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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

☐ **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: 001-39528

PACTIV EVERGREEN INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**98-1538656**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

1900 W. Field Court
Lake Forest, Illinois 60045
(Address of principal executive offices) (Zip Code)

Telephone: (847) 482-2000
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.001 par value	PTVE	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

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

The registrant had 177,250,974 shares of common stock, $0.001 par value per share, outstanding as of October 29, 2021.

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Pactiv Evergreen Inc.

Condensed Consolidated Statements of Loss
(In millions, except per share amounts)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenues	$ 1,394	$ 1,195	$ 3,910	$ 3,514
Cost of sales	(1,291)	(1,011)	(3,549)	(2,982)
Gross profit	**103**	**184**	**361**	**532**
Selling, general and administrative expenses	(104)	(116)	(345)	(358)
Goodwill impairment charges	—	(6)	—	(6)
Restructuring, asset impairment and other related charges	—	(14)	(8)	(18)
Other income (expense), net	7	(79)	18	(48)
Operating income (loss) from continuing operations	**6**	**(31)**	**26**	**102**
Non-operating income, net	40	17	88	50
Interest expense, net	(57)	(87)	(141)	(275)
Loss from continuing operations before tax	**(11)**	**(101)**	**(27)**	**(123)**
Income tax benefit (expense)	13	(42)	26	95
Income (loss) from continuing operations	**2**	**(143)**	**(1)**	**(28)**
Loss from discontinued operations, net of income taxes	(2)	(216)	(6)	(234)
Net loss	**—**	**(359)**	**(7)**	**(262)**
Income attributable to non-controlling interests	—	—	(1)	(1)
Net loss attributable to Pactiv Evergreen Inc. common shareholders	**$ —**	**$ (359)**	**$ (8)**	**$ (263)**
Earnings (loss) per share attributable to Pactiv Evergreen Inc. common shareholders				
From continuing operations				
Basic	$ 0.01	$ (1.03)	$ (0.01)	$ (0.22)
Diluted	$ 0.01	$ (1.03)	$ (0.01)	$ (0.22)
From discontinued operations				
Basic	$ (0.01)	$ (1.56)	$ (0.03)	$ (1.72)
Diluted	$ (0.01)	$ (1.56)	$ (0.03)	$ (1.72)
Total				
Basic	$ —	$ (2.59)	$ (0.04)	$ (1.94)
Diluted	$ —	$ (2.59)	$ (0.04)	$ (1.94)

See accompanying notes to the condensed consolidated financial statements.

Pactiv Evergreen Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)
(In millions)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	$ —	$ (359)	$ (7)	$ (262)
Other comprehensive income (loss), net of income taxes:				
Currency translation adjustments	(7)	66	(20)	(29)
Defined benefit plans	211	—	211	—
Other comprehensive income (loss)	204	66	191	(29)
Comprehensive income (loss)	**204**	**(293)**	**184**	**(291)**
Comprehensive income attributable to non-controlling interests	—	—	(1)	(1)
Comprehensive income (loss) attributable to Pactiv Evergreen Inc. common shareholders	**$ 204**	**$ (293)**	**$ 183**	**$ (292)**

See accompanying notes to the condensed consolidated financial statements.

Pactiv Evergreen Inc.

Condensed Consolidated Balance Sheets
(In millions, except share amounts)
(Unaudited)

	As of September 30, 2021	As of December 31, 2020
Assets		
Cash and cash equivalents	$ 627	$ 458
Accounts receivable, net of allowances for doubtful accounts of $3 and $3	473	375
Related party receivables	47	55
Inventories	801	784
Other current assets	120	175
Assets held for sale	—	26
Total current assets	**2,068**	**1,873**
Property, plant and equipment, net	1,693	1,685
Operating lease right-of-use assets, net	254	260
Goodwill	1,760	1,760
Intangible assets, net	1,052	1,092
Deferred income taxes	10	7
Other noncurrent assets	170	166
Total assets	**$ 7,007**	**$ 6,843**
Liabilities		
Accounts payable	$ 390	$ 313
Related party payables	10	10
Current portion of long-term debt	27	15
Current portion of operating lease liabilities	58	57
Income taxes payable	10	10
Accrued and other current liabilities	354	322
Liabilities held for sale	—	12
Total current liabilities	**849**	**739**
Long-term debt	4,220	3,965
Long-term operating lease liabilities	213	217
Deferred income taxes	217	193
Long-term employee benefit obligations	152	519
Other noncurrent liabilities	142	136
Total liabilities	**$ 5,793**	**$ 5,769**
Commitments and contingencies (Note 13)		
Equity		
Common stock, $0.001 par value; 2,000,000,000 shares authorized; 177,250,974 and 177,157,710 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	$ —	$ —
Preferred stock, $0.001 par value; 200,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid in capital	623	614
Accumulated other comprehensive loss	(158)	(349)
Retained earnings	745	806
Total equity attributable to Pactiv Evergreen Inc. common shareholders	**1,210**	**1,071**
Non-controlling interests	4	3
Total equity	**1,214**	**1,074**
Total liabilities and equity	**$ 7,007**	**$ 6,843**

See accompanying notes to the condensed consolidated financial statements.

Pactiv Evergreen Inc.

Condensed Consolidated Statements of Equity
(In millions, except per share amounts)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Non-controlling Interests	Total Equity
For the Three Months Ended September 30, 2020							
Balance as of June 30, 2020	134.4	$ —	$ 55	$ (624)	$ 2,603	$ 3	$ 2,037
Net loss	—	—	—	—	(359)	—	(359)
Other comprehensive income, net of income taxes	—	—	—	66	—	—	66
Forgiveness of related party balances pre IPO	—	—	—	—	(362)	—	(362)
Distribution of Graham Packaging Company Inc.(1)	—	—	(22)	172	(1,328)	—	(1,178)
Issuance of common stock in connection with initial public offering, net of offering costs, underwriting discounts and commissions	41.0	—	546	—	—	—	546
Dividends paid to non-controlling interests	—	—	—	—	—	(1)	(1)
Equity based compensation	—	—	1	—	—	—	1
Balance as of September 30, 2020	**175.4**	**$ —**	**$ 580**	**$ (386)**	**$ 554**	**$ 2**	**$ 750**
For the Three Months Ended September 30, 2021							
Balance as of June 30, 2021	177.2	$ —	$ 620	$ (362)	$ 763	$ 4	$ 1,025
Net (loss) income	—	—	—	—	—	—	—
Other comprehensive income, net of income taxes	—	—	—	204	—	—	204
Dividends paid to common shareholders ($0.10 per share)	—	—	—	—	(18)	—	(18)
Equity based compensation	—	—	3	—	—	—	3
Vesting of restricted stock units	0.1	—	—	—	—	—	—
Balance as of September 30, 2021	**177.3**	**$ —**	**$ 623**	**$ (158)**	**$ 745**	**$ 4**	**$ 1,214**
For the Nine Months Ended September 30, 2020							
Balance as of December 31, 2019	134.4	$ —	$ 103	$ (518)	$ 2,494	$ 3	$ 2,082
Net (loss) income	—	—	—	—	(263)	1	(262)
Other comprehensive loss, net of income taxes	—	—	—	(29)	—	—	(29)
Distribution of Reynolds Consumer Products Inc.(1)	—	—	(48)	(11)	13	—	(46)
Forgiveness of related party balances pre IPO	—	—	—	—	(362)	—	(362)
Distribution of Graham Packaging Company Inc.(1)	—	—	(22)	172	(1,328)	—	(1,178)
Issuance of common stock in connection with initial public offering, net of offering costs, underwriting discounts and commissions	41.0	—	546	—	—	—	546
Dividends paid to non-controlling interests	—	—	—	—	—	(2)	(2)
Equity based compensation	—	—	1	—	—	—	1
Balance as of September 30, 2020	**175.4**	**$ —**	**$ 580**	**$ (386)**	**$ 554**	**$ 2**	**$ 750**
For the Nine Months Ended September 30, 2021							
Balance as of December 31, 2020	177.2	$ —	$ 614	$ (349)	$ 806	$ 3	$ 1,074
Net (loss) income	—	—	—	—	(8)	1	(7)
Other comprehensive income, net of income taxes	—	—	—	191	—	—	191
Dividends paid to common shareholders ($0.30 per share)	—	—	—	—	(53)	—	(53)
Equity based compensation	—	—	9	—	—	—	9
Vesting of restricted stock units	0.1	—	—	—	—	—	—
Balance as of September 30, 2021	**177.3**	**$ —**	**$ 623**	**$ (158)**	**$ 745**	**$ 4**	**$ 1,214**

(1) Refer to Note 1, *Nature of Operations and Basis of Presentation*, and Note 2, *Discontinued Operations*, for additional details.

See accompanying notes to the condensed consolidated financial statements.

Pactiv Evergreen Inc.

Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Cash provided by operating activities		
Net loss	$ (7)	$ (262)
Adjustments to reconcile net loss to operating cash flows:		
Depreciation and amortization	253	391
Deferred income taxes	(48)	310
Unrealized loss (gain) on derivatives	5	(3)
Goodwill impairment charges	—	6
Other asset impairment charges	—	15
Gain on disposal of businesses and other assets	—	(8)
Non-cash portion of employee benefit obligations	(83)	(44)
Non-cash portion of operating lease expense	57	78
Amortization of OID and DIC	4	15
Loss on extinguishment of debt	2	15
Other non-cash items, net	8	(2)
Change in assets and liabilities:		
Accounts receivable, net	(98)	(4)
Inventories	(20)	(29)
Other current assets	2	—
Accounts payable	87	24
Operating lease payments	(57)	(75)
Income taxes payable/receivable	49	(121)
Accrued and other current liabilities	34	(76)
Employee benefit obligation contributions	(3)	(6)
Other assets and liabilities	5	46
Net cash provided by operating activities	**190**	**270**
Cash used in investing activities		
Acquisition of property, plant and equipment and intangible assets	(199)	(329)
Proceeds from sale of property, plant and equipment	1	1
Disposal of businesses, net of cash disposed	(6)	8
Insurance recoveries	3	—
Net cash used in investing activities	**(201)**	**(320)**
Cash provided by financing activities		
Long-term debt proceeds	1,510	5,614
Long-term debt repayments	(1,275)	(5,473)
Deferred financing transaction costs on long-term debt	(5)	(35)
Premium on redemption of long-term debt	(1)	(2)
Net proceeds from issuance of shares	—	546
Dividends paid to common shareholders	(53)	—
Cash held by Reynolds Consumer Products and Graham Packaging Company at time of distribution	—	(110)
Other financing activities	(3)	(4)
Net cash provided by financing activities	**173**	**536**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3)	(15)
Increase in cash, cash equivalents and restricted cash	159	471
Cash, cash equivalents and restricted cash as of beginning of the period	468	1,294
Cash, cash equivalents and restricted cash as of end of the period	**$ 627**	**$ 1,765**
Cash, cash equivalents and restricted cash are comprised of:		
Cash and cash equivalents	$ 627	$ 1,756
Cash and cash equivalents classified as assets held for sale or distribution	—	9
Cash, cash equivalents and restricted cash as of end of the period	**$ 627**	**$ 1,765**
Cash paid (received):		
Interest	$ 99	$ 344
Income taxes (refunded) paid, net	(25)	(15)

Significant non-cash investing and financing activities

During the nine months ended September 30, 2021 and 2020, we recognized operating lease right-of-use assets and lease liabilities of $41 million and $127 million, respectively. During the nine months ended September 30, 2021, we recognized finance lease right-of-use assets and lease liabilities of $34 million.

During the nine months ended September 30, 2020, we repurchased and canceled 35,791,985 shares from Packaging Finance Limited ("PFL") in exchange for transferring 100% of the shares in Reynolds Consumer Products Inc. ("RCPI") to PFL and 14,036,726 shares from PFL in exchange for transferring 100% of the shares in Graham Packaging Company Inc. ("GPCI") to PFL. Refer to Note 2, *Discontinued Operations*, for additional information. Refer to Note 16, *Related Party Transactions*, for details of significant non-cash investing and financing activities with related parties.

See accompanying notes to the condensed consolidated financial statements.

Note 1. Nature of Operations and Basis of Presentation

The accompanying condensed consolidated financial statements comprise the accounts of Pactiv Evergreen Inc. (“PTVE”) and its subsidiaries (“we”, “us”, “our” or the “Company”) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods and should be read in conjunction with the consolidated financial statements and the related notes thereto included in our latest Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 25, 2021. Operating results for interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2021. All intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Although our current estimates contemplate current conditions and how we expect them to change in the future, as appropriate, it is reasonably possible that actual conditions could differ from what was anticipated in those estimates, which could materially affect our results of operations and balance sheet. Among other effects, such changes could result in future impairments of goodwill, intangibles and long-lived assets, and adjustments to reserves for employee benefits and income taxes. The estimated recoverable amounts associated with asset impairments recognized in all periods presented represent Level 3 measurements in the fair value hierarchy, which include inputs that are not based on observable market data.

The worldwide COVID-19 pandemic has had, and will continue to have, a significant impact on our results of operations, and it may also have additional far-reaching impacts on many aspects of our operations including the impact on customer behaviors, business and manufacturing operations, our employees and the market in general. The extent to which the COVID-19 pandemic impacts our business, financial condition, results of operations, cash flows and liquidity may differ from management’s current estimates due to inherent uncertainties regarding the progress of the pandemic, actions taken to contain the virus, the implementation and effectiveness of vaccinations and how quickly and to what extent normal economic and operating conditions can resume.

On February 4, 2020, we distributed our interest in the operations that represented our former Reynolds Consumer Products ("RCP") business to our shareholder, PFL. The distribution was effected in a tax-free manner. The distribution occurred prior to and in preparation for the initial public offering of shares of common stock of RCPI ("RCPI IPO"), which was completed on February 4, 2020. To effect the distribution of RCP, we bought back 35,791,985 of our shares from PFL in consideration of us transferring all of our shares in RCPI to PFL. Upon the distribution of RCPI to PFL, we determined that our former RCP business met the criteria to be classified as a discontinued operation.

On September 16, 2020, we distributed our interest in the operations that represented our former Graham Packaging Company ("GPC") business to our shareholder, PFL. The distribution was effected in a tax-free manner. The distribution occurred prior to and in preparation for our initial public offering (“IPO”), which was completed on September 21, 2020. To effect the distribution of GPC, we bought back 14,036,726 of our shares from PFL in consideration of us transferring all of our shares in GPCI to PFL. Upon the distribution of GPCI to PFL, we determined that our former GPC business met the criteria to be classified as a discontinued operation.

Unless otherwise indicated, information in these notes to the condensed consolidated financial statements relates to our continuing operations. Certain of our operations have been presented as discontinued. We present businesses as discontinued operations when the components either meet the criteria as held for sale, or are sold or distributed, and their expected or actual disposal represents a strategic shift that has, or will have, a major effect on our operations and financial results. As discussed in Note 2, *Discontinued Operations*, the assets, liabilities, results of operations and supplemental cash flow information of all of our former RCP segment, distributed in February 2020, and all of our former GPC segment, distributed in September 2020, are presented as discontinued operations for all periods presented. Sales from our continuing operations to our discontinued operations previously eliminated in consolidation have been recast as external revenues and are included in net revenues within operating income from continuing operations. Refer to Note 16, *Related Party Transactions*, for additional details.

(In millions, except per share data and unless otherwise indicated)

Recently Adopted Accounting Guidance

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) Disclosure - Framework - Changes to the Disclosure Requirements for Defined Benefit Plans. This ASU requires sponsors of defined benefit pension or other post-retirement plans to provide additional disclosures, including a narrative description of reasons for any significant gains or losses impacting the benefit obligation for the period. It also eliminates certain previous disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2020 and must be applied on a retrospective basis to all years presented. The requirements of this guidance have an impact on our annual disclosures but have no impact on the measurement and recognition of amounts in our condensed consolidated financial statements.

Accounting Guidance Issued but Not Yet Adopted as of September 30, 2021

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). This ASU provides temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. This ASU is effective upon issuance and generally can be applied through the end of calendar year 2022. We are currently evaluating the impact and whether we plan to adopt the optional expedients and exceptions provided under this new standard.

We reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on our condensed consolidated financial statements.

Note 2. Discontinued Operations

Our discontinued operations for the nine months ended September 30, 2020 was primarily comprised of our former RCP and GPC businesses.

Loss from discontinued operations, which includes the results of GPC through September 16, 2020 and the results of RCP through February 4, 2020, were as follows:

	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2020
Net revenues	$ 396	$ 1,510
Cost of sales	(331)	(1,234)
Gross profit	**65**	**276**
Selling, general and administrative expenses	(52)	(179)
Restructuring, asset impairment and other related charges	(4)	(13)
Interest expense, net(1)	(32)	(54)
Other expense, net	—	(3)
(Loss) income before income taxes from discontinued operations	**(23)**	**27**
Income tax expense	(193)	(275)
Net loss from discontinued operations, before gain on disposal	**(216)**	**(248)**
Gain on disposal, net of income taxes	—	14
Net loss from discontinued operations	**$ (216)**	**$ (234)**

(1) Includes interest expense and amortization of deferred transaction costs related to debt repaid in conjunction with the distribution of RCPI, as well as interest and transaction costs related to debt incurred by GPCI in August 2020; also includes a $5 million loss on extinguishment of debt from the repayment of corporate debt on February 4, 2020.

During the three and nine months ended September 30, 2021, we recognized a charge of $2 million and $6 million, respectively, primarily related to certain historical tax agreements from previously divested businesses.

The loss from discontinued operations for the three and nine months ended September 30, 2020 included depreciation and amortization expenses of $52 million and $178 million, respectively.

The loss from discontinued operations for the three and nine months ended September 30, 2020 included asset impairment charges of $1 million and $2 million, respectively. The loss from discontinued operations for the three and nine months ended September 30, 2020 also included restructuring and other related charges of $3 million and $11 million, respectively, arising from the ongoing rationalization of GPC's manufacturing footprint, which are included in restructuring, asset impairment and other related charges in the above table.

(In millions, except per share data and unless otherwise indicated)

We have no significant continuing involvement in relation to GPCI.

Subsequent to February 4, 2020, we continue to trade with RCPI in the ordinary course of business. Refer to Note 16, *Related Party Transactions*, for additional details.

