satisfy this financial ratio could result in a default under our senior secured credit facilities. Upon the occurrence of an event of default under our senior secured credit facilities, the lenders could elect to declare all amounts outstanding under our senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit. Any such acceleration would also result in an event of default under the indentures governing our notes. If we were unable to repay those amounts, the lenders under our senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. If the lenders under our senior secured credit facilities accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay our senior secured credit facilities as well as our unsecured indebtedness, including the notes.

Risks Related to Our Common Stock and the Securities Market

Our stock price may be subject to significant volatility, and you may not be able to resell shares of our common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result.

The market price of our common stock could fluctuate significantly for many reasons, including reasons not specifically related to our performance, such as industry or market trends, reports by industry analysts and other third parties, investor perceptions, actions by credit rating agencies, negative announcements by our customers or competitors regarding their own performance or actions taken by our competitors, as well as general economic and industry conditions. Our common stock price is also affected by announcements we make about our business, market data that is available to subscribers, analyst reports related to our Company,

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changes in financial estimates by analysts, whether or not we meet the financial estimates of analysts who follow our Company, rating agency announcements about our business, variations in our quarterly results of operations and those of our competitors, general economic and stock market conditions, future sales of our common stock, perceptions of the investment opportunity associated with our common stock relative to other investment alternatives, the public's reaction to our public announcements and filings with the SEC, actual or anticipated growth rates relative to our competitors, and speculation by the investment community regarding our business, among other factors.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above the price at which they purchase our common stock. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, in the past, some companies that have had volatile market prices for their securities have been subject to class action or derivative lawsuits. The filing of a lawsuit against us, regardless of the outcome, could have a negative effect on our business, financial condition and results of operations, as it could result in substantial legal costs and a diversion of management's attention and resources.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

We own and operate the following 12 manufacturing and warehouse facilities:

Facility location	Principal products	Principal segment (1)	Facility size
Darien, Wisconsin	Frozen vegetables and complete bagged meals	Frozen	748,000 square feet
Ft. Madison, Iowa	Canned meat	Grocery	475,000 square feet
Imlay City, Michigan	Pickles, peppers, relish	Grocery	467,500 square feet
Fayetteville, Arkansas	Frozen dinners and entrées	Frozen	360,000 square feet
Waseca, Minnesota	Frozen vegetables	Frozen	348,000 square feet
Centralia, Illinois	Cake and Brownie Mixes / Frosting	Grocery	342,000 square feet
Fennville, Michigan	Fruit toppings and fillings	Grocery	328,000 square feet
Jackson, Tennessee	Frozen breakfast, frozen pizza, frozen prepared seafood	Frozen	324,300 square feet
St. Elmo, Illinois	Syrup, salad dressing, barbecue sauce	Grocery	292,000 square feet
Mattoon, Illinois	Frozen and refrigerated bagels, frozen breakfast	Frozen	244,000 square feet
Berlin, Pennsylvania	Snack foods - Snyder of Berlin	Specialty	180,000 square feet
Hagerstown, Maryland (2)	Plant based proteins	Boulder	142,000 square feet

(1)We manufacture private label and foodservice products which are included in the Specialty segment, in many of our plants.
(2)The Hagerstown location is expected to begin production in first quarter 2017.

All of our properties are mortgaged to secure our obligations under our Senior Secured Credit Facility. Our Senior Secured Credit Facility is described in more detail in Note 10 to the Consolidated Financial Statements.

We also lease manufacturing plants, warehouses and distribution centers in Algona, Washington (Snack foods - Tim's Cascade); Richmond, British Columbia (gardein); Laval, Quebec, Denver, Colorado, Aurora, Colorado and Boulder, Colorado (Boulder). In addition, we lease warehouses in Darien, Wisconsin, Waseca, Minnesota and Effingham, Illinois.

We have entered into co-packing (third-party manufacturing) agreements with several manufacturers for certain of our finished products. We believe that our manufacturing facilities, together with our co-packing agreements, provide us with sufficient capacity to accommodate our planned internal growth.

We also lease office space under operating leases (expiring) in Parsippany, New Jersey (April 2023); Cherry Hill, New Jersey (October 2021); Fayetteville, Arkansas (Month to Month); Mississauga, Ontario (June 2026); and Richmond, British Columbia (July 2022) Boulder, Colorado (September 2025) and Paramus, New Jersey (June 2020).

