



# Prestige Brands

## Review of Third Quarter F'14 Results

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February 6, 2014



# Safe Harbor Disclosure

This presentation contains certain “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements about the Company’s growth strategies, investments in marketing, advertising and promotion, competitive position and strategies, product development and acquisitions, product distribution strategies, leverage, capital expenditures, creation of shareholder value, successful integration of acquired brands, debt reduction, growth and future financial performance including free cash flow and E.P.S. Words such as “continue,” “will,” “believe,” “intend,” “expect,” “anticipate,” “plan,” “potential,” “estimate,” “may,” “should,” “could,” “would,” and similar expressions identify forward-looking statements. Such forward-looking statements represent the Company’s expectations and beliefs and involve a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include, among others, the failure to successfully integrate the Care Pharma business or other future acquisitions, the failure to successfully commercialize new and enhanced products, the Company’s inability to rapidly deleverage, the effectiveness of the Company’s advertising and promotions investments, the severity of the cold/cough season, the effectiveness of the Company’s marketing and distribution infrastructure, and other risks set forth in Part I, Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the year ended March 31, 2013 and Part II, Item 1A in the Company’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2013. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Except to the extent required by applicable securities laws, the Company undertakes no obligation to update any forward-looking statement contained herein, whether as a result of new information, future events, or otherwise.



# Agenda for Today's Discussion

- 1. Perspective on Current Environment**
- 2. Q3 FY2014: Performance Highlights**
- 3. Q3 FY2014: Financial Overview**
- 4. FY2014 Outlook and The Road Ahead**





# Perspective on Current Environment



# Current Environment

- **Anticipated near-term transitional marketplace...combination of factors resulted in significant impact**

1 Soft retail foot traffic has led to significant retail inventory reductions



2 Returning competitive pediatric brands to the marketplace



3 Weak cough/cold season and competitive dynamics in the GI category



**Significant Impact**



# Three Primary Environmental Factors Are Impacting Current and Near-Term Performance

1

## Retailer Dynamics

"The **retail environment**, both in-stores and online, remains **competitive**. At the same time, some customers feel uncertainty about the economy, government, job stability and their need to take care of their families through the holidays."

**Walmart**  – Nov 2013

"We continue to see a **cautious consumer**. We did see some **pullback in consumer spending** that began in the spring time frame. It's manifesting itself in **fewer trips**. At the same time, we have seen the **promotional environment intensify in both the drug and mass channels**."

**CVS** – Nov 2013

2

## Pediatric Product Returns

**Johnson & Johnson**

Q4 2013 U.S. OTC:  
+22%

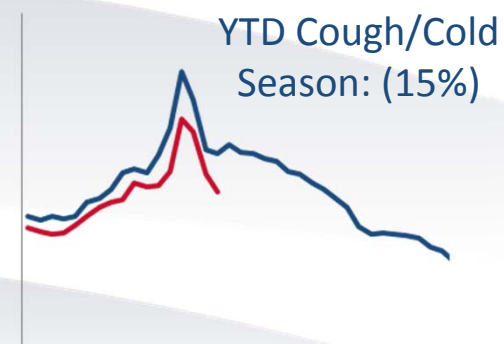
**NOVARTIS**

Q4 2013 Global  
Consumer Health:  
+10%<sup>(1)</sup>

3

## Cough/Cold & Other Category Dynamics<sup>(2)</sup>

— 2012-2013 Season  
— 2013-2014 Season



Notes:

(1) Includes Animal Health.

(2) Seasonal cough, cold, flu data levels from October 2012 through Calendar 2013.





# Q3 FY2014: Performance Highlights



# Third Quarter Performance Highlights

## ■ Q3 Performance Highlights

- Strong Free Cash Flow of \$41.2<sup>(1)</sup> million, up 11.8% versus the prior year
- Q3 consolidated net revenue of \$146.2 million was down 8.7% versus the prior year
- Gross margin of 56.0% improved versus the prior year
- A&P spending increased by 8.6% versus prior year to continue to support core OTC brands and new product development
- Adjusted E.P.S.<sup>(2)</sup> of \$0.30, down 18.9% versus the prior year corresponding quarter

## ■ Continue to stay the course of our long-term value creation model

- Generated strong free cash flow, driving further deleveraging and increasing M&A capacity
- Appropriate investment behind brand-building initiatives in support of launches in upcoming quarters
- Completed integration of Care Pharma; performance exceeding expectations

Notes:

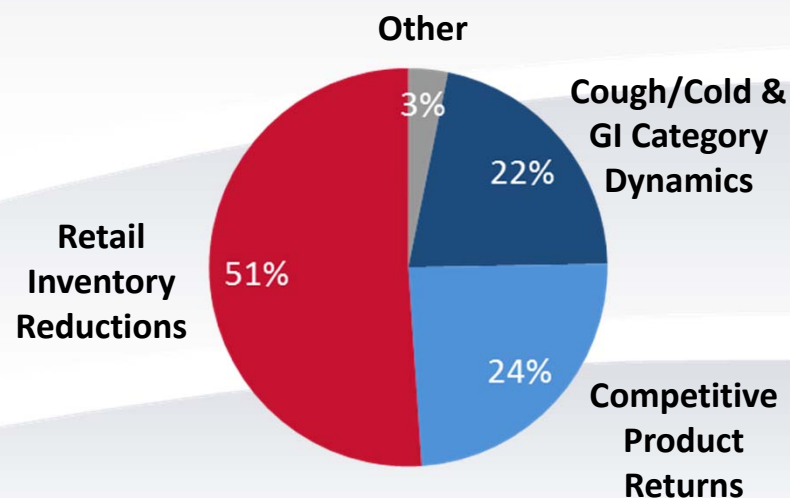
(1) This non-GAAP financial measure is reconciled to its most closely related GAAP financial measure in our earnings release in the "About Non-GAAP Financial Measures" section. Free cash flow is reconciled to reported Net Income on slide 22.

(2) This non-GAAP financial measure is reconciled to its most closely related GAAP financial measure in our earnings release in the "About Non-GAAP Financial Measures" section. Adjusted E.P.S. is also reconciled to reported E.P.S. on slide 21.



# Q3 Results Impacted by Combination of Events

## Sources of Y/Y Net Revenue Decline



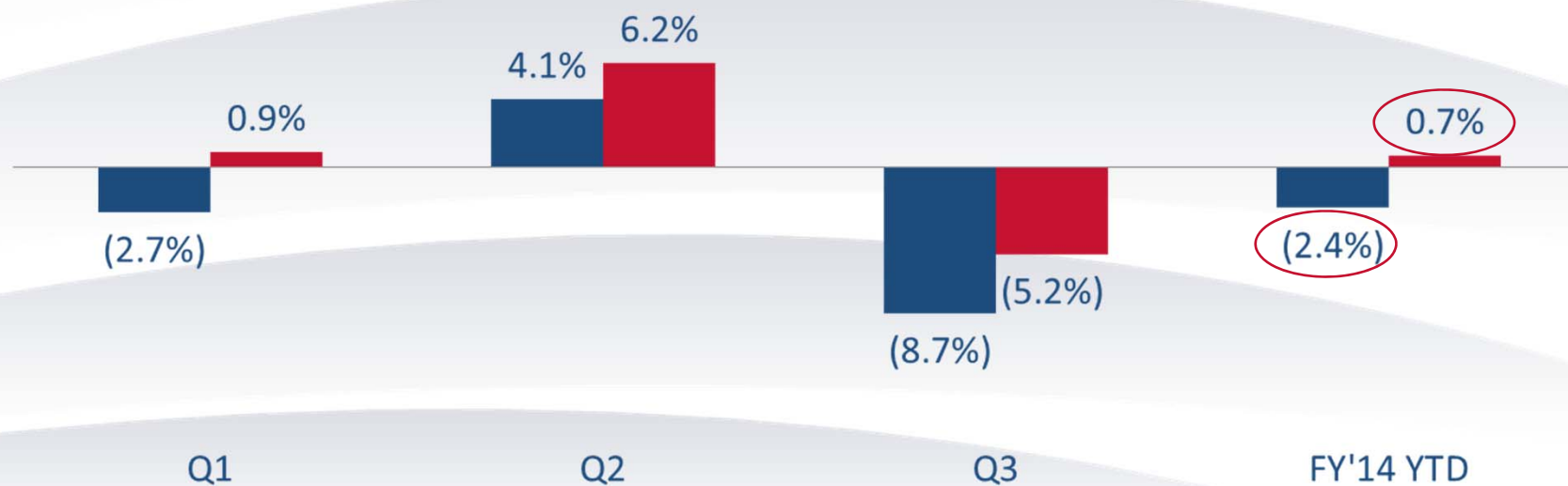
- Greater than anticipated trade inventory reduction due to soft retail foot traffic
  - ~\$10M
- Return of recalled pediatric products
- Slow start to the cough/cold season further impacted declines
  - YTD incidence levels down >15%
- GI category competitive dynamics
  - Probiotic and private label



# Impact of Retail Inventory Reductions Concentrated in the Mass Channel

## Consolidated Total Revenue Growth

■ Consolidated ■ Excluding Mass Channel Customers<sup>(1)</sup>



Note: Represents year-over-year Revenue growth.