Cash flows from discontinued operations were as follows:

	For the Nine Months Ended September 30, 2020
Net cash provided by operating activities	$ 175
Net cash used in investing activities	(122)
Net cash provided by financing activities	2,441
Net cash flow from discontinued operations	**$ 2,494**

Note 3. Acquisitions and Dispositions

Acquisitions

On October 1, 2021, we completed the acquisition of all of the outstanding ownership interests of Fabri-Kal LLC, Monarch Mill Pond LLC and Pure Pulp Products LLC (collectively, "Fabri-Kal") for a preliminary purchase price of $377 million, that was paid in cash. The purchase price is subject to customary adjustments for, among other things, cash, working capital and indebtedness. Fabri-Kal is a U.S. manufacturer of thermoformed plastic packaging products. Its products include portion cups, lids, clamshells, drink cups and yogurt containers for the consumer packaged goods and industrial food markets. The acquisition includes four manufacturing facilities in North America. The acquisition is expected to broaden our portfolio of sustainable packaging products and expand our manufacturing capacity to better serve our customers. The acquisition was funded with our existing cash resources and a portion of the U.S. term loans Tranche B-3 incurred in September 2021. We incurred $2 million of acquisition costs during the three and nine months ended September 30, 2021, which was reflected in selling, general and administrative expenses.

Dispositions

On March 31, 2021, we completed the sale of the remaining South American closures businesses for an immaterial amount and recognized a partial reversal of the initial impairment charge of $2 million during the nine months ended September 30, 2021 which was reflected in restructuring, asset impairment and other related charges. This partial reversal was driven by a change in the carrying value of the assets held for sale as of the disposal date. The operations of the South American closures businesses did not meet the criteria to be presented as discontinued operations. Subsequent to the disposal date, we recognized an impairment charge of $2 million related to the finalization of the sale, which was recognized in restructuring, asset impairment and other related charges.

The results of this business were reported within the Other operating segment. The South American closures businesses' income from operations before income taxes for the nine months ended September 30, 2021 and the three and nine months ended September 30, 2020 were insignificant.

On October 12, 2021, we entered into a definitive agreement for the sale of our equity interests in Naturepak Beverage Packaging Co. Ltd., our 50% joint venture with Naturepak Limited, to Elopak ASA. We expect to receive cash proceeds from the transaction of approximately $47 million which exceeds the carrying value of our interests. The transaction is expected to close in late 2021 or early 2022, subject to customary closing conditions, including regulatory approvals.

Note 4. Impairment, Restructuring and Other Related Charges

There were no impairment, restructuring and other related charges during the three months ended September 30, 2021. During the nine months ended September 30, 2021, we recorded the following impairment, restructuring and other related charges:

	Employee terminations	Total
Beverage Merchandising	$ 8	$ 8
Total	**$ 8**	**$ 8**

(In millions, except per share data and unless otherwise indicated)

During the three months ended September 30, 2020, we recorded the following impairment, restructuring and other related charges:

	Goodwill impairment	Other asset impairment	Employee terminations	Total
Foodservice	$ —	$ —	$ 1	$ 1
Food Merchandising	—	1	—	1
Other	6	12	—	18
Total	**$ 6**	**$ 13**	**$ 1**	**$ 20**

During the nine months ended September 30, 2020, we recorded the following impairment, restructuring and other related charges:

	Goodwill impairment	Other asset impairment	Employee terminations	Other restructuring charges	Total
Foodservice	$ —	$ 1	$ 1	$ 1	$ 3
Food Merchandising	—	1	—	—	1
Beverage Merchandising	—	—	1	—	1
Other	6	12	1	—	19
Total	**$ 6**	**$ 14**	**$ 3**	**$ 1**	**$ 24**

On July 28, 2021, we announced the decision to close our coated groundwood paper production line located in our Pine Bluff, Arkansas mill. On October 31, 2021, we ceased manufacturing coated groundwood paper.

As a result of the closure, we recognized a pre-tax charge of $8 million for contractual termination benefits in the nine months ended September 30, 2021. We also expect the closure to result in accelerated plant and equipment depreciation expense of approximately $25 million, of which $20 million was incurred during the three and nine months ended September 30, 2021. We also expect disassembly costs and similar expenses of approximately $2 million to $4 million.

In addition, related to the sale of our South American closures businesses, we recorded a non-cash impairment charge of $2 million during the nine months ended September 30, 2021 which offset a previously recorded partial reversal of impairment charges. Refer to Note 3, *Acquisitions and Dispositions*, for additional details.

For the three months ended September 30, 2020, we recorded non-cash impairment charges of $19 million, primarily comprised of $6 million related to goodwill and an $11 million impairment charge, both in relation to our South American closures businesses. Following these impairments, goodwill was fully impaired and the carrying value of the South American remaining closures businesses were reduced to fair value. The impairments arose primarily as a result of the strategic decision to sell the South American closure businesses in addition to the negative impact from current market conditions and outlook for the operations of the remaining closures businesses. The estimated recoverable amounts, or fair value, were determined based on a capitalization of earnings methodology, using Adjusted EBITDA expected to be generated multiplied by an earnings multiple. The key assumptions in developing Adjusted EBITDA include management's assessment of future trends in the industry and are based on both external and internal sources. The forecasted 2021 Adjusted EBITDA for the remaining closures operations was prepared using certain key assumptions including selling prices, sales volumes and costs of raw materials. Earnings multiples reflect recent sale and purchase transactions and comparable company trading multiples in the same industry. These estimates represent a Level 3 measurement in the fair value hierarchy, which includes inputs that are not based on observable market data. For the three months ended September 30, 2020, we recorded $1 million in employee termination costs.

For the nine months ended September 30, 2020, in addition to the impairments discussed above, we also recorded $3 million of employee termination and other restructuring costs.

The following table summarizes the changes to our restructuring liability for the nine months ended September 30, 2021:

	December 31, 2020	Charges to earnings	Cash paid	September 30, 2021
Employee termination costs	$ 7	$ 8	$ (6)	$ 9
Total	**$ 7**	**$ 8**	**$ (6)**	**$ 9**

(In millions, except per share data and unless otherwise indicated)

We expect to settle our restructuring liability within twelve months.

Note 5. Inventories

The components of inventories consisted of the following:

	As of September 30, 2021	As of December 31, 2020
Raw materials	$ 228	$ 180
Work in progress	106	108
Finished goods	373	410
Spare parts	94	86
Inventories	**$ 801**	**$ 784**

Note 6. Property, Plant and Equipment, Net

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

	As of September 30, 2021	As of December 31, 2020
Land and land improvements	$ 85	$ 87
Buildings and building improvements	592	532
Machinery and equipment	3,310	3,148
Construction in progress	164	191
Property, plant and equipment, at cost	4,151	3,958
Less: accumulated depreciation	(2,458)	(2,273)
Property, plant and equipment, net	**$ 1,693**	**$ 1,685**

Depreciation expense related to property, plant and equipment was recognized in the following components in the condensed consolidated statements of loss:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of sales	$ 85	$ 54	$ 197	$ 157
Selling, general and administrative expenses	5	4	17	14
Total depreciation expense	**$ 90**	**$ 58**	**$ 214**	**$ 171**

Note 7. Goodwill and Intangible Assets

Goodwill by reportable segment was as follows:

	Foodservice	Food Merchandising	Beverage Merchandising	Other (1) (2)	Total
Balance as of December 31, 2020	$ 924	$ 770	$ 66	$ —	$ 1,760
Impairment charges	—	—	—	—	—
Balance as of September 30, 2021	**$ 924**	**$ 770**	**$ 66**	**$ —**	**$ 1,760**
Accumulated impairment losses	**$ —**	**$ —**	**$ —**	**$ 15**	**$ 15**

(1) Other includes operations that do not meet the quantitative threshold for reportable segments.

(2) During the nine months ended September 30, 2021, we reduced the gross carrying amount of goodwill and accumulated impairment losses by $7 million as a result of the sale of the remaining South American closures businesses within the Other operating segment. Refer to Note 3, *Acquisitions and Dispositions*, for additional details.

(In millions, except per share data and unless otherwise indicated)

Intangible assets, net consisted of the following:

	As of September 30, 2021			As of December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Finite-lived intangible assets						
Customer relationships	$ 1,019	$ (580)	$ 439	$ 1,019	$ (540)	$ 479
Other	20	(20)	—	20	(20)	—
Total finite-lived intangible assets	**$ 1,039**	**$ (600)**	**$ 439**	**$ 1,039**	**$ (560)**	**$ 479**
Indefinite-lived intangible assets						
Trademarks	$ 554	$ —	$ 554	$ 554	$ —	$ 554
Other	59	—	59	59	—	59
Total indefinite-lived intangible assets	**$ 613**	**$ —**	**$ 613**	**$ 613**	**$ —**	**$ 613**
Total intangible assets	**$ 1,652**	**$ (600)**	**$ 1,052**	**$ 1,652**	**$ (560)**	**$ 1,092**

Amortization expense for intangible assets of $13 million and $15 million for the three months ended September 30, 2021 and 2020, respectively, and $39 million and $42 million for the nine months ended September 30, 2021 and 2020, respectively, was recognized in selling, general and administrative expenses.

Note 8. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	As of September 30, 2021	As of December 31, 2020
Accrued personnel costs	$ 81	$ 117
Accrued rebates and credits	105	68
Accrued interest	34	16
Other(1)	134	121
Accrued and other current liabilities	**$ 354**	**$ 322**

(1) Other includes items such as accruals for freight, utilities and property and other non-income related taxes.

(In millions, except per share data and unless otherwise indicated)

Note 9. Debt

Debt consisted of the following:

	As of September 30, 2021	As of December 31, 2020
Credit Agreement	$ 2,256	$ 2,457
Notes:		
5.125% Senior Secured Notes due 2023	—	59
4.000% Senior Secured Notes due 2027	1,000	1,000
4.375% Senior Secured Notes due 2028	500	—
Pactiv Debentures:		
7.950% Debentures due 2025	276	276
8.375% Debentures due 2027	200	200
Other	45	12
Total principal amount of borrowings	**4,277**	**4,004**
Deferred financing transaction costs ("DIC")	(17)	(14)
Original issue discounts, net of premiums ("OID")	(13)	(10)
	4,247	**3,980**
Less: current portion	(27)	(15)
Long-term debt	**$ 4,220**	**$ 3,965**

We were in compliance with all debt covenants during the nine months ended September 30, 2021 and the year ended December 31, 2020.

As detailed in our Annual Report on Form 10-K for the year ended December 31, 2020, during the year ended December 31, 2020, we repaid portions of term loans, the securitization facility and notes totaling $8,944 million, for an aggregate price, including premiums, of $8,978 million, prior to maturity. This included repayments of $5,473 million of term loans, borrowings under the securitization facility and notes during the nine months ended September 30, 2020. The repayment of these borrowings resulted in a $5 million loss on extinguishment of debt reported within discontinued operations. Refer to Note 2, *Discontinued Operations*, for additional details.

Credit Agreement

PTVE and certain of its U.S. subsidiaries are parties to a senior secured credit agreement dated August 5, 2016 as amended (the "Credit Agreement"). The Credit Agreement comprises the following term and revolving tranches:

	Maturity Date	Value Drawn or Utilized as of September 30, 2021	Applicable Interest Rate as of September 30, 2021
Term Tranches			
U.S. term loans Tranche B-2	February 5, 2026	$ 1,241	LIBOR (floor of 0.000%) + 3.250%
U.S. term loans Tranche B-3	September 24, 2028	$ 1,015	LIBOR (floor of 0.500%) + 3.500%
Revolving Tranche(1)			
U.S. Revolving Loans	August 5, 2024	$ 43	—

(1) The Revolving Tranche represents a $250 million facility. The amount utilized is in the form of letters of credit.

(In millions, except per share data and unless otherwise indicated)

On September 24, 2021, we incurred $1,015 million of term loans (“U.S. term loans Tranche B-3”) maturing on September 24, 2028. A portion of the net proceeds from the U.S. term loans Tranche B-3, along with the net proceeds from the 4.375% Notes, was used to repay the $1,207 million of existing U.S. term loans Tranche B-1 maturing in February 2023, including accrued interest, extinguishing this tranche of borrowings. The balance of the net proceeds from the U.S. term loans Tranche B-3 was used to partially fund the acquisition of Fabri-Kal.

The weighted average contractual interest rates related to our U.S. term loans Tranche B-1 for the nine months ended September 30, 2021 and 2020 were 2.86% and 3.70%, respectively. The weighted average contractual interest rates related to our U.S. term loans Tranche B-2 and Tranche B-3 for the nine months ended September 30, 2021 were 3.36% and 4.00%, respectively. The effective interest rates of our debt obligations under the Credit Agreement are not materially different from the contractual interest rates.

PTVE and certain of its U.S. subsidiaries have guaranteed on a senior basis the obligations under the Credit Agreement to the extent permitted by law. The borrowers and the guarantors have granted security over substantially all of their assets to support the obligations under the Credit Agreement. This security is expected to be shared on a first priority basis with the holders of the Notes.

Indebtedness under the Credit Agreement may be voluntarily repaid, in whole or in part, and must be mandatorily repaid in certain circumstances. We are required to make quarterly amortization payments of 0.25% of the principal amount of U.S. term loans. Additionally, we are required to make annual prepayments of term loans with up to 50% of excess cash flow (which will be reduced to 25% or 0% if specified senior secured first lien leverage ratios are met) as determined in accordance with the Credit Agreement. No excess cash flow prepayments were due in 2020 or are due in 2021 for the year ended December 31, 2020.

Notes

Outstanding Notes, as of September 30, 2021, are summarized below:

Description	Maturity date	Semi-annual interest payment dates
4.000% Senior Secured Notes due 2027	October 15, 2027	April 15 and October 15, commencing April 15, 2021
4.375% Senior Secured Notes due 2028	October 15, 2028	April 15 and October 15, commencing April 15, 2022

On September 24, 2021, we issued $500 million aggregate principal amount of 4.375% senior secured notes maturing on October 15, 2028 (“4.375% Notes”).

On February 16, 2021, we repaid the remaining $59 million of the 5.125% senior secured notes at a price of 101.281%. The early repayment of these senior secured notes resulted in a loss on extinguishment of debt of $1 million in respect of the premium on redemption, which was recognized in interest expense, net.

PTVE and certain of its U.S. subsidiaries have guaranteed on a senior basis the obligations under the Notes to the extent permitted by law. The issuers and the guarantors have granted security over substantially all of their assets to support the obligations under the Notes. This security is expected to be shared on a first priority basis with the creditors under the Credit Agreement.

The respective indentures governing the 4.000% Senior Secured Notes due 2027 (“4.000% Notes”) and the 4.375% Notes (together with the 4.000% Notes, the “Notes”) contain customary covenants which restrict us from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the respective indentures governing the Notes.

Under the respective indentures governing the Notes, we can, at our option, elect to redeem the Notes under terms and conditions specified in the indentures. Under the respective indentures governing the Notes, in certain circumstances which would constitute a change in control, the holders of the Notes have the right to require us to repurchase the Notes at a premium.

(In millions, except per share data and unless otherwise indicated)

Pactiv Debentures

As of September 30, 2021, we had outstanding the following debentures (together, the "Pactiv Debentures"):

Description	Maturity date	Semi-annual interest payment dates
7.950% Debentures due 2025	December 15, 2025	June 15 and December 15
8.375% Debentures due 2027	April 15, 2027	April 15 and October 15

The effective interest rates of our debt obligations under the Pactiv Debentures are not materially different from the contractual interest rates.

The Pactiv Debentures are not guaranteed and are unsecured.

The indentures governing the Pactiv Debentures contain a negative pledge clause limiting the ability of certain of our entities, subject to certain exceptions, to (i) incur or guarantee debt that is secured by liens on "Principal Manufacturing Properties" (as such term is defined in the indentures governing the Pactiv Debentures) or on the capital stock or debt of certain subsidiaries that own or lease any such Principal Manufacturing Property and (ii) sell and then take an immediate lease back of such Principal Manufacturing Property.

The 8.375% Debentures due 2027 may be redeemed at any time at our option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus a make-whole premium, if any, plus accrued and unpaid interest to the date of the redemption.

Other borrowings

Other borrowings include finance lease obligations of $45 million and $12 million as of September 30, 2021 and December 31, 2020, respectively.

Scheduled Maturities

Below is a schedule of required future repayments on our debt outstanding as of September 30, 2021:

2021	$	7
2022		27
2023		27
2024		27
2025		303
Thereafter		3,886
Total principal amount of borrowings	**$**	**4,277**

(In millions, except per share data and unless otherwise indicated)

Fair value of our long-term debt

The fair value of our long-term debt as of September 30, 2021 and December 31, 2020 is a Level 2 fair value measurement. Below is a schedule of carrying values and fair values of our debt outstanding:

	As of September 30, 2021		As of December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit Agreement	$ 2,244	$ 2,246	$ 2,447	$ 2,443
Notes:				
5.125% Senior Secured Notes due 2023	—	—	59	60
4.000% Senior Secured Notes due 2027	991	992	991	1,024
4.375% Senior Secured Notes due 2028	495	502	—	—
Pactiv Debentures:				
7.950% Debentures due 2025	273	310	273	318
8.375% Debentures due 2027	199	229	198	235
Other	45	45	12	12
Total	**$ 4,247**	**$ 4,324**	**$ 3,980**	**$ 4,092**

Interest expense, net

Interest expense, net consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest expense:				
Securitization Facility	$ —	$ —	$ —	$ 6
Credit Agreement	19	21	58	87
Notes	11	36	31	123
Pactiv Debentures	11	11	30	30
Interest income, related party(1)	—	(3)	—	(9)
Interest income, other	(1)	—	(2)	(6)
Amortization:				
Deferred financing transaction costs(2)	—	3	2	12
Original issue discounts	1	—	2	3
Derivative losses	—	1	—	15
Net foreign currency exchange losses (gains)	—	6	—	—
Loss on extinguishment of debt:				
Write-off of unamortized DIC and OID	1	7	1	7
Redemption premiums	—	3	1	3
Other(3)	15	2	18	4
Interest expense, net(4)	**$ 57**	**$ 87**	**$ 141**	**$ 275**

(1) Refer to Note 16, *Related Party Transactions*, for additional details.