We own property in the United Kingdom for office, manufacturing and storage space acquired as part of the Boulder Brands acquisition. As more fully described in Note 7 to the Consolidated Financial Statements, in October 2016, we voluntarily ceased production at the facility and are in the process of winding down operations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we and our operations are parties to, or targets of, lawsuits, claims, investigations, and proceedings, which are being handled and defended in the ordinary course of business. Although the outcome of such items cannot be determined with certainty, our general counsel and management are of the opinion that the final outcome of these matters individually or in the aggregate will not have a material effect on our financial condition, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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PART II

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

The Company's common stock is listed and traded on the New York Stock Exchange (NYSE) under the symbol "PF". The number of holders of record, including individual owners, of the Company's common stock was 32 as of February 21, 2017. This is not the actual number of beneficial owners of the Company's common stock, as shares are held in "street name" by brokers and others on behalf of individual owners. The closing price of the common stock on the NYSE on February 21, 2017 was $55.24. The following graph compares the cumulative total return on our common stock with the cumulative total return of the Standard & Poor’s ("S&P") 500 Index and the S&P 500 Packaged Foods and Meats index, which represents our peer group. This graph covers the period from March 28, 2013 (the first day our common stock began trading on the NYSE) through December 23, 2016 (the last trading day of our fiscal year). The graph shows total shareholder return assuming $100 was invested on March 28, 2013 and dividends were reinvested.

Date	Pinnacle Foods, Inc	S&P 500 Index	S&P 500 Packaged Foods & Meats Index
March 28, 2013	*$100.00	$100.00	$ 100.00
December 27, 2013	125.30	119.23	107.95
December 26, 2014	168.38	138.01	124.04
December 25, 2015	207.30	139.07	143.60
December 23, 2016	263.85	156.14	156.08

* Using the closing market price at the end of the first trading day of $22.21 in accordance with SEC guidance. The IPO price was $20.00 per share.

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Information regarding our common stock high and low sales prices as reported on NYSE and dividends declared during the last two fiscal years are included in Note 16 to the Consolidated Financial Statements.

This performance graph and other information furnished under this Item of this Annual Report on Form 10-K shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

Issuer Purchase of Equity Securities

The Company does not have a share repurchase program currently in place but may seek authorization from our Board of Directors to implement one in the future.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical consolidated financial and other operating data for the fiscal years ended December 25, 2016, December 27, 2015, December 28, 2014, December 29, 2013, and December 30, 2012.

The selected financial data as of December 25, 2016 and December 27, 2015 and for the fiscal years ended December 25, 2016, December 27, 2015 and December 28, 2014 have been derived from the audited consolidated financial statements included elsewhere in this Form 10-K. The selected financial data as of December 28, 2014, December 29, 2013 and December 30, 2012 and for the fiscal years ended December 29, 2013 and December 30, 2012 have been derived from financial statements not included in this Form 10-K.

The selected financial data presented below should be read in conjunction with our Consolidated Financial Statements and the notes to those statements and "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

($ in millions, other than per share and share data)	Fiscal Year ended December 25, 2016 52 weeks	Fiscal Year ended December 27, 2015 52 weeks	Fiscal Year ended December 28, 2014 52 weeks	Fiscal Year ended December 29, 2013 52 weeks	Fiscal Year ended December 30, 2012 53 weeks
Statement of operations data:					
Net sales	$ 3,127.9	$ 2,655.8	$ 2,591.2	$ 2,463.8	$ 2,478.5
Gross profit	916.1	740.5	681.2	654.2	584.5
Earnings before interest and taxes	479.6	424.7	512.3	293.0	283.6
Earnings before income taxes	340.5	336.4	416.2	160.8	85.2
Provision for income taxes	129.4	123.9	167.8	71.5	32.7
Net earnings	$ 211.1	$ 212.5	$ 248.4	$ 89.3	$ 52.5
Net earnings per share:					
Basic	$ 1.81	$ 1.83	$ 2.15	$ 0.84	$ 0.65
Diluted	$ 1.79	$ 1.81	$ 2.13	$ 0.82	$ 0.61
Weighted average shares outstanding:					
Basic	116,871,948	116,031,648	115,697,621	106,841,198	81,230,630
Diluted	118,160,705	117,322,526	116,885,222	108,618,740	86,494,546
Dividends declared per share	$ 1.08	$ 0.98	$ 0.89	$ 0.57	$ —
Cash flow:					
Net cash provided by (used in):					
Operating activities	$ 487.5	$ 372.9	$ 550.7	$ 262.2	$ 202.9
Investing activities	(1,086.4)	(105.8)	(270.0)	(652.4)	(77.7)
Financing activities	771.3	(124.2)	(358.0)	414.4	(184.1)
Balance sheet data (at end of period):					
Cash and cash equivalents	$ 353.1	$ 180.5	$ 38.5	$ 116.7	$ 92.3
Working capital (1)	605.0	469.1	346.6	488.0	404.1
Total assets	6,739.6	5,324.2	5,181.9	5,057.9	4,377.8
Total debt (2)	3,166.7	2,274.1	2,281.3	2,479.9	2,586.7
Total liabilities	4,790.7	3,518.6	3,468.0	3,459.9	3,489.1
Shareholders' equity	1,948.0	1,805.5	1,714.0	1,598.0	888.7