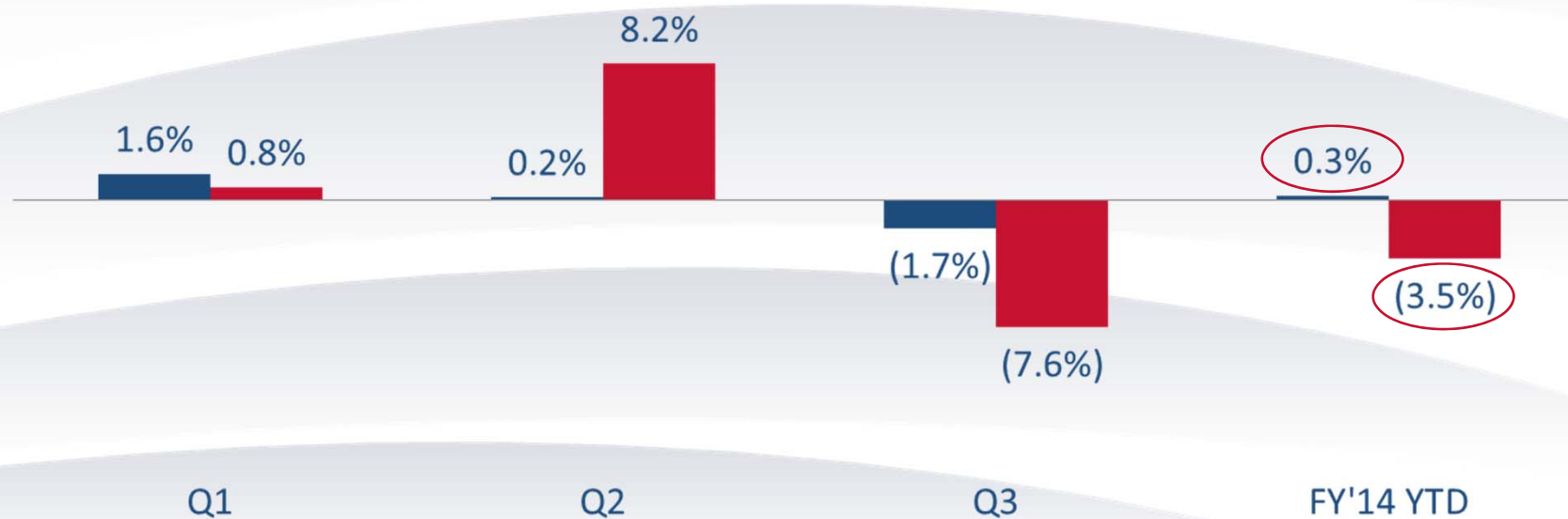
(1) These Non-GAAP financial measures are reconciled to their most closely related GAAP financial measures in our Earnings Release in the "About Non-GAAP Financial Measures" section.



# Core OTC Consumption Growth Outpacing Reported Revenue Growth Due to Retailer Dynamics

## Core OTC Consumption vs. Revenue Growth<sup>(1)</sup>

■ Core OTC Consumption Growth ■ Core OTC Net Revenue Growth



Source: Latest 12-week IRI multi-outlet retail dollar sales growth for relevant quarter.

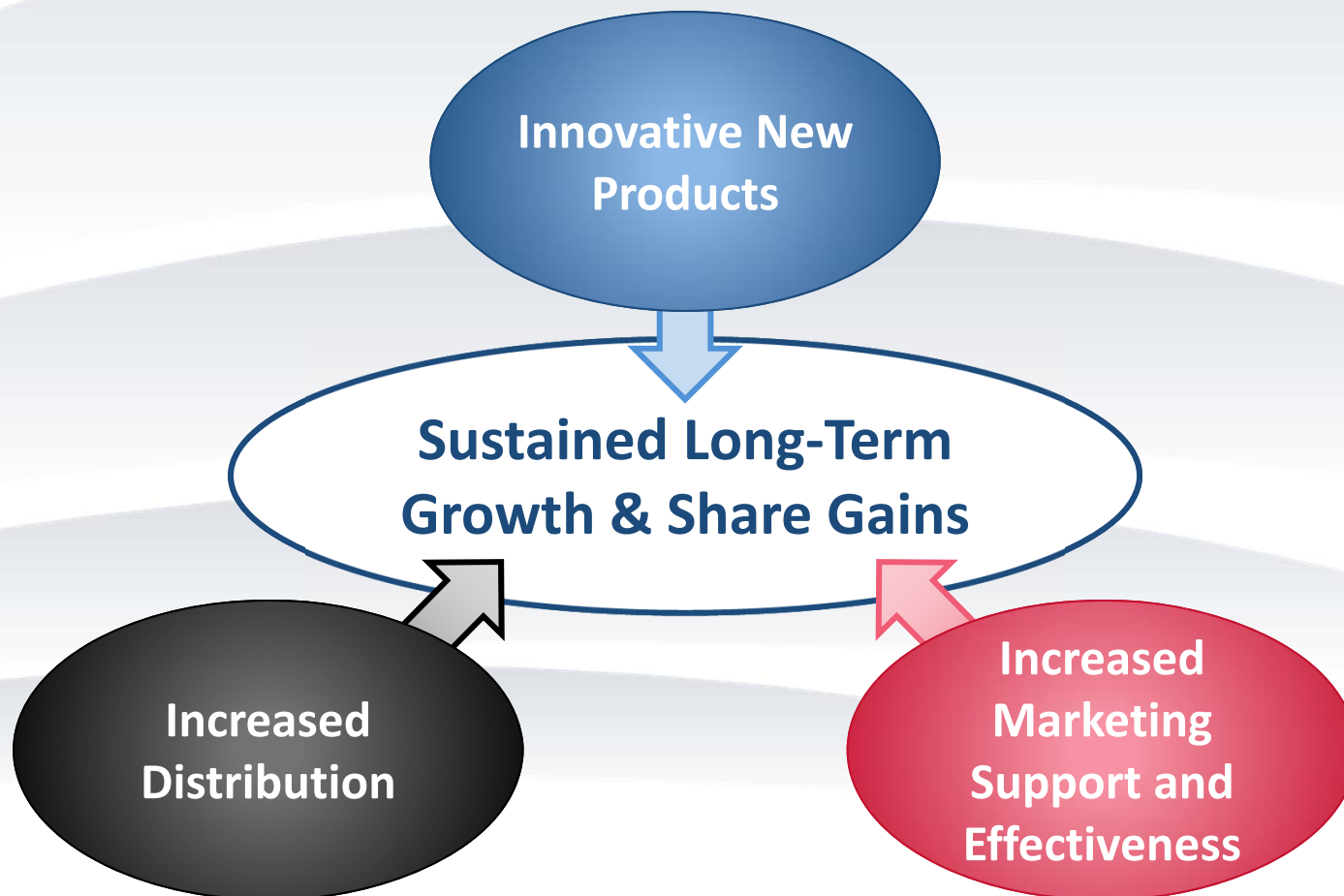
Note: Data reflects retail dollar sales percentage growth versus prior period.

