# Prestige Brands Holdings, Inc. Reports Second Quarter & Six Months Fiscal 2009 Results

November 6, 2008

For the Quarter, Net Revenue Up 1%; Net Income Up 25%; Free Cash Flow Up 40%; Debt Paid Down $11 Million

IRVINGTON, N.Y.--(BUSINESS WIRE)--Nov. 6, 2008--Prestige Brands Holdings, Inc. (NYSE:PBH) today announced results for the second quarter and first half of fiscal year 2009, which ended on September 30, 2008.

Net revenues for the second fiscal quarter were $88.1 million, 1% above the prior year's comparable quarter net revenues of $87.3 million. This resulted primarily from increases in sales of the Clear Eyes(R), Comet(R) and Little Remedies(R) brands, as well as the introduction of two new products, Chloraseptic(TM) Allergen Block and Little Allergies(TM) Allergen Block. Partially offsetting those increases were declines in Murine(R) Ear, Compound W(R) and Wartner(R) brands.

Quarterly operating income of $20.5 million was essentially flat to the prior year's comparable quarter operating income of $20.6 million. This was primarily due to higher advertising and promotion expenditures (A&P) to introduce the two new products, partially offset by higher gross margins and lower general and administrative expenses (G&A).

Net income for the second fiscal quarter was $8.5 million, or $0.17 per share, an increase of 25% over the prior year's comparable quarter net income of $6.8 million, or $0.14 per share. The improvement in net income was primarily due to a $2.9 million, or a 30% reduction in interest expense which resulted from the significant repayment of debt over the past fiscal year, combined with comparatively lower interest rates.

First Half of Fiscal 2009

Net revenues for the first six months of fiscal 2009 were $161.6 million, a decrease of 2.6% from the prior year's comparable period revenues of $165.9 million. Operating income was $41.7 million, 4.6% below the comparable period's results of $43.7 million. Net income of $16.3 million, or $0.33 per share during the first six months, was 7.6% higher than the comparable period's net income of $15.1 or $0.30 per share.

Free Cash Flow and Debt Repayment

Free cash flow is a "non-GAAP" financial measure as that term is defined by the Securities and Exchange Commission in Regulation G. Free cash flow is presented in this news release because management believes it is a commonly used measure of liquidity, and indicative of cash available for debt repayment and acquisitions. The Company defines "free cash flow" as operating cash flow less capital expenditures.

The Company's free cash flow for the second quarter ended September 30, 2008 was $18.2 million, an increase of 40% over the prior year's comparable quarter. Free cash flow is composed of operating cash flow of $18.3 million less capital expenditures of $48,000. This compares to the prior year comparable quarter's free cash flow of $13.0 million, comprised of operating cash flow of $13.1 million less capital expenditures of $100,000. The increase was primarily due to an increase in net income and an improvement in working capital.

The Company's continued strong cash flow resulted in debt repayments of $11.0 million during the second fiscal quarter. Total debt has been reduced to $385.2 million at September 30, 2008. During the past twelve months, the Company's senior secured term loan facility has been reduced by $51.9 million to $259.2 million with the average interest rate dropping to 4.75% in the current quarter from 7.74% for the year ago quarter.

During the past twelve months, the Company's free cash flow has been used primarily to retire debt. As a result of the current banking and economic environment, the Company recently made the decision to enhance its liquidity position, and intends to reduce outstanding debt only modestly during the remainder of the fiscal year and build its cash reserves to approximately $30 million. Once that cash reserve objective is realized, the Company intends to resume debt repayments.

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Second Quarter Results by Segment

Over-The-Counter (OTC) Healthcare Products
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Net revenues of the OTC healthcare products segment were $50.3 million for the second fiscal quarter, an increase of 1% over the prior year's comparable period revenues of $50.0 million. The increase was due to sales increases of the Clear Eyes(R), Little Remedies(R) and The Doctor's(R) brands, as well as the introduction of Chloraseptic(TM) Allergen Block and Little Allergies(TM) Allergen Block products. These sales gains were partially offset by declines in the Compound W(R) and Wartner(R) wart care brands resulting from unfavorable pricing dynamics specifically in the cryogenic segment of this category.