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($ in millions, other than per share and share data)	Fiscal Year ended December 25, 2016 52 weeks	Fiscal Year ended December 27, 2015 52 weeks	Fiscal Year ended December 28, 2014 52 weeks	Fiscal Year ended December 29, 2013 52 weeks	Fiscal Year ended December 30, 2012 53 weeks
Other financial data:					
Adjusted gross profit (3)	$ 921.1	$ 749.8	$ 711.3	$ 664.4	$ 622.8
Adjusted EBITDA (4)	644.4	531.6	504.0	452.4	425.2
Capital expenditures	101.1	108.5	103.0	84.1	78.3

(1) Working capital excludes notes payable, revolving debt facility and current portion of long term debt.
(2) Total debt includes long term debt, notes payable, revolving debt facility and current portion of long term debt.
(3) Adjusted gross profit is defined and explained in more detail in the section titled "Adjusted Gross Profit" in "Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations."
(4) Adjusted EBITDA is defined and explained in more detail in the section titled "Covenant Compliance" in "Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations."

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

(dollars in millions, except where noted)

You should read the following discussion of our results of operations and financial condition with the "Selected Financial Data" and the audited Consolidated Financial Statements appearing elsewhere in this Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Item 1A - Risk Factors" section of this Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. See "Disclosure Regarding Forward Looking Statements".

Overview

We are a leading manufacturer, marketer and distributor of high quality, branded food products in North America. In the fourth quarter of fiscal 2016 during which the integration of the Boulder Brands acquisition was substantially complete, the Company reorganized its reporting structure, resulting in a change to its reportable segments. The new segments, which mirror the manner in which the businesses will be managed, are Frozen, Grocery, Boulder and Specialty.

The Boulder Brands acquisition added the Udi's, Glutino, Smart Balance, Earth Balance and EVOL brands to the Company's portfolio, as well as complementary foodservice, private label and Canadian businesses. The new segment structure aligns each of these businesses with related Pinnacle businesses into four new reportable segments, the composition of which is provided below.

The Frozen segment is comprised of the retail businesses of the Company's legacy frozen brands, including vegetables (Birds Eye), complete bagged meals (Birds Eye Voila! and Birds Eye Signature Skillets), full-calorie single-serve frozen dinners and entrées (Hungry-Man), prepared seafood (Van de Kamp's and Mrs. Paul's), pancakes / waffles / french toast (Aunt Jemima), frozen and refrigerated bagels (Lender's) and pizza for one (Celeste). The Frozen segment also includes all of the Company's business in Canada, including those of the Garden Protein International and Boulder Brands acquisitions.

The Grocery segment is comprised of the retail businesses of the Company's grocery brands, including cake/brownie mixes and frostings (Duncan Hines), shelf-stable pickles (Vlasic), salad dressings (Wish-Bone, Western and Bernstein's), table syrups (Log Cabin and Mrs. Butterworth's), refrigerated and shelf-stable spreads (Smart Balance), canned meat (Armour, Nalley and Brooks), pie and pastry fillings (Duncan Hines Comstock and Wilderness) and barbecue sauces (Open Pit).

The Boulder segment is comprised of the retail businesses of the Company's health and wellness lifestyle brands, including gluten-free products (Udi's and Glutino), natural frozen meal offerings (EVOL), plant-based refrigerated and shelf-stable spreads (Earth Balance) and plant-based protein frozen products (gardein).

The Specialty segment includes the Company's snack products (Tim's Cascade and Snyder of Berlin) and all of its U.S. foodservice and private label businesses, including those of the Garden Protein International and Boulder Brands acquisitions.