(1) Excludes PediaCare, Little Remedies and Beano.



# “It’s A Marathon Not A Sprint”, Maintain Emphasis on Appropriate Long-Term Brand Building Strategies

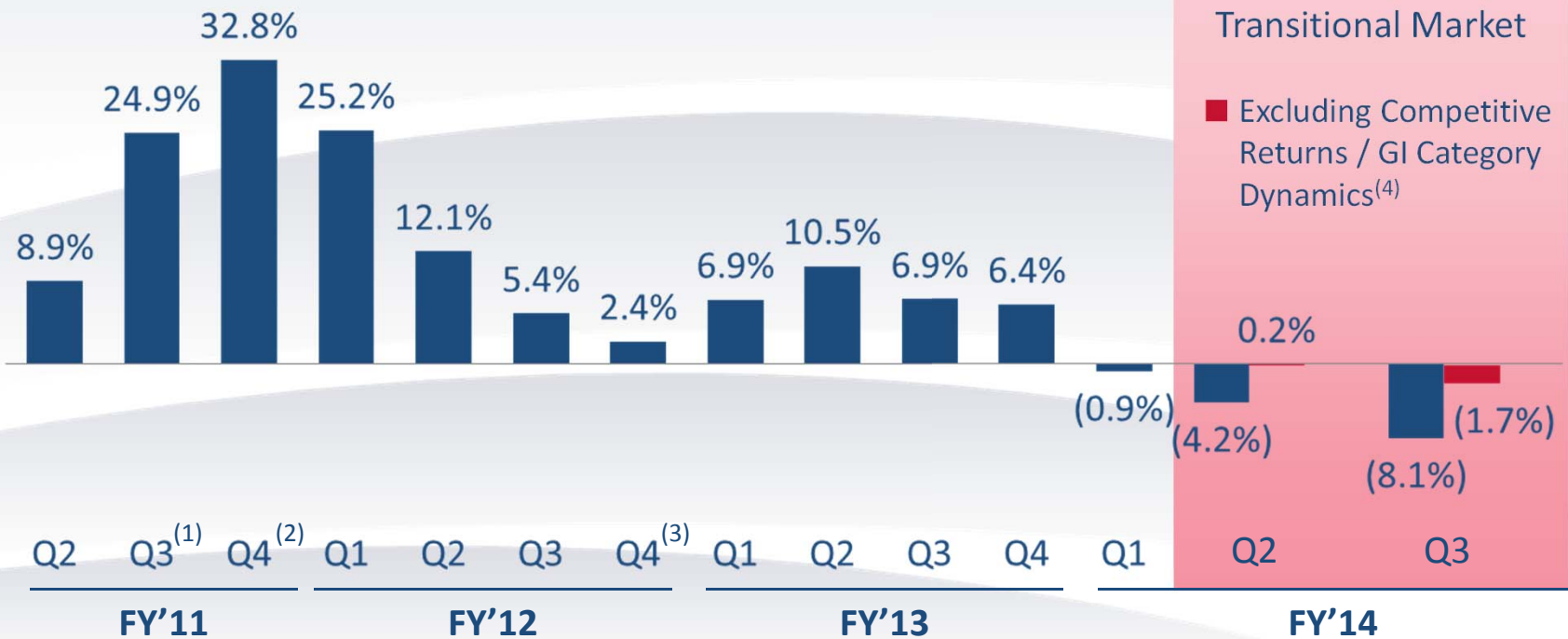
## The Prestige Formula





# Remain Focused on Drivers of Growth Over Time

## Core OTC Consumption Growth



Source: Latest 12-week IRI multi-outlet retail dollar sales growth for relevant quarter.