(2) The amount for the nine months ended September 30, 2020 includes an adjustment of $5 million related to prior periods.

(3) Includes $5 million of fees incurred during the three and nine months ended September 30, 2021 in relation to entering into a commitment letter with certain financial institutions for a senior secured incremental term loan facility in an aggregate principal amount of up to $300 million. The commitment letter terminated on September 24, 2021. Also includes $9 million of third party costs incurred during the three and nine months ended September 30, 2021 in relation to the incurrence of U.S. term loans Tranche B-3.

(4) Amounts presented in the above table exclude interest expense and amortization of deferred financing transaction costs in respect of our 5.750% Senior Secured Notes which were due 2020. Such amounts are presented within discontinued operations as these senior secured notes were required to be repaid in conjunction with the distribution of RCPI.

(In millions, except per share data and unless otherwise indicated)

Note 10. Financial Instruments

We had the following derivative instruments recorded at fair value in our condensed consolidated balance sheets:

	As of September 30, 2021		As of December 31, 2020	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Commodity swap contracts	$ 3	$ (2)	$ 9	$ (2)
Total fair value	**$ 3**	**$ (2)**	**$ 9**	**$ (2)**
Recorded in:				
Other current assets	$ 3	$ —	$ 9	$ —
Accrued and other current liabilities	—	(2)	—	(2)
Total fair value	**$ 3**	**$ (2)**	**$ 9**	**$ (2)**

Our derivatives are comprised of commodity swaps. All derivatives represent Level 2 financial assets and liabilities. Our derivatives are valued using an income approach based on the observable market index prices less the contract rate multiplied by the notional amount or based on pricing models that rely on market observable inputs such as commodity prices. Our calculation of the fair value of these financial instruments takes into consideration the risk of non-performance, including counterparty credit risk. The majority of our derivative contracts do not have a legal right of set-off. We manage the credit risk in connection with our derivatives by limiting the amount of exposure with each counterparty and monitoring the financial condition of our counterparties.

During the three and nine months ended September 30, 2021, we recognized an unrealized loss of $1 million and $5 million, respectively, compared to an unrealized gain of $1 million and $3 million for the three and nine months ended September 30 2020, respectively, in cost of sales.

The following table provides the detail of outstanding commodity derivative contracts as of September 30, 2021:

Type	Unit of measure	Contracted volume	Contracted price range	Contracted date of maturity
Natural gas swaps	Million BTU	833,559	$2.47 - $2.94	Nov 2021 - Sep 2022
Benzene swaps	U.S. liquid gallon	5,435,377	$2.50 - $3.85	Nov 2021 - Jun 2022
Diesel swaps	U.S. liquid gallon	58,290	$2.50	Oct 2021 - Dec 2021
Low-density polyethylene swaps	Pound	3,000,000	$0.71	Oct 2021 - Dec 2021

Note 11. Employee Benefits

Net periodic benefit income for defined benefit pension plans and other post-employment benefit plans consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Service cost	$ (2)	$ (2)	$ (5)	$ (5)
Interest cost	(25)	(35)	(80)	(105)
Expected return on plan assets	43	52	146	155
Amortization of prior service cost	—	(1)	—	(1)
Amortization of actuarial gains	—	1	—	1
Ongoing net periodic benefit income	16	15	61	45
Income due to settlement[(1)]	22	—	22	—
Total net periodic benefit income	**$ 38**	**$ 15**	**$ 83**	**$ 45**

(1) Refer to the *Pension Partial Settlement Transaction* section below for additional details.

(In millions, except per share data and unless otherwise indicated)

Net periodic benefit income for defined benefit pension plans and other post-employment benefit plans was recognized as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of sales	$ (2)	$ (1)	$ (5)	$ (4)
Selling, general and administrative expenses	—	(1)	—	(1)
Non-operating income, net	40	17	88	50
Total net periodic benefit income	**$ 38**	**$ 15**	**$ 83**	**$ 45**

No contributions to the Pactiv Evergreen Pension Plan ("PEPP") are expected to be made in 2021.

Pension Partial Settlement Transaction

On July 21, 2021, we purchased with PEPP assets a non-participating group annuity contract from an insurance company and transferred $959 million of the PEPP's projected benefit obligations. Under the transaction, the insurance company will assume responsibility for pension benefits and annuity administration for approximately 16,300 retirees or their beneficiaries. As a result of this transaction, the PEPP's projected benefit obligations and plan assets were remeasured and we recognized a non-cash pre-tax pension settlement gain of $22 million in the three and nine months ended September 30, 2021.

Note 12. Other Income (Expense), Net

Other income (expense), net consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Related party management fee(1)	$ —	$ (44)	$ —	$ (49)
Loss on sale of businesses and noncurrent assets	—	(1)	—	(1)
Foreign exchange losses on cash(2)	—	(42)	(1)	(14)
Transition service agreement income(1)	3	5	10	15
Other	4	3	9	1
Other income (expense), net	**$ 7**	**$ (79)**	**$ 18**	**$ (48)**

(1) Refer to Note 16, *Related Party Transactions*, for additional details. The transition services agreement income is primarily attributable to services provided to our former segments, RCP and GPC, and our former closures businesses.

(2) Primarily arose from holding U.S. dollars in non-U.S. dollar functional currency entities.

Note 13. Commitments and Contingencies

We are from time to time party to litigation, legal proceedings and tax examinations arising from our operations. Most of these matters involve allegations of damages against us relating to employment matters, personal injury and commercial or contractual disputes. We record estimates for claims and proceedings that constitute a present obligation when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of such obligation can be made. While it is not possible to predict the outcome of any of these matters, based on our assessment of the facts and circumstances, we do not believe any of these matters, individually or in the aggregate, will have a material adverse effect on our balance sheet, results of operations or cash flows. However, actual outcomes may differ from those expected and could have a material effect on our balance sheet, results of operations or cash flows in a future period.

On April 14, 2021, MP2 Energy LLC ("MP2") filed a lawsuit against Pactiv LLC ("Pactiv"), one of our indirect subsidiaries, in state court in Montgomery County, Texas. In this lawsuit, MP2 seeks to collect approximately $50 million from Pactiv that MP2 claims that Pactiv owes MP2 under an energy management services agreement ("EMSA"). Under the EMSA, including Transaction Confirmation No. 4, Pactiv agreed, among other things, to sell MP2 a certain contract quantity of energy at a specified price. If this contract quantity of energy became unavailable for Pactiv to sell to MP2, the EMSA granted MP2 the right to contract for the purchase of the shortfall in the contract quantity, and to charge Pactiv for the cost incurred by MP2 in contracting for that shortfall, “unless due to an event of Force Majeure.” Pactiv notified MP2 that Pactiv was excused by Force Majeure under the EMSA to the extent that the contract quantity of energy was not available for Pactiv to sell to MP2 because of the winter weather emergency caused by Winter Storm Uri. Even though MP2 does not dispute that Winter Storm Uri constituted an event of Force Majeure under the EMSA and Transaction Confirmation No. 4, MP2 nevertheless seeks to hold Pactiv responsible in this lawsuit for approximately $50 million in costs that MP2 claims it incurred in contracting for a shortfall in Pactiv’s contract quantity of energy during the event of Force Majeure. Pactiv disputes any liability to MP2 and maintains that Pactiv acted reasonably at all times and that the event of Force Majeure excused any obligation Pactiv had to supply the contract quantity under the EMSA and Transaction Confirmation No. 4 or to reimburse MP2 for its cost in contracting for any shortfall in the contract quantity. Pactiv believes that MP2’s claim is without merit and that Pactiv has strong defenses against MP2’s claim, including, but not limited to, Force Majeure. Pactiv intends to vigorously defend itself against MP2’s claim in this lawsuit. Although we are confident of Pactiv’s legal position in this matter and do not consider it probable that this matter will result in a material loss, we can offer no assurance that Pactiv will in fact obtain a favorable outcome.

As part of the agreements for the sale of various businesses, we have provided certain warranties and indemnities to the respective purchasers as set out in the respective sale agreements. These warranties and indemnities are subject to various terms and conditions affecting the duration and total amount of the indemnities. As of September 30, 2021, we are not aware of any material claims under these agreements that would give rise to an additional liability. However, if such claims arise in the future, they could have a material effect on our balance sheet, results of operations or cash flows.

(In millions, except per share data and unless otherwise indicated)

Note 14. Accumulated Other Comprehensive Loss

The following table summarizes the changes in our balances of each component of accumulated other comprehensive loss ("AOCL"):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Currency translation adjustments:				
Balance as of beginning of period	$ (202)	$ (447)	$ (189)	$ (354)
Currency translation adjustments	(7)	65	(9)	(30)
Amounts reclassified from AOCL(1)	—	1	(11)	1
Other comprehensive income (loss)	(7)	66	(20)	(29)
Distribution of RCPI and GPCI(2)	—	171	—	173
Balance as of end of period	**$ (209)**	**$ (210)**	**$ (209)**	**$ (210)**
Defined benefit plans:				
Plans associated with continuing operations				
Balance as of beginning of period	$ (160)	$ (176)	$ (160)	$ (176)
Net actuarial gain arising during year(3)	302	—	302	—
Deferred tax expense on net actuarial gain	(74)	—	(74)	—
Gain reclassified from AOCL				
Defined benefit plan settlement gain	(22)	—	(22)	—
Deferred tax expense on reclassification	5	—	5	—
Other comprehensive income	211	—	211	—
Balance as of end of period	**$ 51**	**$ (176)**	**$ 51**	**$ (176)**
Plans held for sale or distribution				
Balance as of beginning of period	$ —	$ (1)	$ —	$ 12
Distribution of RCPI and GPCI(4)	—	1	—	(12)
Balance as of end of period	**$ —**	**$ —**	**$ —**	**$ —**
AOCL				
Balance as of beginning of period	$ (362)	$ (624)	$ (349)	$ (518)
Other comprehensive income (loss)	204	66	191	(29)
Distribution of RCPI and GPCI(2)(4)	—	172	—	161
Balance as of end of period	**$ (158)**	**$ (386)**	**$ (158)**	**$ (386)**

(1) The reclassification of currency translation adjustment amounts to earnings during the nine months ended September 30, 2021 relates to the sale of the remaining South American closures businesses. Refer to Note 3, *Acquisitions and Dispositions*, for additional details.

(2) Currency translation adjustment reclassifications associated with the distribution of RCPI are recorded directly to additional paid in capital. Currency translation adjustment reclassifications associated with the distribution of GPCI are recorded directly to retained earnings. Refer to Note 2, *Discontinued Operations*, for additional details.

(3) Net actuarial gain arising during the year relates to the interim remeasurement of the PEPP due to the partial pension settlement transaction. Refer to Note 11, *Employee Benefits*, for additional details.

(4) Defined benefit plan reclassifications associated with the distribution of RCPI and GPCI are recorded directly to retained earnings.

Note 15. Income Taxes

The effective tax rates for the three and nine months ended September 30, 2021 and 2020 represent our estimate of the annual effective tax rates expected to be applicable for the respective full fiscal years, adjusted for any discrete events which are recorded in the period that they occur.

During the three months ended September 30, 2021, we recognized a tax benefit of $13 million on a loss from continuing operations before tax of $11 million. The effective tax rate was driven primarily by a $9 million discrete benefit from the partial release of our valuation allowance for deferred interest deductions that was attributable to the remeasurement of the PEPP as a result of the partial settlement transaction. During the nine months ended September 30, 2021, we recognized a tax benefit of $26 million on a loss from continuing operations before tax of $27 million. The effective tax rate was driven primarily by $19 million of discrete benefit adjustments for the partial release of our valuation allowance for deferred interest deductions, which was partially offset by certain nondeductible expenses and the mix of income and losses taxed at varying rates among the jurisdictions in which we operate.

(In millions, except per share data and unless otherwise indicated)

During the three months ended September 30, 2020, we recognized tax expense of $42 million on a loss from continuing operations before tax of $101 million. The effective tax rate was primarily attributable to a $105 million discrete adjustment to increase our valuation allowance for deferred interest deductions. The increase in the valuation allowance reflects the reassessment of the recoverability of our deferred interest deductions following the distribution of GPCI in September 2020. During the nine months ended September 30, 2020, we recognized a tax benefit of $95 million on a loss from continuing operations before tax of $123 million. The effective tax rate was primarily attributable to the benefit of the CARES Act, primarily from the ability to utilize additional deferred interest deductions and the mix of income and losses taxed at varying rates among the jurisdictions in which we operate. The year to date effective tax rate also included a $132 million return to provision benefit from our 2019 federal return, partially offset by a $105 million discrete adjustment for additional valuation allowance following the distribution of GPCI in September 2020. The return to provision benefit was primarily attributable to the retroactive provisions of the CARES Act, enabling the utilization of additional deferred interest deductions.

We are under audit by the Internal Revenue Service ("IRS") and other taxing authorities. The IRS is currently auditing our U.S. income tax returns for 2016-2017. It is possible the audit will be completed in the next 12 months. As of September 30, 2021, we have not received any proposed adjustments from taxing authorities that would be material. Although the ultimate timing is uncertain, it is reasonably possible that a reduction of up to $10 million of unrecognized tax benefits could occur within the next twelve months due to changes in audit status, settlements of tax assessments and other events.

Note 16. Related Party Transactions

As of September 30, 2021, 78% of our shares are owned by PFL or another entity of which Mr. Graeme Hart is the ultimate shareholder (together with PFL, the "Hart Stockholders").

In addition to the distributions of RCPI and GPCI to PFL in 2020, as described further in Note 1, *Nature of Operations and Basis of Presentation*, the related party entities and types of transactions we entered into with them are detailed below. All related parties detailed below have a common ultimate controlling shareholder, except for the joint ventures.

	Transaction Value for the Three Months Ended September 30,		Transaction Value for the Nine Months Ended September 30,		Balance Outstanding as of	
	2021	2020	2021	2020	September 30, 2021	December 31, 2020
Balances and transactions with joint ventures						
Included in other current assets					$ 8	$ 7
Sale of goods and services(1)	$ 5	$ 5	$ 21	$ 23		
Balances and transactions with other entities controlled by Mr. Graeme Hart						
Current related party receivables					47	55
Sale of goods and services(2)	90	89	261	259		
Transition services agreements and rental income(2)	3	3	10	11		
Tax loss transfer(3)	—	—	—	13		
Recharges(4)	1	1	8	2		
Forgiveness of balance(5)	—	(15)	—	(15)		
Noncurrent related party receivables(6)					—	—
Interest income	—	3	—	9		
Loan forgiveness	—	(347)	—	(347)		
Related party payables					(10)	(10)
Purchase of goods(2)	(28)	(28)	(79)	(91)		
Recharges(4)	(1)	(1)	(7)	(11)		
Management fee(7)	—	(57)	—	(65)		
Tax loss transfer(3)	—	(10)	—	(11)		

(1) All transactions with joint ventures are settled in cash. Sales of goods and services are negotiated based on market rates. All amounts are unsecured, non-interest bearing and repayable on demand.

(2) Following the distribution of RCPI on February 4, 2020, we continue to trade with them, selling and purchasing various goods and services under contractual arrangements that expire over a variety of periods through December 31, 2024. Prior to February 4, 2020, our continuing operations recognized revenue and cost of sales in respect of sales to and purchases from RCPI. Refer to Note 2, *Discontinued Operations*. As part of the separation process, among other agreements, we have entered into two lease arrangements with RCPI and entered into a transition services agreement to provide ongoing agreed services to RCPI, as requested. We do not trade with GPCI on an ongoing basis. We have entered into a transition services agreement to provide ongoing agreed services to GPCI, as requested. We have also entered into a tax matters agreement with GPCI. We have recognized a receivable of $12 million under the tax matters agreement in relation to GPCI's estimated share of U.S. federal taxes in respect of the period from January 1, 2020 through to September 16, 2020.

(3) Represents payments received or made for tax losses transferred between our entities and other entities controlled by Mr. Graeme Hart.

(4) Represents certain costs paid on our behalf that were subsequently recharged to us or that we pay on behalf of a related party and subsequently recharge to them. These charges are for various costs incurred including services provided, financing and other activities. All amounts are unsecured, non-interest bearing and settled on normal trade terms. As part of our IPO, we have entered into a transition services agreement with Rank Group Limited ("Rank"), an entity controlled by Mr. Graeme Hart, under which Rank will, upon our request, continue to provide certain administrative and support services to us, and we will provide support services to Rank upon request. All services provided will be charged at an agreed hourly rate plus any third party costs.

(5) In connection with our IPO, $15 million of current related party receivables owed by Rank was forgiven. We recognized this forgiveness as a reduction in retained earnings.

(6) Our previous loan with Rank accrued interest at a rate based on the average 90-day New Zealand bank bill rate, set quarterly, plus a margin of 3.25%. During the three and nine months ended September 30, 2020, interest was charged at 3.550% and 3.458% to 4.275%, respectively. In September 2020, in preparation for our IPO, the loan receivable was forgiven and was recognized as a reduction in retained earnings.

(7) Our previous financing agreements permitted the payment of management fees to related parties for management, consulting, monitoring and advising services. The management fees were paid pursuant to a services agreement with Rank which was terminated upon our IPO. During the three and nine months ended September 30, 2020, management fees of $44 million and $49 million, respectively, were recognized in other income (expense), net, with the remainder in discontinued operations.

Note 17. Equity Based Compensation

In conjunction with our IPO, we established the Pactiv Evergreen Inc. Equity Incentive Plan (the "Equity Incentive Plan") for purposes of granting stock or other equity based compensation awards to our employees (including our senior management), directors, consultants and advisors. The maximum number of shares of common stock initially available for issuance under our Equity Incentive Plan was 9,079,395 shares.

Equity based compensation expense of $3 million and $1 million for the three months ended September 30, 2021 and 2020, respectively, and $9 million and $1 million for the nine months ended September 30, 2021 and 2020, respectively, was recognized in selling, general and administrative expenses.

Restricted Stock Units

During the nine months ended September 30, 2021, we granted additional restricted stock units ("RSUs") to certain members of management and certain members of our Board of Directors. These RSUs required future service to be provided and vest in annual installments over a period ranging from 1 to 4 years beginning on the first anniversary of the original grant date. The following table summarizes RSU activity during 2021:

(in thousands, except per share amounts)	Number of Stock Units	Weighted-Average Grant Date Fair Value
Non-vested, at January 1	297	$ 14.00
Granted	980	$ 14.82
Forfeited	(80)	$ 14.60
Vested	(93)	$ 14.00
Non-vested, at September 30	1,104	$ 14.69

Unrecognized compensation cost related to unvested RSUs as of September 30, 2021 was $9 million, which is expected to be recognized over a weighted-average period of 2.5 years.