Segment performance is evaluated by the Company's Chief Operating Decision Maker and is based on earnings before interest and taxes. Transfers between segments and geographic areas are recorded at cost plus markup or at market. Identifiable assets are those assets, including goodwill, which are identified with the operations in each segment or geographic region. Corporate assets consist of prepaid and deferred tax assets. Unallocated corporate expenses consist of corporate overhead such as executive management and finance and legal functions. Unallocated corporate income in 2014 includes the termination fee received, net of costs, associated with the Hillshire merger agreement (see Note 7 to the Consolidated Financial Statements for further details).

Business Drivers and Measures

In operating our business and monitoring its performance, we pay attention to trends in the food manufacturing industry and a number of performance measures and operational factors. The industry experiences volatility in overall commodity prices from time to time, which has historically been managed by increasing retail prices. However, over the past several years, significant macroeconomic weakness and ongoing pressures on the consumer have resulted in shifting consumer buying patterns for grocery products. As a result, industry volumes have come under pressure, hampering the ability of the industry to pass along higher input costs.

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Industry Trends

Growth in our industry is driven primarily by population growth, changes in product selling prices, changes in consumption between out-of-home and in-home eating and lifestyle trends. Lifestyle categories driven by health and wellness choices are the fastest growing trend in the industry, with plant based/vegetarian and gluten-free products being two of the largest accelerators. In the current environment, consumers are looking for both value and healthier alternatives, which have caused an increase in the percentage of products sold on promotion and a shift from traditional retail grocery to natural and organic, mass merchandisers, club stores and dollar store channels. We believe we are well positioned in grocery and non-traditional channels, maintaining strong customer relationships across key retailers in each segment. In addition, the Boulder Brands and Garden Protein acquisitions have significantly increased our presence and footprint in the natural and organic lifestyle segments.

In order to maintain and grow our business, we must successfully react to, and offer products that respond to, evolving consumer trends, such as changing lifestyle trends, the focus on convenience and the growth of smaller households. Incremental growth in the industry is principally driven by product and packaging innovation.

Revenue Factors

Our net sales are driven principally by the following factors:

- Gross sales, which change as a function of changes in volume and list price; and
- the costs that we deduct from gross sales to arrive at net sales, which consist of:
- Cash discounts, returns and other allowances.
- Trade marketing expenses, which include the cost of temporary price reductions (“on sale” prices), promotional displays and advertising space in store circulars.
- New product distribution (slotting) expenses, which are the costs of having certain retailers stock a new product, including amounts retailers charge for updating their warehousing systems, allocating shelf space and in-store systems set-up, among other things.
- Consumer coupon redemption expenses, which are costs from the redemption of coupons we circulate as part of our marketing efforts.

Cost Factors

- Costs recorded in Cost of products sold in the consolidated statement of operations include:
- Raw materials, such as vegetables and fruits, proteins, grains and oils, sugars, seafood and other agricultural products, among others, are available from numerous independent suppliers but are subject to price fluctuations due to a number of factors, including changes in crop size, federal and state agricultural programs, export demand, weather conditions and insects, among others.
- Packaging costs. Our broad array of products entail significant costs for packaging and is subject to fluctuations in the price of plastics, paper and corrugated fiberboard, aluminum, glass jars, and steel.
- Conversion costs, which include all costs necessary to convert raw materials into finished product. Key components of this cost include direct labor, and plant overhead such as salaries, benefits, utilities and depreciation.
- Freight and distribution. We use a combination of common carriers and inter-modal rail to transport our products from our manufacturing facilities to distribution centers and to deliver products to our customers from both those centers and directly from our manufacturing plants. Our freight and distribution costs are influenced by fuel costs as well as capacity within the industry.

- Costs recorded in marketing and selling expenses in the consolidated statement of operations include:
- Advertising and other marketing expenses. These expenses represent advertising and other consumer and trade-oriented marketing programs.
- Brokerage commissions and other overhead expenses.

- Costs recorded in administrative and research and development expenses in the consolidated statement of operations include:
- Administrative expenses. These expenses consist of personnel and facility charges and also include third party professional and other services. Our lean, nimble structure and efficient internal processes have enabled us to consistently hold our overhead costs (i.e., selling, general and administrative expenses, excluding one-time items affecting comparability) to approximately 9% of net sales on an annual basis.
- Research and Development. These expenses consist of personnel and facility charges and include expenditures on new products and the improvement and maintenance of existing products and processes.