Note: Data reflects retail dollar sales percentage growth versus prior period.

(1) Blacksmith Bands added middle of Q3 '11.

(2) Dramamine added beginning in Q4 '11.

(3) Acquired GSK brands added in Q4 '12.

(4) Excludes PediaCare, Little Remedies and Beano.



# Introducing *New* Fresh Guard by Efferdent



## New Fresh Guard Addresses Unmet Consumer Needs



**“For a deep clean,  
ideal for use at home”**

- Kills 99.9% of odor causing bacteria
- Specially formulated for removable dental appliances
- Prevents mouth film build-up, reduces yellowing, and helps remove stains



**“Convenient for on-  
the-go cleaning”**

## Layered Marketing Plan for a Successful Launch

- Gain Professional Endorsement



- Drive awareness to generate demand



- Drive trial and purchase at shelf

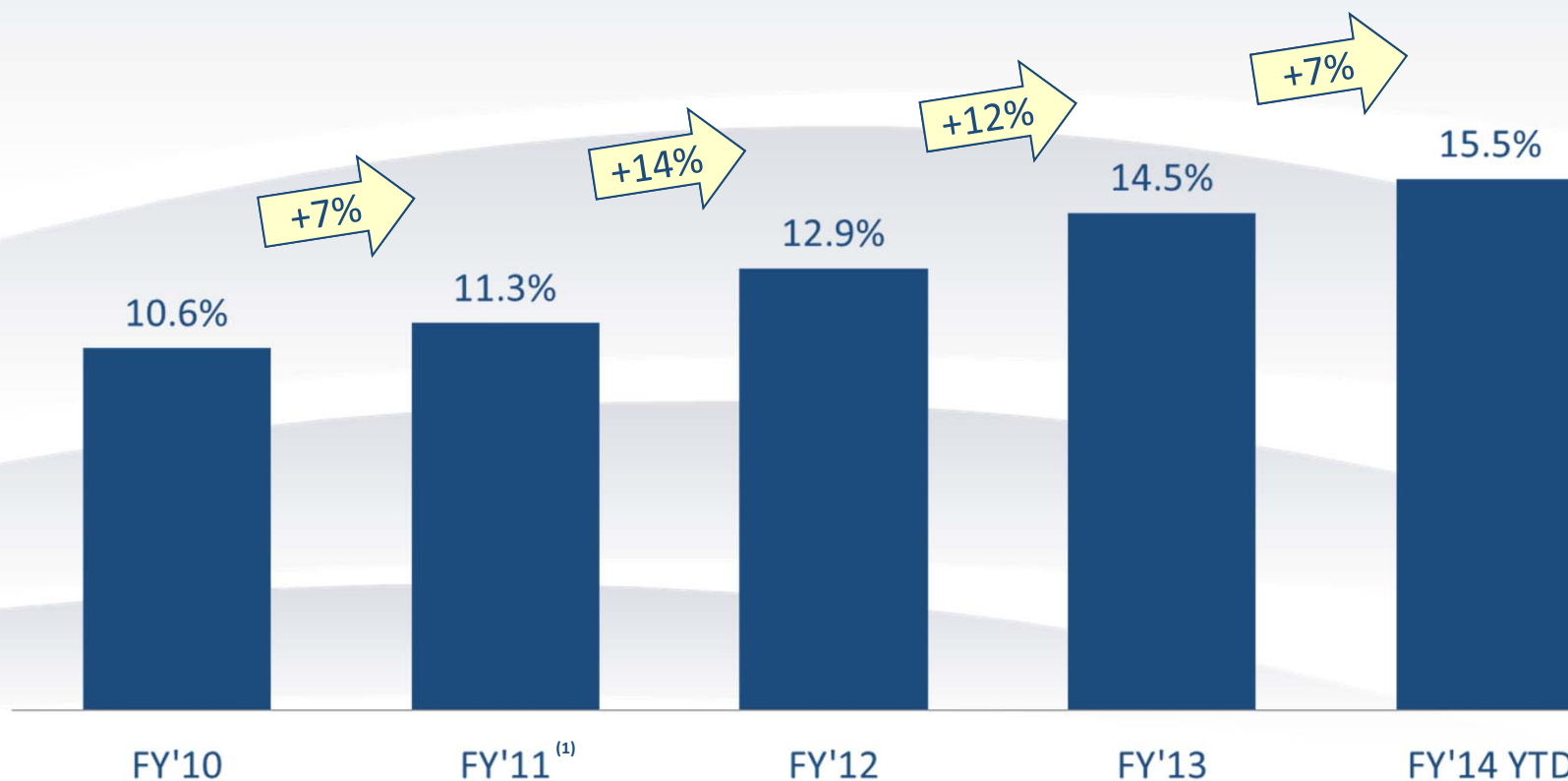




# Continue to Invest Appropriately Behind Brand Building to Support Long-Term Growth



## A&P % of Net Revenue



(1) Adjusted in FY'11 to reflect normalized level of A&P spending for PediaCare.