Performance Share Units

We may grant performance share units ("PSUs") which vest based on the achievement of various company performance targets during a performance period set by our Compensation Committee. We use our stock price on the grant date to estimate the fair value of our PSUs. We adjust the expense based on the likelihood of future achievement of performance metrics. If any of the performance targets are not achieved, the awards are forfeited. Each PSU is equal to one common share once vested with varying maximum award value limitations. During the nine months ended September 30, 2021, we granted PSUs to certain members of management which vest on the third anniversary of the original grant date. The following table summarizes PSU activity during 2021:

(in thousands, except per share amounts)	Number of Stock Units	Weighted-Average Grant Date Fair Value
Non-vested, at January 1	—	$ —
Granted	298	$ 15.05
Forfeited	(67)	$ 14.60
Non-vested, at September 30	231	$ 15.19

Unrecognized compensation cost related to unvested PSUs as of September 30, 2021 was $3 million, which is expected to be recognized over a weighted-average period of 2.5 years.

Note 18. Earnings Per Share

Earnings (loss) per share, including a reconciliation of the number of shares used for our earnings (loss) per share calculation, was as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net earnings (loss) attributable to Pactiv Evergreen Inc. common shareholders				
From continuing operations	$ 2	$ (143)	$ (2)	$ (29)
From discontinued operations	(2)	(216)	(6)	(234)
Total	$ —	$ (359)	$ (8)	$ (263)
Weighted average number of shares outstanding				
Basic	177.5	138.9	177.4	135.9
Effect of dilutive securities	0.3	—	—	—
Diluted	177.8	138.9	177.4	135.9
Earnings (loss) per share attributable to Pactiv Evergreen Inc. common shareholders				
From continuing operations				
Basic	$ 0.01	$ (1.03)	$ (0.01)	$ (0.22)
Diluted	$ 0.01	$ (1.03)	$ (0.01)	$ (0.22)
From discontinued operations				
Basic	$ (0.01)	$ (1.56)	$ (0.03)	$ (1.72)
Diluted	$ (0.01)	$ (1.56)	$ (0.03)	$ (1.72)
Total				
Basic	$ —	$ (2.59)	$ (0.04)	$ (1.94)
Diluted	$ —	$ (2.59)	$ (0.04)	$ (1.94)

The weighted average number of shares outstanding prior to our IPO reflects our conversion to a Delaware incorporated entity and the subsequent stock split, as detailed in our Annual Report on Form 10-K for the year ended December 31, 2020. The stock split has been retroactively reflected, resulting in 134.4 million weighted average number of shares outstanding for the periods prior to our IPO. The weighted average number of shares outstanding during the three and nine months ended September 30, 2020 reflects the weighted average number of shares outstanding, as described above, plus the weighted average shares issued on September 21, 2020 as part of our IPO.

There were no anti-dilutive potential common shares excluded from the calculation above for the three months ended September 30, 2021. The weighted average number of anti-dilutive potential common shares excluded from the calculation above was 0.2 million shares for the nine months ended September 30, 2021.

Our Board of Directors approved a dividend of $0.10 per share on November 2, 2021 to be paid on December 15, 2021 to shareholders of record as of December 1, 2021.

Note 19. Segment Information

ASC 280 Segment Reporting establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in ASC 280, we have three reportable segments: Foodservice, Food Merchandising and Beverage Merchandising. These reportable segments reflect our operating structure and the manner in which our Chief Operating Decision Maker ("CODM") assesses information for decision-making purposes.

The key factors used to identify these reportable segments are the organization and alignment of our internal operations and the nature of our products. This reflects how our CODM monitors performance, allocates capital and makes strategic and operational decisions. Our reportable segments are described as follows:

Foodservice - Manufactures a broad range of products that enable consumers to eat and drink where they want and when they want with convenience. Foodservice manufactures food containers, drinkware (hot and cold cups and lids), tableware, serviceware and other products which make eating on-the-go more enjoyable and easy to do.

Food Merchandising - Manufactures products that protect and attractively display food while preserving freshness. Food Merchandising products include clear rigid-display containers, containers for prepared and ready-to-eat food, trays for meat and poultry and molded fiber cartons.

Beverage Merchandising - Manufactures cartons for fresh refrigerated beverage products, primarily serving dairy (including plant-based, organic and specialties), juice and other specialty beverage end-markets. Beverage Merchandising manufactures and supplies integrated fresh carton systems, which include printed cartons, spouts and filling machinery. It also produces fiber-based liquid packaging board for its internal requirements and to sell to other fresh beverage carton manufacturers as well as a range of paper-based products which it sells to paper and packaging converters.

Other/Unallocated - In addition to our reportable segments, we have other operating segments that do not meet the threshold for presentation as a reportable segment. These operating segments include the remaining components of our former closures business, which generate revenue from the sale of caps and closures, and are presented as "Other" in the reconciliation between total reportable segment amounts and the equivalent consolidated measure. Unallocated includes corporate costs, primarily relating to companywide functions such as finance, tax and legal and the effects of the PEPP and equity based compensation.

Information by Segment

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

Adjusted EBITDA represents each segment's earnings before interest, tax, depreciation and amortization and is further adjusted to exclude certain items of a significant or unusual nature, including but not limited to, foreign exchange gains or losses on cash, related party management fees, unrealized gains or losses on derivatives, gains or losses on the sale of businesses and noncurrent assets, impairment charges, restructuring, asset impairment and other related charges, operational process engineering-related consultancy costs, non-cash pension income or expense, strategic review and transaction-related costs, executive transition charges and business acquisition costs.

Reportable segment assets represent trade receivables, inventory and property, plant and equipment.

(In millions, except per share data and unless otherwise indicated)

	Foodservice	Food Merchandising	Beverage Merchandising	Reportable Segment Total
For the Three Months Ended September 30, 2021				
Net revenues	$ 594	$ 391	$ 381	**$ 1,366**
Intersegment revenues	—	—	22	**22**
Total reportable segment net revenues	$ 594	$ 391	$ 403	**$ 1,388**
Adjusted EBITDA	$ 64	$ 49	$ 16	**$ 129**
For the Three Months Ended September 30, 2020				
Net revenues	$ 473	$ 354	$ 338	**$ 1,165**
Intersegment revenues	—	—	23	**23**
Total reportable segment net revenues	$ 473	$ 354	$ 361	**$ 1,188**
Adjusted EBITDA	$ 81	$ 72	$ 24	**$ 177**
For the Nine Months Ended September 30, 2021				
Net revenues	$ 1,619	$ 1,121	$ 1,089	**$ 3,829**
Intersegment revenues	—	—	58	**58**
Total reportable segment net revenues	$ 1,619	$ 1,121	$ 1,147	**$ 3,887**
Adjusted EBITDA	$ 187	$ 163	$ (1)	**$ 349**
For the Nine Months Ended September 30, 2020				
Net revenues	$ 1,351	$ 1,046	$ 1,030	**$ 3,427**
Intersegment revenues	—	—	76	**76**
Total reportable segment net revenues	$ 1,351	$ 1,046	$ 1,106	**$ 3,503**
Adjusted EBITDA	$ 170	$ 186	$ 112	**$ 468**

Reportable segment assets consisted of the following:

	Foodservice	Food Merchandising	Beverage Merchandising	Reportable Segment Total
As of September 30, 2021	$ 1,130	$ 731	$ 1,057	**$ 2,918**
As of December 31, 2020	1,064	703	1,039	**2,806**

(In millions, except per share data and unless otherwise indicated)

The following table presents a reconciliation of reportable segment Adjusted EBITDA to consolidated GAAP loss from continuing operations before income taxes:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Reportable segment Adjusted EBITDA	$ 129	$ 177	$ 349	$ 468
Other	3	2	6	6
Unallocated	(13)	(6)	(29)	(29)
	119	173	326	445
Adjustments to reconcile to GAAP loss from continuing operations before income taxes				
Interest expense, net	(57)	(87)	(141)	(275)
Depreciation and amortization	(103)	(73)	(253)	(213)
Goodwill impairment charges	—	(6)	—	(6)
Restructuring, asset impairment and other related charges	—	(14)	(8)	(18)
Loss on sale of businesses and noncurrent assets	—	(1)	—	(1)
Non-cash pension income	40	18	88	55
Operational process engineering related consultancy costs	(6)	(3)	(16)	(12)
Related party management fee	—	(44)	—	(49)
Strategic review and transaction-related costs	—	(24)	—	(39)
Foreign exchange losses on cash	—	(42)	(1)	(14)
Unrealized (losses) gains on derivatives	(1)	1	(5)	3
Executive transition charges	—	—	(10)	—
Business acquisition costs	(2)	—	(2)	—
Other	(1)	1	(5)	1
Loss from continuing operations before tax	**$ (11)**	**$ (101)**	**$ (27)**	**$ (123)**

The following table presents a reconciliation of reportable segment assets to consolidated assets:

	As of September 30, 2021	As of December 31, 2020
Reportable segment assets	$ 2,918	$ 2,806
Other	44	34
Unallocated(1)	4,045	4,003
Total assets	**$ 7,007**	**$ 6,843**

(1) Unallocated includes unallocated assets, which are comprised of cash and cash equivalents, other current assets, assets held for sale, entity-wide property, plant and equipment, operating lease right-of-use assets, goodwill, intangible assets, deferred income taxes, related party receivables and other noncurrent assets.

(In millions, except per share data and unless otherwise indicated)

Information in Relation to Products

Net revenues by product line are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Foodservice				
Drinkware[1]	$ 240	$ 193	$ 638	$ 518
Containers[1]	232	199	679	571
Tableware[1]	65	37	154	132
Serviceware and other[1]	57	44	148	130
Food Merchandising				
Meat trays	92	93	272	287
Bakery/snack/produce/fruit containers	83	75	239	218
Prepared food trays	41	33	113	95
Egg cartons	20	24	67	74
Tableware[2]	100	88	281	257
Other	55	41	149	115
Beverage Merchandising				
Cartons for fresh beverage products	211	199	611	597
Liquid packaging board	101	92	288	296
Paper products	91	70	248	213
Reportable segment net revenues	**1,388**	**1,188**	**3,887**	**3,503**
Other / Unallocated				
Other	28	30	81	87
Inter-segment eliminations	(22)	(23)	(58)	(76)
Net revenues	**$ 1,394**	**$ 1,195**	**$ 3,910**	**$ 3,514**

(1) Certain product sales in the prior year periods have been re-categorized to conform with the current year presentation as the segment realigned its go-to-market product strategy.

(2) During the current year, Food Merchandising changed the name of its historical Dinnerware product line to Tableware.

For all product lines, there is a relatively short time period between the receipt of the order and the transfer of control over the goods to the customer.

FORWARD-LOOKING STATEMENTS

This report contains certain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies, anticipated trends in our business and anticipated growth in the markets served by our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the “Risk Factors” section in our Annual Report on Form 10-K for the year ended December 31, 2020 and as updated in our Quarterly Reports on Form 10-Q. These risks include, among others, those related to:

- future costs of raw materials, energy and freight, including the impact of tariffs, trade sanctions and similar matters;
- competition in the markets in which we operate;
- changes in consumer lifestyle, eating habits, nutritional preferences and health-related and environmental and sustainability concerns;
- failure to maintain satisfactory relationships with our major customers;
- the impact of a loss of any of our key manufacturing facilities;
- our dependence on suppliers of raw materials and any interruption to our supply of raw materials;
- the uncertain economic, operational and financial impacts of the COVID-19 pandemic;
- our ability to realize the benefits of our capital investment, restructuring and other cost savings programs;
- seasonality and cyclicality;
- loss of key management or other personnel;
- uncertain global economic conditions;
- supply of faulty or contaminated products;
- compliance with, and liabilities related to, environmental, health and safety laws, regulations and permits;
- impact of government regulations and judicial decisions affecting products we produce or the products contained in the products we produce;
- any non-compliance with the Foreign Corrupt Practices Act or similar laws;
- the ownership of a majority of the voting power of our common stock by the Hart Stockholders;
- our ability to establish independent financial, administrative, and other support functions; and
- our status as a “controlled company” within the meaning of the rules of Nasdaq.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this report to conform our prior statements to actual results or revised expectations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our discussion and analysis is intended to help the reader understand our results of operations and financial condition and is provided as an addition to, and should be read in connection with, our condensed consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q.

Description of the Company and its Business Segments

We are a manufacturer and supplier of fresh food and beverage packaging products primarily in North America. We report our business in three reportable segments: Foodservice, Food Merchandising and Beverage Merchandising. Our Foodservice segment manufactures a broad range of products that enable consumers to eat and drink where they want and when they want with convenience. Our Food Merchandising segment manufactures products that protect and attractively display food while preserving freshness. Our Beverage Merchandising segment manufactures cartons for fresh refrigerated beverage products, primarily serving dairy (including plant-based, organic and specialties), juice and other specialty beverage end-markets.

Recent Developments and Items Impacting Comparability

Fabri-Kal Acquisition

On October 1, 2021, we completed the acquisition of all of the outstanding ownership interests of Fabri-Kal for a preliminary purchase price of $377 million, that was paid in cash. The purchase price is subject to customary adjustments for, and among other things, cash, working capital and indebtedness. Fabri-Kal is a U.S. manufacturer of thermoformed plastic packaging products. Its products include portion cups, lids, clamshells, drink cups and yogurt containers for the consumer packaged goods and industrial food markets. The acquisition includes four manufacturing facilities in North America. The acquisition is expected to broaden our portfolio of sustainable packaging products and expand our manufacturing capacity to better serve our customers. The acquisition was funded with our existing cash resources and a portion of the U.S. term loans Tranche B-3 incurred in September 2021.

Tropical Storm Fred

During August 2021, the South Eastern portion of the U.S. was impacted by Tropical Storm Fred which brought severe flooding. As a result of the storm, our paper mill in Canton, North Carolina experienced a flood which resulted in the damage of certain property, plant and equipment. The mill subsequently experienced an explosion and resulting fire. Due to the extent of damage sustained from the flood, fire and related events, we were unable to fully operate our paper mill in Canton, North Carolina for several days during the third quarter of 2021. Accordingly, our Beverage Merchandising segment incurred $7 million of incremental costs, including costs related to the shut-down of the mill and to repair damaged property, plant and equipment, during the three months ended September 30, 2021.

Coated Groundwood Paper Business Exit

On July 28, 2021, we announced the decision to close our coated groundwood paper production line located in our Pine Bluff, Arkansas mill. With the decline in the coated groundwood market, our decision to exit this business enables us to re-invest resources into our strategic core competency of liquid packaging board, as well as other more profitable segments across the enterprise. On October 31, 2021, we ceased manufacturing coated groundwood paper.

As a result of the closure, we recognized a pre-tax charge of $8 million for contractual termination benefits in the nine months ended September 30, 2021. We also expect the closure to result in accelerated plant and equipment depreciation expense of approximately $25 million, of which $20 million was incurred during the three and nine months ended September 30, 2021. We also expect disassembly costs and similar expenses of approximately $2 million to $4 million.

Pension Partial Settlement Transaction

On July 21, 2021, we purchased with PEPP assets a non-participating group annuity contract from an insurance company and transferred $959 million of the PEPP's projected benefit obligations. Under the transaction, the insurance company will assume responsibility for pension benefits and annuity administration for approximately 16,300 retirees or their beneficiaries. As a result of this transaction, the PEPP's projected benefit obligations and plan assets were remeasured and we recognized a non-cash pre-tax pension settlement gain of $22 million in the three and nine months ended September 30, 2021.

Winter Storm Uri

During February 2021, the Southern portion of the U.S. was impacted by Winter Storm Uri which brought record low temperatures, snow and ice and resulted in power failures, hazardous road conditions, damage to property and death and injury to individuals in those states. During most of this weather event, we were unable to fully operate some of our mills, plants and warehouses in Texas and Arkansas. During the first half of 2021, we incurred approximately $50 million of incremental costs including energy costs, primarily related to natural gas, shut-down costs and some property damage during the storm. Our Beverage Merchandising segment was impacted to the greatest degree with incremental costs of $37 million incurred by our paper mill in Pine Bluff, Arkansas. We do not expect to incur any further incremental costs related to Winter Storm Uri.

As a result of the storm, certain of our suppliers with locations in the impacted areas were also unable to operate which subsequently has resulted in their declaration of force majeure on meeting the supply quantities due to us. In particular, our supply of various resin types was limited and we were required to purchase from other suppliers, and at a higher price, in order to meet our production demands for March and April. As further discussed in our *Results of Operations*, our cost of sales was impacted for the nine months ended September 30, 2021 as the products manufactured with this higher priced material were sold.

COVID-19

Our business and operating results for 2021 continue to be impacted by the COVID-19 pandemic. However, we have seen improvement in our business during the first nine months of 2021, which we expect to continue for the remainder of 2021 as the economies in which we operate recover.

Our highest priorities continue to be the safety of our employees and working with our employees and network of suppliers and customers to help maintain the food supply chain as an essential business.

As we are a part of the global food supply chain, we have taken a number of actions to promote the health and safety of our employees and customers in order to maintain the availability of our products to meet the needs of our customers. To date, we have not experienced significant issues within our supply chain due to the COVID-19 pandemic, including the sourcing of materials and logistics service providers.

We expect that the COVID-19 pandemic will continue to impact our results of operations in future periods as the macroeconomic environment changes and consumer behavior continues to evolve or if additional lockdowns occur. However, while the general effects of the COVID-19 pandemic continue to change and remain unpredictable, we expect continued improvement for the remainder of 2021 as compared to 2020 as the markets in which we operate see increased demand.

We continue to proactively manage our business in response to the evolving impacts of the pandemic, and we will continue to communicate with and support our employees and customers, to monitor and take steps to further safeguard our supply chain, operations and assets, to protect our liquidity and financial position, to work toward our strategic priorities and to monitor our financial performance as we seek to position ourselves to withstand the current uncertainty related to this pandemic.