Household Products

Net revenues for the household products segment were $32.1 million for the second fiscal quarter, an increase of 2% over the prior year's comparable period revenues of $31.4 million. The increase is attributable to sales increases in the Comet(R) brand, led by Comet(R) Spray Gel Mildew Stain Remover introduced in the prior fiscal year. Sales declines in the Spic and Span(R) and Chore Boy(R) line partially offset this increase.

Personal Care Products

Net revenues for the personal care products segment, the Company's smallest business segment, were $5.6 million for the second fiscal quarter, a slight decrease from net revenues of $5.9 million in the prior year's comparable period.

Commentary

"In an increasingly challenging operating environment, we generally are pleased with the overall results of the second quarter and the quality of our earnings," said Mark Pettie, Chairman and CEO. "We expect the investments we made during the quarter to set the stage for improved organic growth in the second half. We are also pleased with steps that we undertook to strengthen our balance sheet by reducing debt and minimizing working capital in this economy. Combined with our operating results, these steps also enabled us to deliver another period of very solid cash flow."

Conference Call

The Company will host a conference call to review its second quarter and six month results on Thursday, November 6, 2008 at 8:30 am. The toll free dial in number is 1-866-700-7173 within North America and 1-617-213-8838 outside North America. The conference pass code is "prestige". Telephonic replays will be available for two weeks following the completion of the call and can be accessed at 1-888-286-8010 within North America, and at 1-617-801-6888 outside North America. The pass code is 55096352.

About Prestige Brands Holdings, Inc.

Prestige Brands markets and distributes brand name over-the-counter healthcare, personal care and household products throughout the United States, Canada and certain international markets. Key brands include Compound W(R) wart treatment, Chloraseptic(R) sore throat relief products, New Skin(R) liquid bandage, Clear eyes(R) and Murine(R) eye and ear care products, Little Remedies(R) pediatric over-the-counter healthcare products, The Doctor's(R) Night Guard(TM) dental protector, Cutex(R) nail polish remover, Comet(R) and Spic and Span(R) household cleaners, and other well-recognized brands.

Forward-Looking Statements

Note: This news release contains "forward-looking statements" within the meaning of the federal securities laws and is intended to qualify for the Safe Harbor from liability established by the Private Securities Litigation Reform Act of 1995. "Forward-looking statements" generally can be identified by the use of forward-looking terminology such as "assumptions," "target", "guidance," "outlook, "plans," "projection," "may," "will," "would," "expect," "intend," "estimate," "anticipate," "believe," "potential," "continue" (or the negative or other derivatives of each of these terms) or similar terminology. The "forward-looking statements" include, without limitation, statements regarding the outlook for the Company's market and the demand for its products, future revenues, future debt retirement and our ability to manage costs and expenses, including those associated with interest rate risk. These projections and statements are based on management's estimates and assumptions with respect to future events and financial performance and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results could differ materially from those projected as a result of certain factors. A discussion of factors that could cause actual results to vary is included in the Company's Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission.

Prestige Brands Holdings, Inc.
Consolidated Statements of Operations
(Unaudited)

| (In thousands, except per share data) | Three Months Ended September 30 | | Six Months Ended September 30 | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Revenues | | | | |
| Net sales | $87,369 | $86,840 | $160,285 | $164,881 |
| Other revenues | 682 | 497 | 1,300 | 1,067 |
| Total revenues | 88,051 | 87,337 | 161,585 | 165,948 |
| Cost of Sales | | | | |
| Costs of sales | 41,792 | 42,770 | 76,064 | 80,092 |
| Gross profit | 46,259 | 44,567 | 85,521 | 85,856 |
| Operating Expenses | | | | |
| Advertising and promotion | 13,638 | 11,017 | 20,957 | 18,803 |
| General and administrative | 9,363 | 10,184 | 17,336 | 17,830 |
| Depreciation and amortization | 2,757 | 2,756 | 5,513 | 5,507 |
| Total operating expenses | 25,758 | 23,957 | 43,806 | 42,140 |
| Operating income | 20,501 | 20,610 | 41,715 | 43,716 |