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Working Capital

Our working capital is primarily driven by accounts receivable and inventories, which fluctuate throughout the year due to seasonality in both sales and production. See “Seasonality” below. We continually focus on reducing our working capital requirements while simultaneously maintaining our customer service levels and fulfilling our production requirements. We have historically relied on internally generated cash flows and temporary borrowings under our revolving credit facility to satisfy our working capital requirements.

Other Factors

Other factors that have influenced our results of operations and may do so in the future include:

- Interest Expense. As a result of our previous acquisitions and the recent Boulder Brands acquisition, we have significant indebtedness. However, our February 3, 2017 debt refinancing and principle pay down has significantly reduced our expected future interest expense. See Note 18 to the Consolidated Financial Statements for further details. Although we expect to continue to reduce our leverage over time, we expect interest expense to continue to be a significant component of our expenses.
- Cash Taxes. We had significant tax-deductible intangible asset amortization and federal and state Net Operating Loss carryforwards, ("NOLs"), which resulted in minimal federal and state cash taxes through 2015, with modest savings in 2016. Continued amortization and utilization of our remaining NOLs will generate modest annual cash tax savings for 2017 and thereafter.
- Acquisitions and Consolidations. We believe we have the expertise to identify and integrate value-enhancing acquisitions to grow our business and we have done so successfully in the past. On November 14, 2014, we acquired Garden Protein for $156.5 million, the rapidly growing manufacturer of the plant-based protein brand gardein. On August 20, 2015 we acquired a manufacturing facility in Hagerstown, Maryland for approximately $8.0 million. The site is being used to expand production capabilities for the gardein brand and provide an east coast footprint to supplement the existing Richmond, British Columbia manufacturing location. We also invested $28.9 million for the gardein capacity expansion and incurred $5.6 million of additional charges to integrate the location in 2016. As previously mentioned, on January 15, 2016, the Company acquired Boulder Brands for a cost of $1.0 billion (including the repayment of debt and including $16.1 million of cash acquired). Total acquisition and financing costs of $32.9 million have been incurred to date, of which $2.1 million was incurred in the fourth quarter of 2015. Included in this total is $24.4 million of debt acquisition costs, including original issue discount. During 2016, we incurred one-time costs associated with the integration of Boulder Brands of approximately $32.3 million.
- As more fully described in Note 7 to the Consolidated Financial Statements, in October 2016, we voluntarily ceased production at Boulder Brands private label gluten free bakery operation based in the United Kingdom. In conjunction with the wind down, we incurred charges of $4.3 million in the fourth quarter of 2016 which were recorded in Other expense (income), net. For the fiscal year ended December 25, 2016, net sales were $8.7 million and the business incurred a loss before interest, taxes, depreciation and amortization related to normal business operations of $3.9 million.

Seasonality

Our sales and cash flows are affected by seasonal cyclicality. Sales of frozen foods, including frozen vegetables and frozen complete bagged meals, tend to be marginally higher during the winter months. Seafood sales peak during Lent, in advance of the Easter holiday. Sales of pickles, relishes, barbecue sauces, potato chips and salad dressings tend to be higher in the spring and summer months, and demand for Duncan Hines products, Birds Eye vegetables and our pie and pastry fruit fillings tend to be higher around the Easter, Thanksgiving, and Christmas holidays. Since many of the raw materials we process under the Birds Eye, Vlasic, Duncan Hines Comstock and Wilderness brands are agricultural crops, production of these products is predominantly seasonal, occurring during and immediately following the purchase of such crops. We also increase our Duncan Hines inventories in advance of the peak fall selling season. As a result, our inventory levels tend to be higher during August, September, and October, and thus we require more working capital during these months.

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Inflation

To the extent possible, we strive to offset the effects of inflation with cost reduction and productivity programs. However, we spend approximately $2.2 billion annually on cost of products sold, therefore each 1% change in our weighted average cost of inputs would increase our cost of products sold by approximately $22 million. If we experience significant inflation, price increases may be necessary in order to preserve our margins and returns. However, over the past several years, significant macroeconomic weakness and ongoing pressures on the consumer have resulted in shifting consumer buying patterns for grocery products. As a result, industry volumes have come under pressure, hampering our ability to pass along higher input costs with limited exceptions in select categories. Severe increases in inflation could have an adverse impact on our business, financial condition and results of operations.