How We Assess the Performance of Our Business and Use of Non-GAAP Measures

In addition to financial measures determined in accordance with GAAP, we make use of the non-GAAP financial measure Adjusted EBITDA from continuing operations to evaluate and manage our business and to plan and make near-term and long-term operating and strategic decisions.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations is defined as net income (loss) from continuing operations calculated in accordance with GAAP plus the sum of income tax expense, net interest expense, depreciation and amortization and further adjusted to exclude certain items of a significant or unusual nature, including but not limited to foreign exchange gains or losses on cash, related party management fees, unrealized gains or losses on derivatives, gains or losses on the sale of businesses and noncurrent assets, impairment charges, restructuring, asset impairment and other related charges, operational process engineering-related consultancy costs, non-cash pension income or expense, strategic review and transaction-related costs, executive transition charges and business acquisition costs.

We present Adjusted EBITDA from continuing operations because it is a key measure used by our management team to evaluate our operating performance, generate future operating plans and make strategic decisions. Accordingly, we believe that Adjusted EBITDA from continuing operations provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and Board of Directors. In addition, our chief operating decision maker uses Adjusted EBITDA of each reportable segment to evaluate the operating performance of such segments.

The following is a reconciliation of our net income (loss) from continuing operations, the most directly comparable GAAP financial measure, to Adjusted EBITDA from continuing operations for each of the periods indicated:

(In millions)	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Net income (loss) from continuing operations (GAAP)	**$ 2**	**$ (143)**	**$ (1)**	**$ (28)**
Income tax (benefit) expense	(13)	42	(26)	(95)
Interest expense, net	57	87	141	275
Depreciation and amortization	103	73	253	213
Goodwill impairment charges(1)	—	6	—	6
Restructuring, asset impairment and other related charges(2)	—	14	8	18
Loss on sale of businesses and noncurrent assets(3)	—	1	—	1
Non-cash pension income(4)	(40)	(18)	(88)	(55)
Operational process engineering-related consultancy costs(5)	6	3	16	12
Related party management fee(6)	—	44	—	49
Strategic review and transaction-related costs(7)	—	24	—	39
Foreign exchange losses on cash(8)	—	42	1	14
Unrealized losses (gains) on derivatives(9)	1	(1)	5	(3)
Executive transition charges(10)	—	—	10	—
Business acquisition costs(11)	2	—	2	—
Other	1	(1)	5	(1)
Adjusted EBITDA from continuing operations (Non-GAAP)	**$ 119**	**$ 173**	**$ 326**	**$ 445**

(1) Reflects goodwill impairment charges in respect of our remaining closures operations. Refer to Note 4, *Impairment, Restructuring and Other Related Charges*, for additional details.

(2) Reflects asset impairment, restructuring and other related charges (net of reversals) primarily associated with the closure of Beverage Merchandising's coated groundwood operations and our remaining closures businesses that are not reported within discontinued operations. Refer to Note 4, *Impairment, Restructuring and Other Related Charges*, for additional details.

(3) Reflects the loss from the sale of businesses and noncurrent assets, primarily in our Other segment. Refer to Note 12, *Other Income (Expense), Net*, for additional details.

(4) Reflects the non-cash pension income related to our employee benefit plans.

(5) Reflects the costs incurred to evaluate and improve the efficiencies of our manufacturing and distribution operations.

(6) Reflects the related party management fee charged by Rank to us. Refer to Note 16, *Related Party Transactions*, for additional details. Following our IPO, we are no longer charged the related party management fee.

(7) Reflects costs incurred for strategic reviews of our businesses, as well as costs related to our IPO that could not be offset against the proceeds of the IPO.

(8) Reflects foreign exchange losses on cash, primarily on U.S. dollar amounts held in non-U.S. dollar functional currency entities.

(9) Reflects the mark-to-market movements in our commodity derivatives. Refer to Note 10, *Financial Instruments*, for additional details.

(10) Reflects charges relating to key executive retirement and separation agreements in the first half of 2021.

(11) Reflects costs incurred related to the acquisition of Fabri-Kal. Refer to Note 3, *Acquisitions and Dispositions*, for additional details.

Results of Operations

<u>Three Months Ended September 30, 2021 compared with the Three Months Ended September 30, 2020</u>

Reportable Segment Net Revenues and Adjusted EBITDA

(In millions, except for %)	Foodservice		Food Merchandising		Beverage Merchandising	
Net revenues						
2021	$	594	$	391	$	403
2020	$	473	$	354	$	361
Change	$	121	$	37	$	42
% Change		26%		10%		12%
Adjusted EBITDA						
2021	$	64	$	49	$	16
2020	$	81	$	72	$	24
Change	$	(17)	$	(23)	$	(8)
% Change		(21)%		(32)%		(33)%

Consolidated Results

	For the Three Months Ended September 30,								
(In millions, except for %)		2021	% of revenue		2020	% of revenue		Change	% change
Net revenues	$	1,394	100%	$	1,195	100%	$	199	17%
Cost of sales		(1,291)	(93)%		(1,011)	(85)%		(280)	(28)%
Gross profit		**103**	**7%**		**184**	**15%**		**(81)**	**(44)%**
Selling, general and administrative expenses		(104)	(7%)		(116)	(10)%		12	10%
Goodwill impairment charges		—	—%		(6)	(1%)		6	NM
Restructuring, asset impairment and other related charges		—	—%		(14)	(1%)		14	NM
Other income (expense), net		7	1%		(79)	(7)%		86	NM
Operating income (loss) from continuing operations		**6**	**—%**		**(31)**	**(3)%**		**37**	**NM**
Non-operating income, net		40	3%		17	1%		23	NM
Interest expense, net		(57)	(4)%		(87)	(7)%		30	34%
Loss from continuing operations before tax		**(11)**	**(1)%**		**(101)**	**(8)%**		**90**	**89%**
Income tax benefit (expense)		13	1%		(42)	(4%)		55	NM
Income (loss) from continuing operations		**2**	**—%**		**(143)**	**(12)%**		**145**	**NM**
Loss from discontinued operations, net of income taxes		(2)			(216)			214	
Net Loss	**$**	**—**		**$**	**(359)**		**$**	**359**	
Adjusted EBITDA from continuing operations[1]	**$**	**119**	**9%**	**$**	**173**	**14%**	**$**	**(54)**	**(31)%**

(1) Adjusted EBITDA from continuing operations is a non-GAAP measure. For details, refer to *Adjusted EBITDA from continuing operations*, including a reconciliation between net income (loss) from continuing operations and Adjusted EBITDA from continuing operations.

NM indicates that the calculation is “not meaningful”.

Components of Change in Reportable Segment Net Revenues for the Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020

	Price/Mix	Volume	FX	Total
Net revenues	14%	3%	—%	17%
By reportable segment:				
Foodservice	21%	5%	—%	26%
Food Merchandising	15%	(6)%	1%	10%
Beverage Merchandising	3%	9%	—%	12%

Net Revenues. Net revenues for the three months ended September 30, 2021 increased by $199 million, or 17%, to $1,394 million compared to the three months ended September 30, 2020. The increase was primarily due to favorable pricing, largely due to higher material costs passed through to customers within our Foodservice and Food Merchandising segments, as well as higher sales volume within our Beverage Merchandising and Foodservice segments, largely due to higher demand as the economy continues to recover from the COVID-19 pandemic.

Cost of Sales. Cost of sales for the three months ended September 30, 2021 increased by $280 million, or 28%, to $1,291 million compared to the three months ended September 30, 2020. The increase was primarily due to higher material costs, higher manufacturing costs, including $31 million of increased depreciation expense driven primarily by accelerated depreciation due to the closure of Beverage Merchandising's coated groundwood operations, and higher logistics costs across all of our segments.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended September 30, 2021 decreased by $12 million, or 10%, to $104 million compared to the three months ended September 30, 2020. The decrease was primarily due to $24 million of lower strategic review and transaction related costs, partially offset by higher employee-related costs and higher operational consultancy costs.

Goodwill Impairment Charges. Goodwill impairment charges for the three months ended September 30, 2020 comprised a $6 million charge related to our remaining closures businesses. Refer to Note 4, *Impairment, Restructuring and Other Related Charges*, for additional details.

Restructuring, Asset Impairment and Other Related Charges. Restructuring, asset impairment and other related charges for the three months ended September 30, 2020 of $14 million primarily related to our remaining closures businesses. Refer to Note 4, *Impairment, Restructuring and Other Related Charges*, for additional details.

Other Income (Expense), Net. During the three months ended September 30, 2021, we recognized $7 million of income compared to $79 million of expense for the three months ended September 30, 2020. The change was primarily attributable to $44 million of related party management fees that were incurred in the prior year period and $42 million of foreign exchange losses on cash in the prior year period on U.S. dollar cash balances held by foreign entities with a non-U.S. dollar functional currency which were redomiciled to the U.S. upon our initial public offering.

Non-operating Income, Net. Non-operating income, net, for the three months ended September 30, 2021 increased by $23 million to $40 million compared to $17 million for the three months ended September 30, 2020. The increase was primarily due to the $22 million pension settlement gain recognized in the current year period.

Interest Expense, Net. Interest expense, net, for the three months ended September 30, 2021 decreased by $30 million, or 34%, to $57 million, compared to the three months ended September 30, 2020, primarily due to the reduction in principal amounts outstanding under our notes and term loans. Refer to Note 9, *Debt*, for additional details.

Income Tax (Expense) Benefit. During the three months ended September 30, 2021, we recognized a tax benefit of $13 million on a loss from continuing operations before tax of $11 million, compared to tax expense of $42 million on a loss from continuing operations before tax of $101 million for the three months ended September 30, 2020. The effective tax rate during the three months ended September 30, 2021 was primarily attributable to a $9 million discrete tax benefit from the partial release of our valuation allowance for deferred interest deductions resulting from our pension partial settlement transaction. The effective tax rate during the three months ended September 30, 2020 was primarily attributable to a $105 million discrete increase in our valuation allowance for deferred interest deductions following the reassessment of the recoverability of our deferred interest deductions as a result of the distribution of GPCI in September 2020.

Loss from Discontinued Operations, Net of Income Taxes. Loss from discontinued operations, net of income taxes for the three months ended September 30, 2020 included two and a half months of results of our former GPC segment. Refer to Note 2, *Discontinued Operations*, for additional details.

Adjusted EBITDA from Continuing Operations. Adjusted EBITDA from continuing operations for the three months ended September 30, 2021 decreased by $54 million, or 31%, to $119 million compared to the three months ended September 30, 2020. The decrease was primarily due to higher manufacturing, logistics and material costs, net of higher costs passed through to customers, partially offset by higher sales volume due to the continued economic recovery from the COVID-19 pandemic.

Segment Information

Foodservice

(In millions, except for %)	For the Three Months Ended September 30, 2021	2020	Change	% change
Total segment net revenues	$ 594	$ 473	$ 121	26%
Segment Adjusted EBITDA	$ 64	$ 81	$ (17)	(21)%
Segment Adjusted EBITDA Margin	11%	17%		

Total Segment Net Revenues. Foodservice total segment net revenues for the three months ended September 30, 2021 increased by $121 million, or 26%, to $594 million compared to the three months ended September 30, 2020. The increase was primarily due to favorable pricing, primarily due to higher material costs passed through to customers, as well as higher sales volume due to the market recovery from the COVID-19 pandemic.

Adjusted EBITDA. Foodservice Adjusted EBITDA for the three months ended September 30, 2021 decreased by $17 million, or 21%, to $64 million compared to the three months ended September 30, 2020. The decrease was primarily due to higher manufacturing, logistics and material costs, net of higher costs passed through to customers, partially offset by higher sales volume.

Food Merchandising

(In millions, except for %)	For the Three Months Ended September 30, 2021	2020	Change	% change
Total segment net revenues	$ 391	$ 354	$ 37	10%
Segment Adjusted EBITDA	$ 49	$ 72	$ (23)	(32)%
Segment Adjusted EBITDA Margin	13%	20%		

Total Segment Net Revenues. Food Merchandising total segment net revenues for the three months ended September 30, 2021 increased by $37 million, or 10%, to $391 million compared to the three months ended September 30, 2020. The increase was primarily due to favorable pricing, primarily due to higher material costs passed through to customers, partially offset by lower sales volume, primarily due to labor shortages.

Adjusted EBITDA. Food Merchandising Adjusted EBITDA for the three months ended September 30, 2021 decreased by $23 million, or 32%, to $49 million compared to the three months ended September 30, 2020. The decrease was primarily due to higher manufacturing costs, lower sales volume and higher logistics and material costs, net of higher costs passed through to customers.

Beverage Merchandising

(In millions, except for %)	For the Three Months Ended September 30, 2021	2020	Change	% change
Total segment net revenues	$ 403	$ 361	$ 42	12%
Segment Adjusted EBITDA	$ 16	$ 24	$ (8)	(33)%
Segment Adjusted EBITDA Margin	4%	7%		

Total Segment Net Revenues. Beverage Merchandising total segment net revenues for the three months ended September 30, 2021 increased by $42 million, or 12%, to $403 million compared to the three months ended September 30, 2020. The increase was primarily due to higher sales volume and favorable pricing due to the market recovery from the COVID-19 pandemic.

Adjusted EBITDA. Beverage Merchandising Adjusted EBITDA for the three months ended September 30, 2021 decreased by $8 million, or 33%, to $16 million compared to the three months ended September 30, 2020. The decrease was primarily driven by higher material, manufacturing and logistics costs, partially offset by higher sales volume and favorable pricing and customer mix. The higher costs for the three months ended September 30, 2021 included $7 million of additional costs incurred related to the impact of Tropical Storm Fred.

Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020

Reportable Segment Net Revenues and Adjusted EBITDA

(In millions, except for %)	Foodservice	Food Merchandising	Beverage Merchandising
Net revenues			
2021	$ 1,619	$ 1,121	$ 1,147
2020	$ 1,351	$ 1,046	$ 1,106
Change	$ 268	$ 75	$ 41
% Change	20%	7%	4%
Adjusted EBITDA			
2021	$ 187	$ 163	$ (1)
2020	$ 170	$ 186	$ 112
Change	$ 17	$ (23)	$ (113)
% Change	10%	(12%)	NM

Consolidated Results

	For the Nine Months Ended September 30,					
(In millions, except for %)	2021	% of revenue	2020	% of revenue	Change	% change
Net revenues	$ 3,910	100%	$ 3,514	100%	$ 396	11%
Cost of sales	(3,549)	(91)%	(2,982)	(85)%	(567)	(19)%
Gross profit	**361**	**9%**	**532**	**15%**	**(171)**	**(32)%**
Selling, general and administrative expenses	(345)	(9)%	(358)	(10)%	13	4%
Goodwill impairment charges	—	—%	(6)	—%	6	NM
Restructuring, asset impairment and other related charges	(8)	—%	(18)	(1%)	10	56%
Other income (expense), net	18	—%	(48)	(1%)	66	NM
Operating income from continuing operations	**26**	**1%**	**102**	**3%**	**(76)**	**(75)%**
Non-operating income, net	88	2%	50	1%	38	76%
Interest expense, net	(141)	(4)%	(275)	(8)%	134	49%
Loss from continuing operations before tax	**(27)**	**(1)%**	**(123)**	**(4)%**	**96**	**(78)%**
Income tax benefit	26	1%	95	3%	(69)	(73)%
Loss from continuing operations	**(1)**	**—%**	**(28)**	**(1)%**	**27**	**96%**
Loss from discontinued operations, net of income taxes	(6)		(234)		228	
Net loss	**$ (7)**		**$ (262)**		**$ 255**	
Adjusted EBITDA from continuing operations(1)	**$ 326**	**8%**	**$ 445**	**13%**	**$ (119)**	**(27)%**

(1) Adjusted EBITDA from continuing operations is a non-GAAP measure. For details, refer to *Adjusted EBITDA from continuing operations*, including a reconciliation between net (loss) income from continuing operations and Adjusted EBITDA from continuing operations.

Components of Change in Reportable Segment Net Revenues for the Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020

	Price/Mix	Volume	FX	Total
Net revenues	5%	5%	1%	11%
By reportable segment:				
Foodservice	9%	10%	1%	20%
Food Merchandising	8%	(2)%	1%	7%
Beverage Merchandising	(2)%	5%	1%	4%

Net Revenues. Net revenues for the nine months ended September 30, 2021 increased by $396 million, or 11%, to $3,910 million compared to the nine months ended September 30, 2020. The increase was primarily due to higher sales volume within our Foodservice and Beverage Merchandising segments, largely due to higher demand as markets continue to recover from the COVID-19 pandemic, as well as favorable pricing, primarily due to higher material costs passed through to customers within our Foodservice and Food Merchandising segments.

Cost of Sales. Cost of sales for the nine months ended September 30, 2021 increased by $567 million, or 19%, to $3,549 million compared to the nine months ended September 30, 2020. The increase was primarily due to higher sales volume, higher manufacturing costs driven by $50 million of incremental costs incurred related to the impact of Winter Storm Uri as well as $40 million of increased depreciation expense driven primarily by accelerated depreciation due to the closure of Beverage Merchandising's coated groundwood operations, production inefficiencies in Beverage Merchandising, higher material costs and higher logistics costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended September 30, 2021 decreased by $13 million, or 4%, to $345 million compared to the nine months ended September 30, 2020. The decrease was primarily due to $39 million of lower strategic review and transaction related costs, partially offset by a $10 million charge related to executive transition agreements and higher costs related to employees, professional services, insurance and operational consultancy.

Goodwill Impairment Charges. Goodwill impairment charges for the nine months ended September 30, 2020 represented a $6 million charge related to our remaining closures businesses. Refer to Note 4, *Impairment, Restructuring and Other Related Charges*, for additional details.

Restructuring, Asset Impairment and Other Related Charges. Restructuring, asset impairment and other related charges for the nine months ended September 30, 2021 decreased by $10 million, or 56%, to $8 million compared to the nine months ended September 30, 2020. Refer to Note 4, *Impairment, Restructuring and Other Related Charges*, for additional details.

Other Income (Expense), Net. During the nine months ended September 30, 2021, we recognized $18 million of income compared to $48 million of expense for the nine months ended September 30, 2020. The change was primarily attributable to $49 million of related party management fees that were incurred in the prior year period and $14 million of foreign exchange losses on cash in the prior year period, largely on U.S. dollar cash balances held by foreign entities with a non-U.S. dollar functional currency which were redomiciled to the U.S. upon our initial public offering.