Other (income) expense

| | | | | |
|---|---|---|---|---|
| Interest income | (56) | (173) | (129) | (360) |
| Interest expense | 6,835 | 9,768 | 15,591 | 19,642 |
| Total other (income) expense | 6,779 | 9,595 | 15,462 | 19,282 |
| Income before income taxes | 13,722 | 11,015 | 26,253 | 24,434 |
| Provision for income taxes | 5,200 | 4,186 | 9,950 | 9,285 |
| Net income | $ 8,522 | $ 6,829 | $ 16,303 | $ 15,149 |
| Basic earnings per share | $ 0.17 | $ 0.14 | $ 0.33 | $ 0.30 |
| Diluted earnings per share | $ 0.17 | $ 0.14 | $ 0.33 | $ 0.30 |
| Weighted average shares outstanding: | | | | |
| Basic | 49,924 | 49,710 | 49,902 | 49,686 |
| Diluted | 50,037 | 50,046 | 50,036 | 50,042 |

Prestige Brands Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)

(In thousands)

| Assets | September 30, 2008 | March 31, 2008 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 12,630 | $ 6,078 |
| Accounts receivable | 42,494 | 44,219 |
| Inventories | 25,372 | 29,696 |
| Deferred income tax assets | 3,249 | 3,066 |
| Prepaid expenses and other current assets | 3,144 | 2,316 |
| Total current assets | 86,889 | 85,375 |
| Property and equipment | 1,284 | 1,433 |
| Goodwill | 309,879 | 308,915 |
| Intangible assets | 641,428 | 646,683 |
| Other long-term assets | 6,450 | 6,750 |
| Total Assets | $1,045,930 | $1,049,156 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | $ 17,430 | $ 20,539 |
| Accrued interest payable | 5,428 | 5,772 |
| Other accrued liabilities | 11,158 | 8,030 |
| Current portion of long-term debt | 3,550 | 3,550 |
| Total current liabilities | 37,566 | 37,891 |
| Long-term debt | 381,675 | 407,675 |
| Other long-term liabilities | -- | 2,377 |

| | | |
|---|---|---|
| Deferred income tax liabilities | 128,272 | 122,140 |
| Total Liabilities | 547,513 | 570,083 |
| Stockholders' Equity | | |
| Preferred stock - $0.01 par value | | |
| Authorized - 5,000 shares | | |
| Issued and outstanding - None | -- | -- |
| Common stock - $0.01 par value | | |
| Authorized - 250,000 shares | | |
| Issued - 50,060 shares | 501 | 501 |
| Additional paid-in capital | 381,941 | 380,364 |
| Treasury stock, at cost - 119 shares and 59 shares at September 30 and March 31, 2008, respectively | (62) | (47) |
| Accumulated other comprehensive income | 480 | (999) |
| Retained earnings | 115,557 | 99,254 |
| Total stockholders' equity | 498,417 | 479,073 |
| Total Liabilities and Stockholders' Equity | $1,045,930 | $1,049,156 |

Prestige Brands Holdings, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

| | Six Months Ended September 30 | |
|---|---|---|
| (In thousands) | 2008 | 2007 |
| Operating Activities | | |
| Net income | $ 16,303 | $ 15,149 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,513 | 5,507 |
| Deferred income taxes | 5,042 | 4,622 |
| Amortization of deferred financing costs | 1,159 | 1,561 |
| Stock-based compensation | 1,577 | 1,146 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 1,725 | (11,345) |
| Inventories | 4,324 | 2,390 |
| Prepaid expenses and other current assets | (828) | (1,692) |
| Accounts payable | (1,582) | 1,884 |
| Accrued liabilities | 407 | 2,270 |
| Net cash provided by operating activities | 33,640 | 21,492 |
| Investing Activities | | |
| Purchases of equipment | (109) | (194) |
| Business acquisition purchase price adjustments | (964) | (16) |
| Net cash used for investing activities | (1,073) | (210) |
| Financing Activities | | |
| Repayment of long-term debt | (26,000) | (26,237) |
| Purchase of common stock for treasury | (15) | (4) |

| | | |
|---|---|---|
| Net cash used for financing activities | (26,015) | (26,241) |
| Increase (Decrease) in cash | 6,552 | (4,959) |
| Cash - beginning of period | 6,078 | 13,758 |
| Cash - end of period | $ 12,630 | $ 8,799 |
| Interest paid | $ 14,775 | $ 18,078 |
| Income taxes paid | $ 4,761 | $ 5,664 |