Items Affecting Year Over Year Results

During fiscal 2016, our earnings before interest and taxes were impacted by certain items. These items included:

- As more fully described in Note 9 to the Consolidated Financial Statements, we recorded $11.2 million of tradename impairment charges related to the Celeste ($7.3 million), Aunt Jemima ($3.0 million) and Snyder of Berlin ($0.9 million) tradenames. These charges were the result of the Company's reassessment of the long-term sales projections for the brands during our annual planning cycle which occurs during the third quarter each year.
- As more fully described in Note 7 to the Consolidated Financial Statements, in October 2016, we voluntarily ceased production at Boulder Brands private label gluten free bakery operation based in the United Kingdom. In conjunction with the wind down, we incurred charges of $4.3 million in the fourth quarter of 2016 which were recorded in Other expense (income), net. For the fiscal year ended December 25, 2016, net sales were $8.7 million and the business incurred a loss before interest, taxes, depreciation and amortization related to normal business operations of $3.9 million.
- We recorded $32.9 million of restructuring charges and integration costs related to the Boulder Brands and Garden Protein acquisitions, of which $30.0 million was recorded in Administrative expenses, $1.5 million in Costs of products sold, $1.0 million in Marketing and selling expenses and $0.2 million in Research and development expenses.
- We recorded $10.4 million of purchase accounting adjustments which represents expense related to the write-up to fair value of inventories acquired as a result of the Boulder Brands acquisition, which was recorded in Cost of products sold.
- As more fully described in Note 3 to the Consolidated Financial Statements, we recorded acquisition costs of $6.8 million related to the Boulder Brands acquisition, which were recorded in Other expense (income), net.

During fiscal 2015, our earnings before interest and taxes were impacted by certain items. These items included:

- We recorded $8.6 million of manufacturing integration costs related to the Wish-Bone and Garden Protein acquisitions which were recorded in Cost of products sold.
- The Boulder Brands acquisition was completed on January 15, 2016. Acquisition costs, primarily legal, accounting and other professional fees of $1.7 million were incurred in the fourth quarter of 2015.
- As more fully described in Note 7 to the Consolidated Financial Statements, we recorded $4.7 million of foreign exchange losses, which represents foreign exchange losses from intra-entity loans resulting from the Garden Protein acquisition.

During fiscal 2014, our earnings before interest and taxes were impacted by certain items. These items included:

- As more fully described in Note 7 to the Consolidated Financial Statements, the Hillshire merger agreement was terminated on June 30, 2014. As a result, Pinnacle received a $163.0 million cash termination fee in the third quarter of 2014. One-time fees and expenses associated with the merger agreement, comprising external advisors' fees and employee retention incentives, including equity awards, totaled $19.2 million, of which $17.4 million was incurred in fiscal 2014, with the remainder in the first quarter of fiscal 2015. The impact on earnings for the fiscal year ended December 28, 2014, was a pre-tax gain of $145.6 million, $89.1 million net of tax, or $0.76 per diluted share.
- We recorded $36.0 million of equity based compensation expense, an increase of $28.1 million from fiscal year 2013. On November 21, 2014, Blackstone sold approximately 19.7 million shares of the Company's common stock. Blackstone's ownership level after the sale resulted in a liquidity event (as defined below) and in conjunction with Blackstone obtaining an annual internal rate of return in excess of 12% on their initial investment resulted in the immediate vesting of approximately 1.1 million non-vested shares and 0.2 million options and the recognition of approximately $23.7 million of equity based compensation expense (the "Liquidity event"). Additionally, $3.5 million

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of equity based compensation was recognized related to employee incentives and retention awards granted as a result of the termination of the Hillshire merger agreement. Both of these are explained in greater detail in Note 5 to the Consolidated Financial Statements and are primarily recorded in Administrative expense.

- We recorded $11.5 million of manufacturing integration costs related to the acquisitions of Wish-Bone and the Duncan Hines manufacturing business located in Centralia, Illinois which were recorded in Cost of products sold.

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Results of Operations:

Consolidated Statements of Operations

The following tables set forth our statement of operations data expressed in dollars and as a percentage of net sales.

	Fiscal year								
	December 25, 2016			December 27, 2015			December 28, 2014		
	52 Weeks			52 Weeks			52 Weeks		
Net sales	$3,127.9	100.0	%	$2,655.8	100.0	%	$2,591.2	100.0	%
Cost of products sold	2,211.9	70.7	%	1,915.3	72.1	%	1,910.0	73.7	%
Gross profit	916.1								