Non-operating Income, Net. Non-operating income, net, for the nine months ended September 30, 2021 increased by $38 million, or 76%, to $88 million compared to $50 million for the nine months ended September 30, 2020. The increase was primarily due to the $22 million pension settlement gain recognized in the current year period and a decrease in interest cost on benefit plans, largely as a result of a decrease in interest rates.

Interest Expense, Net. Interest expense, net, for the nine months ended September 30, 2021 decreased by $134 million, or 49%, to $141 million, compared to the nine months ended September 30, 2020, primarily due to the reduction in principal amounts outstanding under our notes and term loans. Refer to Note 9, *Debt*, for additional details.

Income Tax Benefit. During the nine months ended September 30, 2021, we recognized a tax benefit of $26 million on a loss from continuing operations before tax of $27 million, compared to a tax benefit of $95 million on a loss from continuing operations before tax of $123 million for the nine months ended September 30, 2020. The effective tax rate during the nine months ended September 30, 2021 was primarily attributable to $19 million of discrete benefit adjustments for the partial release of our valuation allowance for deferred interest deductions and the mix of income and losses taxed at varying rates among the jurisdictions in which we operate. The effective tax rate during the nine months ended September 30, 2020 was primarily attributable to retroactive provisions in the CARES Act enacted in March 2020, mainly in relation to a discrete tax benefit from the deductibility of deferred interest deductions that was partially offset by the increase in the valuation allowance on the deductibility of deferred interest deductions following the distribution of GPCI in September 2020.

Loss from Discontinued Operations, Net of Income Taxes. Loss from discontinued operations, net of income taxes for the nine months ended September 30, 2020 included only one month of results of our former RCP segment and eight and a half months of results of our former GPC segment. Refer to Note 2, *Discontinued Operations*, for additional details.

Adjusted EBITDA from Continuing Operations. Adjusted EBITDA from continuing operations for the nine months ended September 30, 2021 decreased by $119 million, or 27%, to $326 million compared to the nine months ended September 30, 2020. The decrease was primarily due to higher manufacturing, logistics and material costs, net of higher costs passed through to customers. These higher costs were partially offset by higher sales volume. Adjusted EBITDA for the nine months ended September 30, 2021 included $50 million of additional costs incurred related to the impact of Winter Storm Uri.

Segment Information

Foodservice

(In millions, except for %)	For the Nine Months Ended September 30, 2021	2020	Change	% change
Total segment net revenues	$ 1,619	$ 1,351	$ 268	20%
Segment Adjusted EBITDA	$ 187	$ 170	$ 17	10%
Segment Adjusted EBITDA Margin	12%	13%		

Total Segment Net Revenues. Foodservice total segment net revenues for the nine months ended September 30, 2021 increased by $268 million, or 20%, to $1,619 million compared to the nine months ended September 30, 2020. The increase was primarily due to higher sales volume due to markets reopening after the COVID-19 pandemic which significantly impacted the prior year period, as well as favorable pricing, primarily due to higher costs passed through to customers.

Adjusted EBITDA. Foodservice Adjusted EBITDA for the nine months ended September 30, 2021 increased by $17 million, or 10%, to $187 million compared to the nine months ended September 30, 2020. The increase was primarily due to higher sales volume and favorable pricing, partially offset by higher material costs, net of higher costs passed through to customers, and higher manufacturing and logistics costs.

Food Merchandising

(In millions, except for %)	For the Nine Months Ended September 30, 2021	2020	Change	% change
Total segment net revenues	$ 1,121	$ 1,046	$ 75	7%
Segment Adjusted EBITDA	$ 163	$ 186	$ (23)	(12%)
Segment Adjusted EBITDA Margin	15%	18%		

Total Segment Net Revenues. Food Merchandising total segment net revenues for the nine months ended September 30, 2021 increased by $75 million, or 7%, to $1,121 million compared to the nine months ended September 30, 2020. The increase was primarily due to favorable pricing, primarily due to higher costs passed through to customers, partially offset by lower sales volume, primarily due to labor shortages.

Adjusted EBITDA. Food Merchandising Adjusted EBITDA for the nine months ended September 30, 2021 decreased by $23 million, or 12%, to $163 million compared to the nine months ended September 30, 2020. The decrease was primarily due to higher manufacturing, logistics and material costs, net of higher costs passed through to customers.

Beverage Merchandising

(In millions, except for %)	For the Nine Months Ended September 30, 2021	2020	Change	% change
Total segment net revenues	$ 1,147	$ 1,106	$ 41	4%
Segment Adjusted EBITDA	$ (1)	$ 112	$ (113)	NM
Segment Adjusted EBITDA Margin	—%	10%		

Total Segment Net Revenues. Beverage Merchandising total segment net revenues for the nine months ended September 30, 2021 increased by $41 million to $1,147 million compared to the nine months ended September 30, 2020. The increase was primarily due to higher sales volume due to the market recovery from the COVID-19 pandemic, partially offset by unfavorable customer mix.

Adjusted EBITDA. Beverage Merchandising Adjusted EBITDA for the nine months ended September 30, 2021 decreased by $113 million to a loss of $1 million compared to the nine months ended September 30, 2020. The decrease was primarily driven higher manufacturing costs, including additional costs of $37 million incurred related to the impact of Winter Storm Uri and $7 million incurred related to the impact of Tropical Storm Fred, and higher material and logistics costs, partially offset by higher sales volume.

Liquidity and Capital Resources

We believe that we have sufficient liquidity to support our ongoing operations and to invest in future growth to create value for our shareholders. Our projected operating cash flows, existing cash balances and available capacity under our revolving credit facility are our primary sources of liquidity for the next 12 months and are expected to be used for, among other things, capital expenditures necessary to complete our Strategic Investment Program, payment of interest and principal on our long-term debt obligations, and distributions to shareholders that require approval by our Board of Directors. Additionally, we may continue to utilize long-term debt issuances for our funding requirements.

Cash provided by operating activities

Net cash provided by operating activities decreased by $80 million to $190 million for the nine months ended September 30, 2021 compared to $270 million for the nine months ended September 30, 2020. Cash provided by operating activities for the nine months ended September 30, 2020 included $175 million related to discontinued operations. The change related to our continuing operations was primarily driven by lower cash outflows related to interest payments, partially offset by lower cash earnings.

Cash used in investing activities

Net cash used in investing activities decreased by $119 million to $201 million for the nine months ended September 30, 2021, compared to $320 million for the nine months ended September 30, 2020. The change related to our continuing operations was primarily attributable to the cash flow related to the disposal of businesses in the prior year period as compared to the current year period. Cash used in investing activities for the nine months ended September 30, 2020 included $122 million related to discontinued operations.

During the nine months ended September 30, 2021 and 2020, we invested $58 million and $76 million, respectively, on our Strategic Investment Program.

Cash provided by financing activities

Net cash provided by financing activities decreased by $363 million to $173 million for the nine months ended September 30, 2021 compared to net cash provided by financing activities of $536 million for the nine months ended September 30, 2020. During the nine months ended September 30, 2021, cash provided by financing activities primarily consisted of the incurrence of $1,505 million of debt, net of transaction costs, net of our repayment of $1,207 million of U.S. term loans Tranche B-1, the $59 million redemption of the remaining portion of our 5.125% Notes and the payment of $53 million of dividends to our shareholders. During the nine months ended September 30, 2020, cash provided by financing activities was primarily attributable to the incurrence of $5,579 million of debt, net of transaction costs, by RCPI and GPCI immediately prior to distribution, net of our repayment of $5,473 million of our pre-existing debt, proceeds of $546 million related to our IPO, and $110 million of cash held by RCPI and GPCI at the time of distribution.

Dividends

We paid cash dividends of $53 million during the nine months ended September 30, 2021 and there were no dividends paid during the nine months ended September 30, 2020. Our Board of Directors approved a dividend of $0.10 per share on November 3, 2021 to be paid on December 15, 2021 to shareholders of record as of December 1, 2021.

Our Credit Agreement and Notes limit the ability to make dividend payments, subject to specified exceptions. Our Board of Directors must review and approve future dividend payments and will determine whether to declare additional dividends based on our operating performance, expected future cash flows, debt levels, liquidity needs and investment opportunities.

Debt and Liquidity

As of September 30, 2021, we had $4,277 million of total principal amount of borrowings. Refer to Note 9, *Debt*, for additional details.

During the nine months ended September 30, 2021, we repaid the remaining $59 million aggregate principal amount of the 5.125% senior secured notes at a price of 101.281% and we repaid $1,207 million of U.S. term loans Tranche B-1. We also incurred $1,015 million of debt under the U.S. term loans Tranche B-3 and issued $500 million of 4.375% Notes during the nine months ended September 30, 2021.

Our 2021 annual cash interest obligations on our borrowings, including borrowings that have been repaid, are expected to be approximately $165 million. As of September 30, 2021, the underlying one month LIBO rate for amounts borrowed under our Credit Agreement was 0.08%.

As of September 30, 2021, we had $627 million of cash and cash equivalents on hand and $207 million available for drawing under our revolving credit facility. We believe that our existing cash balances, projected operating cash flows together with our available capacity under our revolving credit facility are sufficient to fund our principal debt payments, interest expense, our working capital needs and our expected capital expenditures for the next 12 months. Our next significant near term maturity of borrowings is $276 million of Pactiv Debentures due in December 2025. We currently anticipate incurring approximately $282 million of capital expenditures during fiscal year 2021. We do not currently anticipate that the COVID-19 pandemic will materially impact our liquidity over the next 12 months.

Our ability to borrow under our revolving credit facility or our local working capital facilities or to incur additional indebtedness may be limited by the terms of such indebtedness or other indebtedness, including the Credit Agreement and the Notes. The Credit Agreement and the respective indentures governing the Notes generally allow our subsidiaries to transfer funds in the form of cash dividends, loans or advances within the Company.

Under the Credit Agreement, we may incur additional indebtedness either by satisfying certain incurrence tests or by incurring such additional indebtedness under certain specific categories of permitted debt. Incremental senior secured indebtedness under the Credit Agreement and senior secured or unsecured notes in lieu thereof are permitted to be incurred up to an aggregate principal amount of $750 million subject to pro forma compliance with the Credit Agreement's total secured leverage ratio covenant. In addition, we may incur senior secured indebtedness in an unlimited amount as long as our total secured leverage ratio does not exceed 4.50 to 1.00 on a pro forma basis and (in the case of incremental senior secured indebtedness under the Credit Agreement only) we are in pro forma compliance with the Credit Agreement's total secured leverage ratio covenant. The incurrence of unsecured indebtedness, including the issuance of senior notes, and unsecured subordinated indebtedness is also permitted (subject to the terms of the Credit Agreement) if the fixed charge coverage ratio is at least 2.00 to 1.00 on a pro forma basis.

Under the respective indentures governing the Notes, we may incur additional indebtedness either by satisfying certain incurrence tests or by incurring such additional indebtedness under certain specific categories of permitted debt. Indebtedness may be incurred under the incurrence tests if the fixed charge coverage ratio is at least 2.00 to 1.00 on a pro forma basis or the consolidated total leverage ratio is no greater than 5.50 to 1.00 and the liens securing first lien secured indebtedness do not exceed a 4.10 to 1.00 consolidated secured first lien leverage ratio.

Off-Balance Sheet Arrangements

Other than short-term leases entered into in the normal course of business, we have no material off-balance sheet obligations.

Critical Accounting Policies, Estimates and Assumptions

The most critical accounting policies and estimates are those that are most important to the portrayal of our financial condition and results of operations and require us to make the most difficult and subjective judgments, often estimating the outcome of future events that are inherently uncertain. Our significant accounting policies are described in Note 1, *Nature of Operations and Basis of Presentation*, to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2020. Our critical accounting estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2020.

Recent Accounting Pronouncements

New accounting guidance that we have recently adopted, as well as accounting guidance that has been recently issued but not yet adopted by us, is included in Note 1, *Nature of Operations and Basis of Presentation.*

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Risk

We had significant debt commitments outstanding as of September 30, 2021. These on-balance sheet financial instruments, to the extent they accrue interest at variable interest rates, expose us to interest rate risk. Our interest rate risk arises primarily on significant borrowings that are denominated in U.S. dollars drawn under our Credit Agreement. The Credit Agreement includes interest rate floors of 0.00% per annum on the U.S. term loans Tranche B-2 and the revolving loan, and 0.50% per annum on the U.S. term loans Tranche B-3.

The underlying rates for our Credit Agreement are the one-month LIBOR, and as of September 30, 2021 the applicable rates, including the relevant margins, were 3.33% for U.S. term loans Tranche B-2, and 4.00% for U.S. term loans Tranche B-3. Based on our outstanding debt commitments as of September 30, 2021, a one-year timeframe and all other variables remaining constant, a 100 basis point increase in interest rates would result in a $18 million increase in interest expense on the term loans under our Credit Agreement. A 100 basis point decrease in interest rates would result in a $1 million decrease in interest expense on the term loans under our Credit Agreement.

Interest rates may fluctuate if LIBOR ceases to exist or if new methods of calculating LIBOR will be established. Refer to *Risk Factors—Risks Relating to Our Business and Industry—Certain of our long-term indebtedness bears interest at variable interest rates, primarily based on LIBOR, which may be subject to regulatory guidance and/or reform that could cause interest rates under our current or future debt agreements to fluctuate or cause other unanticipated consequences,* in our Annual Report on Form 10-K for the year ended December 31, 2020.

Foreign Currency Exchange Rate Risk

As a result of our international operations, we are exposed to foreign currency exchange risk arising from sales, purchases, assets and borrowings that are denominated in currencies other than the functional currencies of the respective entities. We are also exposed to foreign currency exchange risk on certain intercompany borrowings between certain of our entities with different functional currencies.

In accordance with our treasury policy, we take advantage of natural offsets to the extent possible. On a limited basis, we use contracts to hedge residual foreign currency exchange risk arising from receipts and payments denominated in foreign currencies. We generally do not hedge our exposure to translation gains or losses in respect of our non-U.S. dollar functional currency assets or liabilities. Additionally, when considered appropriate, we may enter into forward exchange contracts to hedge foreign currency exchange risk arising from specific transactions. We had no foreign currency derivative contracts as of September 30, 2021.

Commodity Risk

We are exposed to commodity and other price risk principally from the purchase of resin, natural gas, electricity, raw wood, wood chips and diesel. We use various strategies to manage cost exposures on certain material purchases with the objective of obtaining more predictable costs for these commodities. We generally enter into commodity financial instruments or derivatives to hedge commodity prices related to resin (and its components), diesel and natural gas.

We enter into futures and swaps to reduce our exposure to commodity price fluctuations. These derivatives are implemented to either (a) mitigate the impact of the lag in timing between when material costs change and when we can pass through these changes to our customers or (b) fix our input costs for a period. Refer to Note 10, *Financial Instruments*, for the details of our commodity derivative contracts as of September 30, 2021.

A 10% upward (downward) movement in the price curve used to value the commodity derivative contracts, applied as of September 30, 2021, would have resulted in a change of less than $1 million in the unrealized loss recognized in the condensed consolidated statement of loss, assuming all other variables remain constant.

Item 4. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. In connection with the preparation of this report, management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2021, our disclosure controls and procedures were effective.

b) Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting that occurred during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The information required to be set forth under this heading is incorporated by reference from Note 13, *Commitments and Contingencies*, to the interim Condensed Consolidated Financial Statements included in Part I, Item 1.

Item 1A. Risk Factors

Other than as set forth below, there have been no material changes to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2020.

As disclosed in our risk factors in our Annual Report on Form 10-K for the year ended December 31, 2020, in August 2020 we identified practices in our Evergreen Packaging Shanghai business, which is part of our Beverage Merchandising segment, which involve acts potentially in violation of the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"). In September 2020 we made a voluntary self-disclosure to the U.S. Department of Justice ("DOJ") and Securities and Exchange Commission ("SEC") about these items and our investigation being conducted by external counsel, accountants and other advisors. Our investigation identified the occasional giving of gift cards representing relatively minor monetary values to government regulators and employees of state-owned enterprise customers in the People's Republic of China ("PRC"), over the course of several years. The amounts involved were immaterial, individually and in the aggregate, and these appear to have been provided at the times of PRC holidays for generalized goodwill purposes only. We have initiated procedures to remediate such practices, including discontinuing the giving of gift cards. We also identified certain other gift, travel and entertainment practices that do not comply with Company policy and expectations. These findings provided an opportunity for targeted, enhanced controls and additional training in these areas. We presented our investigation findings to the DOJ and SEC in February 2021. In response to and based on our investigation findings, the DOJ and SEC have decided to close their files on this matter without any action against the Company.

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

Labor costs in the United States are rising, and our industry is experiencing a shortage of workers. Labor is one of the primary components in the cost of operating our business. If we face labor shortages and increased labor costs as a result of increased competition for employees, higher employee turnover rates, unionization of our workers, increases in the federal, state or local minimum wage or other employee benefits costs, our operating expenses could increase and our growth and results of operations could be adversely impacted. In addition, competition for employees has become increasingly intense, and it is likely that we will continue to face higher wages, resulting in increased labor costs. Additionally, costs associated with workers' compensation are rising, and these costs may continue to rise in the future.

While many of our customer contracts contain provisions allowing us to pass-through to our customers changes in input costs, including labor, we may be unable to increase prices in order to pass future increased labor costs onto our customers, in which case our margins would be negatively affected. Additionally, if product prices are increased by us to cover increased labor costs, the higher prices could adversely affect sales volumes.

Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, results of operations, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
10.1*	Offer Letter, dated as of July 27, 2021, by Evergreen Packaging LLC and Byron Racki.
10.2*	Offer Letter, dated as of August 25, 2021, by Pactiv LLC and Douglas Owenby.
10.3*	Group Annuity Contract Offer and Acceptance Agreement by and among Pactiv LLC, Pactiv North America Pension Plans Investment Committee and Massachusetts Mutual Life Insurance Company, dated as of July 14, 2021.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PACTIV EVERGREEN INC.
(Registrant)

By: /s/ MICHAEL J. RAGEN
Michael J. Ragen
Chief Financial Officer
November 4, 2021

EX-10.1

July 27, 2021

Via Email to Byron.racki@gmail.com

Dear Byron,

On behalf of Pactiv Evergreen Inc., I am pleased to confirm our offer of employment to you for the position of **President, Beverage Merchandising**. We will determine a mutually convenient start date for you during the month of August.