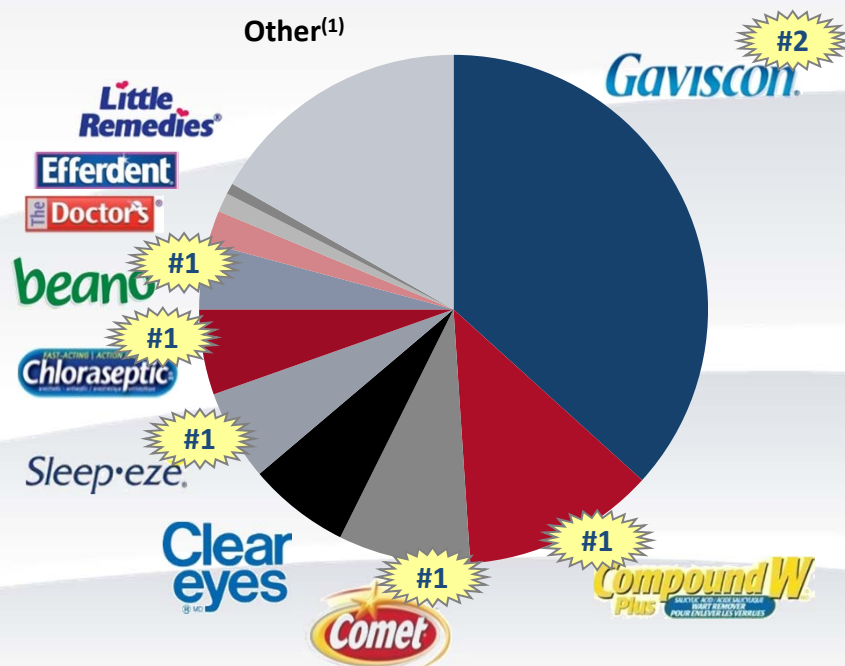


# Oh Canada! Growing Share & Expanding the Reach



## 10 Core Brands with Leading Positions

## Supported by Focused Marketing for All Core OTC Brands



**Goal:** Outperform category growth & introduce selected US products to Canadian market

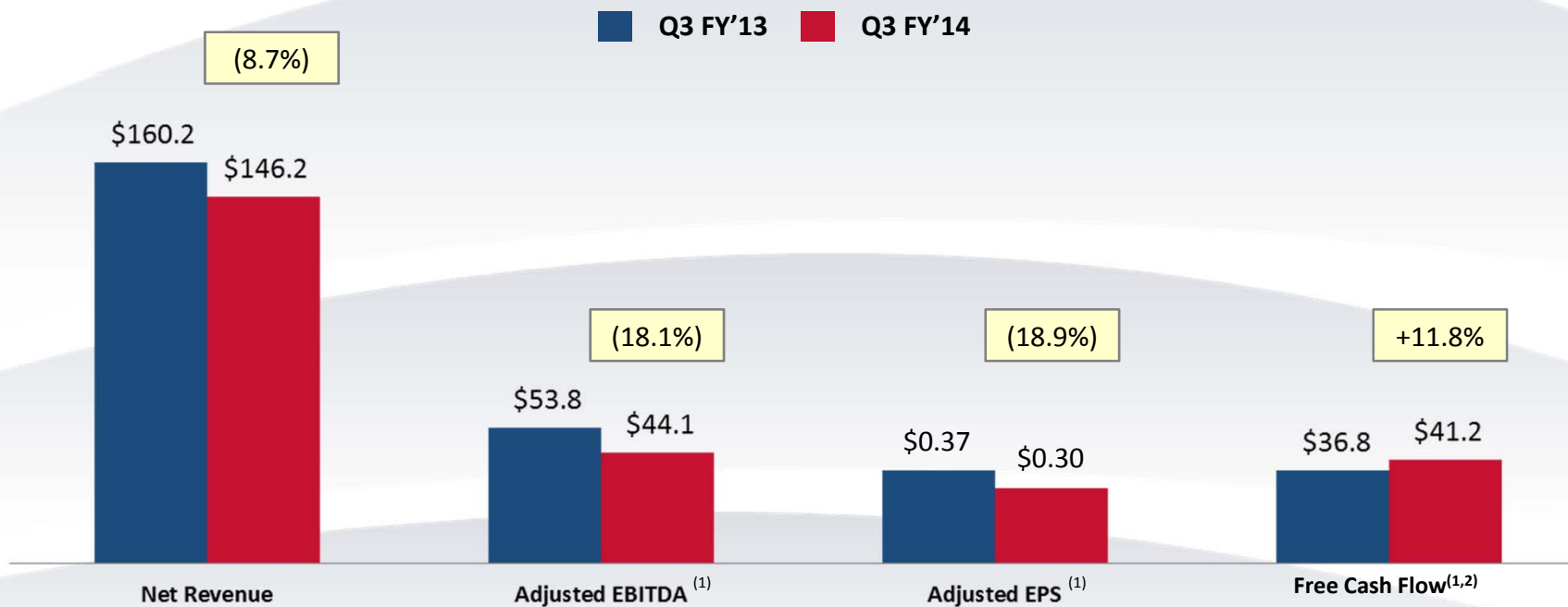
(1) Other includes: Kwellada-P, R&C, Nytol, New Skin, Luden's, Murine, Wartner, Ezo, Freezone, Massengill, and Chore Boy