Prestige Brands Holdings, Inc.
Consolidating Statements of Operations
(Unaudited)

| | Three Months Ended September 30, 2008 | | | |
|---|---|---|---|---|
| | Over-the-Counter Healthcare | Household Cleaning | Personal Care | Consolidated |
| Net sales | $50,318 | $31,482 | $5,569 | $87,369 |
| Other revenues | 24 | 658 | -- | 682 |
| Total revenues | 50,342 | 32,140 | 5,569 | 88,051 |
| Cost of sales | 17,567 | 20,937 | 3,288 | 41,792 |
| Gross profit | 32,775 | 11,203 | 2,281 | 46,259 |
| Advertising and promotion | 10,654 | 2,731 | 253 | 13,638 |
| Contribution margin | $22,121 | $ 8,472 | $2,028 | 32,621 |
| Other operating expenses | | | | 12,120 |
| Operating income | | | | 20,501 |
| Other (income) expense | | | | 6,779 |
| Provision for income taxes | | | | 5,200 |
| Net income | | | | $ 8,522 |

| | Six Months Ended September 30, 2008 | | | |
|---|---|---|---|---|
| | Over-the-Counter Healthcare | Household Cleaning | Personal Care | Consolidated |
| Net sales | $89,564 | $59,886 | $10,835 | $160,285 |
| Other revenues | 24 | 1,276 | -- | 1,300 |
| Total revenues | 89,588 | 61,162 | 10,835 | 161,585 |
| Cost of sales | 30,775 | 38,860 | 6,429 | 76,064 |

| | Over-the-Counter Healthcare | Household Cleaning | Personal Care | Consolidated |
|---|---|---|---|---|
| Gross profit | 58,813 | 22,302 | 4,406 | 85,521 |
| Advertising and promotion | 15,691 | 4,801 | 465 | 20,957 |
| Contribution margin | $43,122 | $17,501 | $ 3,941 | 64,564 |
| Other operating expenses | | | | 22,849 |
| Operating income | | | | 41,715 |
| Other (income) expense | | | | 15,462 |
| Provision for income taxes | | | | 9,950 |
| Net income | | | | $ 16,303 |

Prestige Brands Holdings, Inc.
Consolidating Statements of Operations
(Unaudited)

| | Three Months Ended September 30, 2007 | | | |
|---|---|---|---|---|
| | Over-the-Counter Healthcare | Household Cleaning | Personal Care | Consolidated |
| Net sales | $50,003 | 30,925 | $5,912 | $86,840 |
| Other revenues | -- | 497 | -- | 497 |
| Total revenues | 50,003 | 31,422 | 5,912 | 87,337 |
| Cost of sales | 19,688 | 19,587 | 3,495 | 42,770 |
| Gross profit | 30,315 | 11,835 | 2,417 | 44,567 |
| Advertising and promotion | 8,154 | 2,575 | 288 | 11,017 |
| Contribution margin | $22,161 | $ 9,260 | $2,129 | 33,550 |
| Other operating expenses | | | | 12,940 |
| Operating income | | | | 20,610 |
| Other (income) expense | | | | 9,595 |
| Provision for income taxes | | | | 4,186 |
| Net income | | | | $ 6,829 |

| | Six Months Ended September 30, 2007 | | | |
|---|---|---|---|---|
| | Over-the-Counter Healthcare | Household Cleaning | Personal Care | Consolidated |
| Net sales | $92,429 | $60,270 | $12,182 | $164,881 |
| Other revenues | -- | 1,039 | 28 | 1,067 |

| | | | | |
|---|---|---|---|---|
| Total revenues | 92,429 | 61,309 | 12,210 | 165,948 |
| Cost of sales | 35,074 | 37,980 | 7,038 | 80,092 |
| Gross profit | 57,355 | 23,329 | 5,172 | 85,856 |
| Advertising and promotion | 14,035 | 4,203 | 565 | 18,803 |
| Contribution margin | $43,320 | $19,126 | $ 4,607 | 67,053 |
| Other operating expenses | | | | 23,337 |
| Operating income | | | | 43,716 |
| Other (income) expense | | | | 19,282 |
| Provision for income taxes | | | | 9,285 |
| Net income | | | | $ 15,149 |

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SOURCE: Prestige Brands Holdings, Inc.