The details of this offer are as follows:

- **Position:** President, Beverage Merchandising

- **Manager:** Mike King, Chief Executive Officer

- **Work Location:** Memphis, TN. Due to the office remaining temporarily closed, you will be permitted to work remotely for at least your first 12 months of employment. Following this, should relocation be required, you will be eligible for the Executive Relocation Package.
- **Salary:** You will receive an annual salary of **$500,000**, paid on a bi-weekly basis. Please note that your start date may fall after the payroll processing deadline for your first pay period. If this is the case, any payroll amount due from your first pay period will be included in the payroll amount paid during the following pay period.
- **Initial Equity Award:** You will receive a one-time equity grant of **$500,000** of Restricted Stock Units (RSUs) of Pactiv Evergreen stock**,** subject to such terms and conditions as provided in the Pactiv Evergreen Inc. Equity Incentive Plan (the “Plan”) and the applicable award agreements.
- **Annual Incentive Plan:** In addition to your base salary, you will be eligible to participate in Pactiv Evergreen’s Annual Incentive Plan (AIP). Your target bonus under this plan will be **65%** of your base salary, however the actual award may vary depending upon individual and/or company performance, subject to the terms of the incentive plan.
- **Long-Term Incentive Plan (LTIP):** In addition to your base salary and annual incentive (AIP), you will also be eligible to participate in the Pactiv Evergreen Long-Term Incentive Plan. For 2022, your target equity award under this plan will be **100%** of your base salary, however the actual award may vary depending upon individual and/or company performance, subject to the terms of the incentive plan.
- **Vacation Eligibility:** You will receive four (4) weeks of paid vacation (prorated for 2021).
- **Benefits Eligibility:** You will be eligible for the Company’s benefit programs for salaried employees. Eligibility for coverage under Pactiv Evergreen’s health and welfare plans begins on your first day of work. Additional summary information on the health, welfare, and retirement plans will be provided.

- **Severance:** Should your employment be terminated without-cause, you will be eligible to receive severance in the amount of twelve (12) months of your base salary.

This offer is contingent upon the successful completion of a pre-employment drug screen and background check though the company reserves the right to begin your employment before one of more of these reviews have been completed. Instructions for completing the drug screen will be provided. In addition, in accordance with federal law, you will be required to furnish documentation that establishes your identity and eligibility for employment in the United States. A list of acceptable documents is included in this packet; please review this list and bring appropriate documents with you on your first day. Lastly, you will also be required to accept and sign a non-disclosure, non-solicitation and non-competition agreement prior to your start date.

In accordance with federal law, you will be required to furnish documentation that establishes your identity and eligibility for employment in the United States. A list of acceptable documents will be provided closer to your official start date with the Company.

Byron, we are pleased to extend this offer of employment to you and hope that you decide to join the Pactiv Evergreen team. We believe that your experience and skills would be valuable as we strive to maintain and build upon our position as an industry leader.

We ask that you let us know of your decision by no later than Wednesday, July 28th. If you accept this offer, please acknowledge your acceptance by signing and returning this original offer letter to JD Bowlin via e-mail at jd.bowlin@pactivevergreen.com.

If you have any questions, please feel free to contact me at your convenience.

Kind Regards,

Michael G. King

Mike King
Chief Executive Officer
Pactiv Evergreen, Inc.

Acceptance of Conditions of Employment

I, ___Byron Racki__**,** hereby accept the position offered to me under the terms and conditions as contained in this letter. I understand that this employment arrangement is considered "at-will" and may be terminated either by me or by the Company at any time with or without cause, and that this at-will employment relationship may only be altered by a written contract signed by the CEO or CHRO expressly stating that my employment is not at-will.

/s/ Byron Racki 7/27/2021__________
Byron Racki Date

August 25, 2021

Via Email to doug.owenby@grahampackaging.com

Dear Doug,

On behalf of Pactiv Evergreen Inc., I am pleased to confirm our offer of employment to you for the position of **Chief Operations Officer**, effective 9/13/2021.

The details of this offer are as follows:

- **Position:** Chief Operations Officer
- **Manager:** Mike King, Chief Executive Officer
- **Work Location:** Lake Forest, Illinois. Due to the corporate office remaining temporarily closed, you will be permitted to work remotely for at least your first 12 months of employment. Following this, should relocation be required, you will be eligible for the Executive Relocation Package.
- **Salary:** You will receive an annual salary of **$580,000**, paid on a semi-monthly basis on the 15th and last day of each month. Please note that your start date may fall after the payroll processing deadline for your first pay period. If this is the case, any payroll amount due from your first pay period will be included in the payroll amount paid during the following pay period.
- **Sign-on Bonus**:** You will receive a gross sign-on bonus of **$120,000** payable within the first thirty (30) days of your employment with the Company.
- **Initial Equity Award:** You will receive a one-time equity grant of **$880,000** of Restricted Stock Units (RSUs) of Pactiv Evergreen stock**,** subject to such terms and conditions as provided in the Pactiv Evergreen Inc. Equity Incentive Plan (the "Plan") and the applicable award agreements.
- **Annual Incentive Plan:** In addition to your base salary, you will be eligible to participate in Pactiv Evergreen's Annual Incentive Plan (AIP). Your target bonus under this plan will be **65%** of your base salary, however the actual award may vary depending upon individual and/or company performance, subject to the terms of the incentive plan.
- **Long-Term Incentive Plan (LTIP):** In addition to your base salary and annual incentive (AIP), you will also be eligible to participate in the Pactiv Evergreen Long-Term Incentive Plan. For 2022, your target equity award under this plan will be **75%** of your base salary, however the actual award may vary depending upon individual and/or company performance, subject to the terms of the incentive plan.
- **Vacation Eligibility:** You will receive four (4) weeks of paid vacation (prorated for 2021).

- **Benefits Eligibility:** You will be eligible for the Company's benefit programs for salaried employees. Eligibility for coverage under Pactiv Evergreen's health and welfare plans begins on your first day of work. Additional summary information on the health, welfare, and retirement plans will be provided.

This offer is contingent upon the successful completion of a pre-employment drug screen and background check though the company reserves the right to begin your employment before one of more of these reviews have been completed. Instructions for completing the drug screen will be provided. In addition, in accordance with federal law, you will be required to furnish documentation that establishes your identity and eligibility for employment in the United States. A list of acceptable documents is included in this packet; please review this list and bring appropriate documents with you on your first day. Lastly, you will also be required to accept and sign a non-disclosure, non-solicitation and non-competition agreement prior to your start date.

In accordance with federal law, you will be required to furnish documentation that establishes your identity and eligibility for employment in the United States. A list of acceptable documents will be provided closer to your official start date with the Company.

If you accept this offer, please acknowledge your acceptance by signing and returning this original offer letter to myself or JD Bowlin.

If you have any questions, please feel free to contact me at your convenience.

Kind Regards,

Mike King
Chief Executive Officer
Pactiv Evergreen, Inc.

Acceptance of Conditions of Employment

I, ______Doug Owenby____________, hereby accept the position offered to me under the terms and conditions as contained in this letter. I understand that this employment arrangement is considered "at-will" and may be terminated either by me or by the Company at any time with or without cause, and that this at-will employment relationship may only be altered by a written contract signed by the CEO or CHRO expressly stating that my employment is not at-will.

Repayment Agreement**

By accepting this offer of employment from the Company, I also acknowledge and agree that it is my obligation to repay to the Company any special payments made to me or on my behalf as part of the employment offer (e.g. sign-on incentive payments, relocation allowances or assistance, and other such payments marked with an "*" above) in the event that within two years from the date of hire, I (a) voluntarily terminate my employment or (b) am terminated by the Company for cause - "cause" being defined to include violation of Company policies and procedures, abandonment of my position, neglect or willful misconduct in the performance of my duties, any intentional omission or misrepresentation in connection with my application for employment, or any action or inaction which causes or has the potential to cause harm to the Company, its people, assets or brands (the “Obligation”) provided; however, that the amount of the Obligation I am obligated to repay to the Company shall be 100% of those special payments if I am terminated as provided in sections (a) or (b) above within the 1st and 12th months following my start date or 50% of those special payments for such termination occurring within the 13th and 24th months following my start date. Further, by my acceptance of this offer of employment from the Company, I also hereby authorize my employer, Pactiv Evergreen Inc. as may be applicable to me (the "Company"), to deduct the amount of the Obligation from my final paycheck, severance payment, or any other monetary sums due and paid to me at the time of my termination. If such final paycheck(s) is not sufficient to fully discharge the Obligation, I acknowledge that I shall remain obligated to repay the Company any remaining balance.

/s/ Doug Owenby 8/25/2021
Doug Owenby Date

1900 W. Field Court, Lake Forest, IL 60045
pactiv.com | pactivevergreen.com | evergreenpackaging.com

GROUP ANNUITY CONTRACT OFFER AND ACCEPTANCE AGREEMENT

This **OFFER AND ACCEPTANCE AGREEMENT** (this "Agreement") is entered into as of July 14, 2021 (the "Insurer Selection Date") by and among Massachusetts Mutual Life Insurance Company (the "Insurer"), Pactiv LLC (the "Company"), acting solely in a non-fiduciary capacity as the sponsor of the Pactiv Evergreen Pension Plan (the "Plan"), and Pactiv North America Pension Plans Investment Committee (the "Committee"), acting solely in its capacity as named fiduciary for the Plan.

WITNESSETH

WHEREAS, the Company, as sponsor of the Plan, has amended the Plan to require that Plan liabilities for certain participants and beneficiaries currently receiving benefits be transferred to a licensed insurance company, and that such insurance company fully and irrevocably guarantee such benefits in accordance with a group annuity contract;

WHEREAS, in furtherance thereof, the Committee has been duly appointed by the Company in accordance with the governing documents of the Plan and has the requisite authority and responsibility to select the insurer or insurers to issue one or more group annuity contracts and effectuate the Plan's purchase of said group annuity contract(s);

WHEREAS, the Committee provided the Insurer the Annuity Purchase Request for Proposal dated May 11, 2021 (the "RFP") and the Insurer responded with a final written proposal dated July 14, 2021 (the "Proposal") that addressed certain specifics of the group annuity contract;

WHEREAS, the Insurer wishes to issue to the Company a group annuity contract on the terms and subject to the conditions set forth herein;

WHEREAS, the Committee has determined that the Plan's purchase of such group annuity contract as provided for herein satisfies the applicable requirements of ERISA;

WHEREAS, the parties wish to enter into this Agreement to provide for such purchase and the issuance of such group annuity contract by the Insurer to the Company;

WHEREAS, the Company is entering into this Agreement, and undertaking the actions contemplated by such, solely in a non-fiduciary capacity as plan sponsor of the Plan; and

WHEREAS, the Committee is entering into this Agreement, and undertaking the actions contemplated by such, solely in its capacity as named fiduciary for the Plan.

NOW, THEREFORE, in consideration of the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the parties agree as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. For purposes of this Agreement:

"Agreement" has the meaning ascribed in the preamble. For avoidance of doubt, the term "Agreement" includes the attached Exhibits.

"Annuitant" has the meaning ascribed to the term "Participant" (or such other similar term) in the Group Annuity Contract and includes, as applicable, a joint annuitant or beneficiary.

"Annuity Certificate" means an annuity certificate to be issued by the Insurer to Annuitants pursuant to this Agreement, generally in the specimen form attached as Exhibit C, as revised in accordance with section 2.3.

"Annuity Payment" means the monthly payments (or such other periodic payments) payable to Annuitants pursuant to the Group Annuity Contract as set forth on the appendices or exhibits attached thereto (the "Annuitant Payment Schedules").

"Annuitant Payment Schedules" has the meaning ascribed in the definition of "Annuity Payment".

"Asset Valuation" has the meaning ascribed in Section 2.1(a).

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks located in New York, New York are authorized or required by law to close.

"Cash Payment" has the meaning ascribed in Section 2.1(c). "Closing Date" means July 21, 2021.

"Code" means the Internal Revenue Code of 1986, as amended, and applicable regulations and guidance thereunder;

"Consent" means any consent, approval (or deemed approval after the expiry of all appropriate waiting periods), authorization, notice, permission or waiver.

"Effective Date" means the date on which the Insurer receives the Premium.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and applicable regulations and guidance thereunder (including, without limitation, U.S. Department of Labor interpretive bulletin set out at 29 C.F.R. § 2509.95-1).

"General Account" means the Insurer's general account that will be used to pay all or a portion of the Annuity Payments due under the Group Annuity Contract.

"Governmental Approval" means any consent of a Governmental Authority.

"Governmental Authority" means any federal, state, municipal, foreign or local government or quasi-governmental authority or any regulatory or administrative body, department, agency, insurance commission or commissioner, subdivision, court or other tribunal, arbitrator or arbitral body of any of the foregoing.

"Group Annuity Contract" means the single premium, non-participating group annuity contract, all appendices and exhibits thereto, to be issued by the Insurer to the Company pursuant to this Agreement, generally in the specimen form attached as Exhibit C, as revised in accordance with section 2.3.

"Insurer Call Center" has the meaning ascribed in Section 4.2. "Insurer Payment Commencement Date" means November 1, 2021. "Insurer Selection Date" has the meaning ascribed in the preamble.

"Law" means any federal, state, foreign or local law, statute, ordinance, regulation, rule or order of any Governmental Authority applicable to the business of the Insurer.

"Liability" means any direct or indirect liability, debt, obligation, commitment, guaranty, claim, loss, damage, deficiency, penalty, fine, cost or expense of any kind, whether relating to payment, performance or otherwise, known or unknown, fixed, absolute or contingent, accrued or unaccrued, matured or unmatured, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, whenever and however arising.

"Negotiated Terms" means the RFP and the Proposal provided that, in the event of a conflict, the terms of the Proposal shall control.

"Person" means any individual, corporation, limited liability company, partnership, sole proprietorship, joint venture, trust, estate, association, organization, labor union, Governmental Authority or other entity.

"Plan Trustee" means Northern Trust Company. "Premium" means

"Proposal" means Insurer's proposal dated July 14, 2021.

"Transferred Assets" means the assets included on the Transferred Assets Schedule. "Transferred Assets Schedule" means the statement of assets to be transferred to the Insurer in the Transaction in substantially the form attached hereto as Exhibit D. "Welcome Kit" has the meaning ascribed in Section 4.1.

ARTICLE II
GROUP ANNUITY CONTRACT ISSUANCE

Section 2.1 The Committee will cause the Plan Trustee to transfer assets and cash to the Insurer as follows:

(a) Promptly following the execution of this Agreement, MassMutual will deliver to the Company and the Committee the Transferred Asset Schedule and a calculation of the value of each asset on the Transferred Assets Schedule as of the close of business on the Business Day immediately prior to the Insurer Selection Date (the "Asset Valuation"). The Asset Valuation will be calculated in accordance with "Pactiv_Final AIK Instructions.pdf" provided to the Insurer on July 1, 2021.

(b) As soon as practicable following delivery of the Transferred Assets Schedule, the Committee will direct the Plan Trustee to assign, transfer and deliver the Transferred Assets to the Insurer on the Closing Date, in accordance with the asset transfer procedures set forth in Premium Wire and Asset Transfer Instructions of the Proposal.

(c) In conjunction with the execution of this Agreement, the Committee will direct the Plan Trustee to pay to the Insurer an amount of cash (the "Cash Payment") equal to the difference between the Premium and the Asset Valuation, in accordance with the wire instructions contained in Exhibit B. The Cash Payment will be made on the Closing Date.

(d) The Insurer will deposit the Transferred Assets and the Cash Payment into the Insurer's General Account.

Section 2.2 Subject to receipt of the Premium as required under this Agreement, as of the Effective Date, the Insurer irrevocably undertakes to issue the Group Annuity Contract as provided in Section 2.3, which Group Annuity Contract will unconditionally and irrevocably guarantee the full payment of all Annuity Payments in respect of each Annuitant from and after the Insurer Payment Commencement Date.

Section 2.3 After the Closing Date, Insurer, Company and the Committee shall each use commercially reasonable efforts to revise the specimen forms of Group Annuity Contract and Annuity Certificate attached hereto as Exhibit A and Exhibit C, respectively, to reflect the Negotiated Terms and the terms of this Agreement (which will supersede the Negotiated Terms to the extent in conflict). Insurer shall submit the revised specimen forms of Group Annuity Contract and Annuity Certificates for approval by the applicable Governmental Authorities no later than fourteen (14) days after the Insurer, Company and Committee have agreed to the final terms of the Group Annuity Contract and Annuity Certificates, respectively. In the event that any required Governmental Approval, is not granted, or if the form of Group Annuity Contract (or of an Annuity Certificate) is disapproved, the Insurer, the Company and the Committee will cooperate in good faith to mutually agree on such modifications as necessary to address the requests of the Governmental Authority and, to the extent possible, preserve the provisions included in the form of Group Annuity Contract (or of an Annuity Certificate) as initially prepared in accordance with this Section 2.3.

Section 2.4 If the Insurer has received the Premium, on and after the Insurer Payment Commencement Date Insurer will make full payment of all Annuity Payments as provided in this Agreement, even if, for any reason, the Group Annuity Contract has not been issued and delivered to the Company.

Section 2.5 Without limiting the remainder of this Agreement, the Group Annuity Contract (including the Annuity Payment Schedules) will (i) be drafted, finalized and issued in a timeline mutually agreed to by all parties (subject to any delay caused by forces outside of the parties', including delay in obtaining any required Governmental Approval), and (ii) be subject to the Insurer's receipt of the necessary Annuitant data, and the data reconciliation process and related calculation of the additional premium from or premium refund to the Plan as described in the Premium section of the Proposal. The parties will cooperate fully with each other in effecting the timeline as described above.

Section 2.6 The Insurer will mail an Annuity Certificate to each Annuitant at the last address designated for such Annuitant provided by the Company (or at such address otherwise determined by the Insurer to be the Annuitant's current address), such mailing to be made as promptly as practicable but in no event later than the later of (i) sixty (60) days after the Group Annuity Contract is issued and (ii) sixty (60) days after the Annuity Certificates have been approved by the relevant Governmental Authorities.