# Q3 FY2014: Financial Overview



# Summary Financial Performance



Dollar values in millions, except per share data

Notes:

(1) These non-GAAP financial measures are reconciled to their most closely related GAAP financial measures in our earnings release in the "About Non-GAAP Financial Measures" section.

(2) Free cash flow is a non-GAAP financial measure and is also reconciled to reported net income on slide 22.



# Q3 Consolidated Financial Summary

## Q3 FY'14

	Q3 FY'14	Q3 FY'13	% Chg
<b>Net Revenue</b>	<b>\$ 146.2</b>	<b>\$ 160.2</b>	<b>(8.7%)</b>
Adj. Gross Margin <sup>(1)</sup>	81.8	88.7	(7.8%)
% Margin	56.0%	55.4%	
A&P	25.6	23.5	8.6%
% Net Revenue	17.5%	14.7%	
G&A	12.1	11.4	6.7%
% Net Revenue	8.3%	7.1%	
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 44.1</b>	<b>\$ 53.8</b>	<b>(18.1%)</b>
% Margin	30.2%	33.6%	
D&A	3.6	3.4	8.5%
% Net Revenue	2.5%	2.1%	
Adj. Operating Income <sup>(1)</sup>	40.5	50.4	(19.9%)
% Net Revenue	27.7%	31.5%	
<b>Adjusted Net Income<sup>(1)</sup></b>	<b>\$ 15.6</b>	<b>\$ 19.3</b>	<b>(19.0%)</b>
<b>Adjusted Earnings Per Share<sup>(1)</sup></b>	<b>\$ 0.30</b>	<b>\$ 0.37</b>	<b>(18.9%)</b>
<b>Earnings Per Share - As Reported</b>	<b>\$ 0.06</b>	<b>\$ 0.24</b>	<b>(75.0%)</b>
<b>Net Income - As Reported</b>	<b>\$ 3.1</b>	<b>\$ 12.3</b>	<b>(74.5%)</b>

## Comments

- Net Revenue declined \$14.0 million, or 8.7%, due to retail inventory reductions, lowered cough / cold incidence levels, the return of competitive products (e.g. Children's Tylenol and Children's Motrin), and GI category dynamics (beano)
- Gross margin increased 0.6 pts. to 56.0% of Net Revenue
- A&P growth of 8.6% consistent with stated investment levels to drive core OTC growth
- G&A as a percentage of Net Revenue increased 1.2 pts. to 8.3% as a result of lower sales
- Adjusted Net Income declined 19.0%
- Adjusted earnings per share decline of 18.9%
- Reported EPS of \$0.06 includes \$0.25 of loss due to early extinguishment of debt

Dollar values in millions, except per share data

Notes:

(1) These Non-GAAP financial measures are reconciled to their most closely related GAAP financial measures in our Earnings Release in the "About Non-GAAP Financial Measures" section.



# YTD Consolidated Financial Summary

## YTD FY'14 YTD

	<u>FY'14</u>	<u>FY'13</u>	<u>% Chg</u>
<b>Adjusted Net Revenue<sup>(1,2)</sup></b>	<b>\$ 457.6</b>	<b>\$ 469.5</b>	<b>(2.5%)</b>
Adj. Gross Margin <sup>(2)</sup>	261.0	265.2	(1.6%)
% Revenue	57.0%	56.5%	
A&P	70.8	67.4	5.0%
% Adj. Net Revenue	15.5%	14.4%	
Adj. G&A <sup>(2)</sup>	34.7	33.7	3.1%
% Adj. Net Revenue	7.6%	7.2%	
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>\$ 155.5</b>	<b>\$ 164.2</b>	<b>(5.3%)</b>
% Margin	34.0%	35.0%	
D&A	10.2	10.0	2.6%
% Adj. Net Revenue	2.2%	2.1%	
Adj. Operating Income <sup>(2)</sup>	145.3	154.2	(5.8%)
% Adj. Net Revenue	31.8%	32.9%	
<b>Adjusted Net Income<sup>(2)</sup></b>	<b>\$ 61.3</b>	<b>\$ 58.5</b>	<b>4.8%</b>
<b>Adjusted Earnings Per Share<sup>(2)</sup></b>	<b>\$ 1.17</b>	<b>\$ 1.14</b>	<b>2.6%</b>
<b>Earnings Per Share - As Reported</b>	<b>\$ 1.08</b>	<b>\$ 0.90</b>	<b>20.0%</b>
<b>Net Income - As Reported</b>	<b>\$ 56.6</b>	<b>\$ 46.2</b>	<b>22.7%</b>