Section 2.7 Upon issuance, the terms of the Group Annuity Contract will supersede the Negotiated Terms and the terms of this Agreement with respect to the subject matter thereof.

Section 2.8 Each party hereto will take, or cause to be taken, all actions, and do, or cause to be done, all things reasonably necessary on its part to effectuate the transactions contemplated by this Agreement.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Section 3.1 The Insurer hereby represents and warrants to the Company and the Committee that:

(a) The Insurer is a life insurance company duly organized, validly existing and in good standing under the Laws of the Commonwealth of Massachusetts. The Insurer has all requisite power and authority to enter into and carry out its obligations under this Agreement and to consummate the transactions contemplated to be undertaken by the Insurer under this Agreement. The Insurer is duly qualified or licensed to do business and is in good standing in each jurisdiction in which its performance of its obligations set forth in the Group Annuity Contract makes such qualification or licensing necessary.

(b) The Insurer has received all appropriate corporate approvals and no other action on the part of the Insurer or its affiliates is necessary to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated to be undertaken by the Insurer under this Agreement, provided that approval (which will not be unreasonably withheld) by applicable officers of the Insurer of the form of the Group Annuity Contract and Annuity Certificates, as negotiated by the parties, is required if the Group Annuity Contract and Annuity Certificates are required to be filed with the appropriate Governmental Authorities. This Agreement is a valid and binding obligation of the Insurer and enforceable against the Insurer in accordance with its terms.

(c) The Group Annuity Contract and Annuity Certificates will be duly executed and delivered by the Insurer and will be a valid and binding obligation of the Insurer and enforceable against the Insurer by, as applicable, the Company, the Committee, the Plan, the Plan Trustee and each Annuitant, in accordance with its terms.

(d) The business of the Insurer has been and is being conducted in material compliance with applicable Laws, and none of the licenses, permits or Governmental Approvals required for the continued conduct of the business of the Insurer as such business is currently being conducted will lapse, terminate, expire or otherwise be impaired as a result of the consummation of the transactions contemplated to be undertaken by the Insurer hereunder.

(e) All responses given by the Insurer to the Committee in the Committee's due diligence process in selecting an insurer or insurers for the Plan's purchase of a group annuity contract preceding the execution of this Agreement hereunder were and continue to be true and correct.

(f) The Premium includes no commissions.

(g) The Insurer will notify the Committee and the Company promptly of the occurrence of any event that would cause any of the representations and warranties contained in this Agreement to be untrue or inaccurate in any material respect.

(h) Following receipt by such Insurer of the applicable Transferred Assets, the Plan, the Company, the Committee and their respective affiliates will not have any liability to pay any annuity payment under the applicable Group Annuity Contract.

(i) The Group Annuity Contract, when executed, will be duly executed and delivered by the Insurer and will be a valid and binding obligation of such Insurer and enforceable against such Insurer by the Company, the Committee and each applicable Annuitant in accordance with its terms. At all times, the right to a benefit and all other provisions under a Group Annuity Contract, in accordance with such Group Annuity Contract's terms, will be enforceable at the sole choice of the applicable Annuitant to whom the benefit is owed under such Contract. In the event that the Company, as the contractholder, ceases to exist, notifies such Insurer that it will cease to perform its obligations under the applicable Group Annuity Contract, or no longer has obligations under such Group Annuity Contract, such Group Annuity Contract will remain a valid and binding obligation of such Insurer, irrevocable and in full force and effect, and enforceable against such Insurer by each applicable Annuitant in accordance with its terms, subject to the Enforceability Exceptions.

(j) As of the Insurer Selection Date, there is no action pending or, to such Insurer's knowledge, threatened against such Insurer that in any manner challenges or seeks to prevent, enjoin or materially alter or delay the transactions contemplated by this Agreement or that could reasonably be expected to materially impair or restrict such Insurer's ability to consummate the transactions contemplated by this Agreement and to perform its obligations hereunder.

Section 3.2 The Company hereby represents and warrants to the Insurer that:

(a) The Company is duly organized and validly existing and in good standing under the laws of the State of Delaware.

(b) Each of the Company and the Committee are authorized to enter into this Agreement and to perform all actions ascribed to it herein and therein.

(c) The Company is authorized to enter into the Group Annuity Contract.

(d) This Agreement has been duly executed by authorized representatives of the Company and the Committee and is a legal, valid, and binding obligation of the Company and the Committee and is enforceable in accordance with the terms hereof.

(e) To the best of its knowledge, the execution of this Agreement and performance of this Agreement by such party do not and will not (i) conflict with or result in a default under any agreement to which it is a party, or (ii) violate any law, regulation, order, license, decree or judgment by which it is bound.

(f) To the best of the Company's knowledge, the Plan is qualified under Section 401(a) of the Code.

(g) The Committee has been duly appointed as fiduciary of the Plan with respect to the purchase of one or more group annuity contracts to (i) be the designated fiduciary responsible for selecting one or more insurers to provide annuities in accordance and compliance with ERISA, (ii) determine whether the transactions contemplated under this Agreement satisfy ERISA, (iii) represent the interests of the Plan and its participants and beneficiaries in connection with the negotiation of the Proposal and this Agreement and the terms of any agreements with MassMutual, including the Contract and the Annuity Certificates, (iv) direct the Plan trustee on behalf of the Plan to transfer the Premium in connection with the consummation of the transactions contemplated under this Agreement, and (v) take all other actions on behalf of the Plan necessary to effectuate the foregoing.

(h) With respect to the transactions contemplated hereby, the Insurer (including any affiliate) has not provided the Plan or the Company with any investment recommendations, advice or appraisals and has not acted in a fiduciary capacity with respect to the Plan.

(i) The Company, the Committee and the Plan have no Liability for any fee, commission or payment to any broker, finder or agent with respect to the transactions contemplated by this Agreement (including, without limitation, the issuance of the Group Annuity Contract).

(k) The Company or Committee will notify the Insurer promptly of the occurrence of any event that would cause any of the representations and warranties contained in this Agreement to be untrue or inaccurate in any material respect.

Section 3.3 The Committee hereby represents and warrants to the Insurer that:

(a) It has been duly appointed by the Company in accordance with the governing documents of the Plan and has the requisite authority and responsibility to select the insurer or insurers to issue one or more group annuity contracts and effectuate the Plan's purchase of the Group Annuity Contract.

(b) It has reviewed the Proposal with its actuarial, financial and legal advisors and made the determination to purchase the Group Annuity Contract after consideration of the requirements of ERISA and the Code.

(c) It understands and agrees that an adjustment to the Premium due under the Contract may be made in the event that the final participant data is different from the data provided by the Company, the Plan or the Committee, or by their advisors, that served as the basis for the Proposal.

(d) With respect to the transactions contemplated hereby, the Insurer (including any affiliate) has not provided the Committee with any investment recommendations, advice or appraisals and has not acted in a fiduciary capacity with respect to the Plan.

(e) The Plan Trustee has been duly appointed as the directed trustee of the trust formed under the Plan and is obligated to follow the Committee's directions to effectuate and consummate the transactions contemplated by this Agreement.

(f) The Committee will notify the Insurer promptly of the occurrence of any event that would cause any of the representations and warranties contained in this Agreement to be untrue or inaccurate in any material respect.

(g) To Committee's knowledge, the mortality experience data file labeled "202100604_Mortality Experience Data (For Insurers).xlsx" provided on June 4, 2021, by or on behalf of the Committee to Insurer did not contain any misstatements or omissions that were, in the aggregate, material.

ARTICLE IV ADMINISTRATION AND COMMUNICATIONS

Section 4.1. On or before October 25, 2021, Insurer will mail a welcome kit to Annuitants (the "Welcome Kit"). Insurer will send a preliminary draft of the Welcome Kit to Company and Committee as soon as practicable after the Effective Date, and Insurer will consider in good faith any comments made by Company or Committee on or before ten (10) business days after they receive the preliminary draft of the Welcome Kit from Insurer.

Section 4.2 The Insurer will maintain, at its cost and expense, a toll-free phone number (the "Insurer Call Center") which will be available from and after the date the Welcome Kit is mailed to Annuitants that Annuitants may call with questions related to such individual's Annuity Payments and Annuity Certificate (or the Group Annuity Contract), it being understood that the Insurer Call Center need not be solely dedicated to Annuitants. From the Closing Date until Insurer's Call Center becomes available, staff of the Insurer Call Center will respond to inquiries from Annuitants by providing a general description of the transfer of benefits and referring or transferring the caller to the current Plan administration customer line.

Section 4.3 The Company will maintain for a period of one year following the Closing Date, at its cost and expense, a point of contact communicated to the Insurer to which Insurer may refer Annuitants who pose questions that the Insurer cannot answer related to their Plan benefits. In the event that an Annuitant contacts the Company with questions related to such individual's Annuity Payments or Annuity Certificate (or the Group Annuity Contract), the Company may refer such individual to the Insurer Call Center.

Section 4.4 The Insurer will take, or cause to be taken, all actions and do, or cause to be done, all things necessary to coordinate the transfer to the Insurer of all administration responsibilities necessary to effectively provide the recordkeeping and administration services regarding Annuity Payments commencing on the Insurer Payment Commencement Date. The Company and the Committee agree to cooperate with the Insurer in the transfer of such recordkeeping and administration services, including instructing any third-party service provider to provide the Insurer with any information or records in their possession.

Section 4.5 The Company and the Insurer each may make such public written or oral statements related to the transactions contemplated by this Agreement as it deems necessary or appropriate, in its sole discretion; provided that Company must first seek to provide the Insurer with a reasonable opportunity to comment upon such statements in advance to the extent practicable, and will consider any comments made by the other party in good faith and Insurer must obtain prior written approval from the Company prior to issuing any written or oral statement. No party will have any right of approval over public statements by the other party, except to the extent contemplated herein.

ARTICLE V
MISCELLANEOUS

Section 5.1 This Agreement constitute the entire agreement among the parties and supersede any prior understandings, agreements or representations (whether written or oral) by, among or between the parties, written or oral, to the extent they relate and conflict in any way to the subject matter hereof.

Section 5.2 No amendment of any provision of this Agreement will be valid unless the same will be in writing and signed by each party thereto. No waiver of any breach of this Agreement will be construed as an implied amendment or agreement to amend or modify any provision of this Agreement. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, will be valid unless the same will be in writing and signed by the party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent default, misrepresentation or breach of warranty or covenant. Except where a specific period for action or inaction is provided herein, no delay on the part of any party in exercising any right, power or privilege hereunder will operate as a waiver thereof.

Section 5.3 This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. No party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other parties, and any attempt to do so will be null and void *ab initio*, without any effect whatsoever.

Section 5.4 Except to the extent preempted by applicable Federal Law, this Agreement will be governed by, and construed in accordance with, the Laws of the Commonwealth of Massachusetts, without regard to any principles of conflicts of law thereof that would permit or require the application of the Laws of another jurisdiction.

Section 5.5 The parties agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each party will be entitled to an injunction or injunctions to prevent breaches of this Agreement by the breaching party and to enforce specifically the terms and provisions of this Agreement, in addition to any other remedy to which such party is entitled at law or in equity. The parties further agree that by seeking the remedies provided for in this Section, a party will not in any respect waive its right to seek any other form of relief that may be available to such party under this Agreement (including monetary damages) if the remedies provided for in this Section are not available or otherwise are not granted.

Section 5.6 The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provisions of this Agreement. If any of the provisions of this Agreement are held by a court or other tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such provisions will be limited or eliminated only to the minimum extent necessary so that this Agreement will otherwise remain in full force and effect.

Section 5.7 This Agreement will not confer any rights or remedies upon any Person other than the parties hereto and the respective successors and permitted assigns of the foregoing.

Section 5.8 This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

Section 5.9 The parties each hereby acknowledge that (i) the parties jointly and equally participated in the drafting of this Agreement, (ii) the parties have each been adequately represented and advised by legal counsel with respect to this Agreement and the transactions contemplated hereby, and (iii) no presumption will be made that any provision of this Agreement will be construed against any party by reason of such role in the drafting of this Agreement.

Section 5.10 The headings of the Articles herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

Section 5.11 From and after the Closing Date, the Insurer agrees, severally as to itself and not jointly, to indemnify, defend and hold the Company, the Plan, the Committee and their respective affiliates, officers, directors, employees, Plan fiduciaries, agents and other representatives (each, a "Company Indemnified Party") harmless from and against any and all actual, but not potential or contingent, losses, damages, costs and expenses (in each case, including reasonable out of pocket expenses and reasonable fees and expenses of counsel) to the extent arising out of or relating to the portion of any action, lawsuit, proceeding, investigation, demand or other claim against such Company Indemnified Party by a third party that is threatened or brought against or that involves a Company Indemnified Party and that arises out of or relates to (a) any breach by such Insurer of a representation, warranty or covenant under this Agreement or the applicable Group Annuity Contract or (b) any failure by such Insurer to make, or cause to be made, any payments required to be made by such Insurer pursuant to the applicable Group Annuity Contract or the annuity certificates issued thereunder (collectively, "Company Indemnified Claims"). For the avoidance of doubt, Company Indemnified Claims will not include any failure to make any payment required to be made by the Plan to any Plan participant, annuitant, joint annuitant or beneficiary under the terms of the Plan that is due prior to November 1, 2021 or that is not required to be made by Insurer under the Group Annuity Contract. Insurer will have the right at any time to assume the defense with counsel of its choice reasonably satisfactory to the Company Indemnified Party and to control the defense of such Company Indemnified Claim, provided, however, that Insurer will not consent to the entry of any judgment or enter into any settlement without prior written consent of the Company Indemnified Party unless the judgment or proposed settlement involves only the payment of money by Insurer and does not admit liability on the part of a Company Indemnified Party.

From and after the Closing Date, Company agrees indemnify, defend and hold Insurer and its affiliates, officers, directors, employees, agents and other representatives (each, an "Insurer Indemnified Party") harmless from and against any and all actual, but not potential or contingent, losses, damages, costs and expenses (in each case, including reasonable out of pocket expenses and reasonable fees and expenses of counsel) to the extent arising out of or relating to the portion of any action, lawsuit, proceeding, investigation, demand or other claim against such Insurer Indemnified Party by a third party that is threatened or brought against or that involves an Insurer Indemnified Party and that arises out of or relates to (a) any breach by Company of a representation, warranty or covenant under this Agreement or the applicable Group Annuity Contract, or (b) any failure by a Company Indemnified Party to (i) pay a benefit due under the Plan to any Plan participant, annuitant, joint annuitant or beneficiary, other than any payment for which Insurer has assumed an obligation under the terms of the Group Annuity Contract, (ii) properly determine benefits due to any Plan participant, annuitant, joint annuitant or beneficiary under the Plan, or (iii) accurately and completely describe to Insurer and in the Group Annuity Contract any benefit to be payable to an Annuitant under the Group Annuity Contract (collectively, "Insurer Indemnified Claims"). Company will have the right at any time to assume the defense with counsel of its choice reasonably satisfactory to the Insurer Indemnified Party and to control the defense of such Insurer Indemnified Claim, provided, however, that Company will not consent to the entry of any judgment or enter into any settlement without prior written consent of the Insurer Indemnified Party unless the judgment or proposed settlement involves only the payment of money by Company and does not admit liability on the part of an Insurer Indemnified Party.

Section 5.12 Insurer will comply, and will use commercially reasonable efforts to ensure that all of its affiliates, agents, and subcontractors comply, with all Laws governing the confidential information of all applicable Annuitants, including those Laws relating to privacy, data security and protection and the safeguarding of such information, and its maintenance, disclosure and use. Insurer will maintain commercially reasonable administrative, technical and physical safeguards to protect the privacy and security of the confidential information related to the applicable Payees in its custody or under its control. Insurer has established and will maintain commercially reasonable internal written policies relating to the confidential information of any applicable Annuitant in its custody or under its control. Insurer will comply in all material respects with any internal written policies relating to the confidential information of any applicable Annuitant in its custody or under its control as in effect from time to time. Insurer acknowledges that it is responsible from and after the Closing Date for any Data Breach with respect to the applicable Annuitant data. For purposes of this Section 5.12, "Data Breach" with respect to Insurer means any act or omission by such Insurer or its agents, subcontractors or service providers ("Authorized Persons") that compromises either the security, confidentiality or integrity of any applicable Annuitant data in its custody or under its control or the physical, technical, administrative or organizational safeguards put in place by such Insurer (or any Authorized Persons) that relate to the protection of the security, confidentiality or integrity of any personally identifying information of any applicable Payee that is in its custody or under its control.

Section 5.13 If the Company concludes that disclosure of this Commitment Agreement and/or either or both of the Contracts is required by the rules of the Securities and Exchange Commission ("SEC"), (i) the Company will cooperate with the Insurer to make a request to the SEC for confidential treatment of information relating to the pricing of the Contracts and such other information as the Company and the Insurer mutually conclude is competitively sensitive from the perspective of the Company or the Insurer or otherwise merits confidential treatment and
(ii) the Company will provide the Insurer with a copy of any material correspondence (written or oral) with the SEC regarding any such application for confidential treatment, and the Company and the Insurer will otherwise reasonably cooperate in connection with such request, including by the Company proposing to redact confidential portions of documents as to which the SEC staff seeks disclosure.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By:

Name:

Title:

PACTIV LLC

By:

Name:

Title:

PACTIV NORTH AMERICA PENSION PLANS INVESTMENT COMMITTEE

By:

Name:

Title:

EXHIBIT A

GROUP ANNUITY CONTRACT – SPECIMEN FORM

EXHIBIT B

GROUP ANNUITY CONTRACT – CASH PAYMENT WIRING INSTRUCTIONS

b.

EXHIBIT C

ANNUITY CERTIFICATE – SPECIMEN FORM

EXHIBIT D TRANSFERRED ASSET SCHEDULE

[List Assets]

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael King, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pactiv Evergreen Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021	By:	/s/ Michael King
		Michael King
		Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Ragen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pactiv Evergreen Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021	By: /s/ Michael J. Ragen
	Michael J. Ragen
	Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pactiv Evergreen Inc (the “Company”) on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 4, 2021

By: /s/ Michael King
Michael King
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Pactiv Evergreen Inc (the “Company”) on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 4, 2021

By: /s/ Michael J. Ragen
Michael J. Ragen
Chief Financial Officer