## Comments

- Adjusted Net Revenue declined 2.5% over the prior year
- Adjusted gross margin expanded by 0.5 pts. to 57.0%
- A&P spend increased by 1.1 pts. to 15.5% of Adjusted Net Revenue
- Adjusted G&A as a percentage of Adjusted Net Revenue increased modestly to 7.6%
- Adjusted Net Income growth of 4.8%
- Adjusted earnings per share growth of 2.6%

Dollar values in millions, except per share data

Notes:

(1) Reported net revenue for Q1 FY'13 was \$147.0 million. Adjusted net revenue for Q1 FY'13 was \$147.4 million and excludes transition related costs of ~\$400k.

(2) These Non-GAAP financial measures are reconciled to their most closely related GAAP financial measures in our Earnings Release in the "About Non-GAAP Financial Measures" section.



# Net Income and E.P.S. Reconciliation

	Q3				YTD			
	3 Months Ended Q3 FY'14		3 Months Ended Q3 FY'13		9 Months Ended Q3 FY'14		9 Months Ended Q3 FY'13	
	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
<b>As Reported</b>	\$ 3.1	\$ 0.06	\$ 12.3	\$ 0.24	\$ 56.6	\$ 1.08	\$ 46.2	\$ 0.90
<u>Adjustments:</u>								
Acquisition Costs Associated with Care	-	-	-	-	1.0	0.02	-	-
Legal & Professional Fees	-	-	-	-	0.7	0.01	0.6	0.01
Transition Costs Associated with GSK	-	-	3.8	0.07	-	-	11.9	0.23
Accelerated Amortization of Debt Costs <sup>(2)</sup>	5.1	0.10	7.7	0.15	5.1	0.10	7.7	0.15
Loss on Extinguishment of Debt <sup>(3)</sup>	15.0	0.29	-	-	15.0	0.29	-	-
Tax Impact of Adjustments	(7.3)	(0.14)	(4.5)	(0.09)	(7.6)	(0.15)	(7.9)	(0.15)
Tax Impact of State Rate Adjustments	(0.4)	(0.01)	-	-	(9.5)	(0.18)	-	-
<b>Total Adjustments</b>	<b>12.5</b>	<b>0.24</b>	<b>7.0</b>	<b>0.13</b>	<b>4.7</b>	<b>0.09</b>	<b>12.3</b>	<b>0.24</b>
<b>Adjusted<sup>(1)</sup></b>	<b>\$ 15.6</b>	<b>\$ 0.30</b>	<b>\$ 19.3</b>	<b>\$ 0.37</b>	<b>\$ 61.3</b>	<b>\$ 1.17</b>	<b>\$ 58.5</b>	<b>\$ 1.14</b>

Dollar values in millions, except per share data

(1) These Non-GAAP financial measures are reconciled to their reported GAAP amounts in our Earnings Release in the "About Non-GAAP Financial Measures" section.

(2) Relates to incremental amortization of non-cash deferred debt issue costs and debt discount resulting from the accelerated payoff of our term loan.

(3) Related to the portion of our refinancing completed in December 2013.



# Strong Free Cash Flow

## Cash Flow

	Q3 FY'14	Q3 FY'13	YTD FY'14	YTD FY'13
<b>Net Income - As Reported</b>	\$ 3.1	\$ 12.3	\$ 56.6	\$ 46.2
Depreciation & Amortization	3.6	3.4	10.2	10.0
Other Non-Cash Operating Items	15.8	13.8	25.4	32.1
Working Capital	2.7	11.1	(11.4)	12.7
Premium Payment on Notes	12.8	-	12.8	-
Accelerated Interest due to Refinancing	3.5	-	3.5	-
<b>Adjusted Operating Cash Flow<sup>(1)</sup></b>	<b>\$ 41.5</b>	<b>\$ 40.5</b>	<b>\$ 97.1</b>	<b>\$ 100.9</b>
Additions to Property and Equipment	(0.3)	(3.7)	(2.6)	(8.9)
<b>Free Cash Flow</b>	<b>\$ 41.2</b>	<b>\$ 36.8</b>	<b>\$ 94.5</b>	<b>\$ 92.0</b>

## Comments

### Debt Profile & Financial Compliance:

- Total Net Debt at 12/31/13 of \$939 million comprised of:
  - Cash on hand of \$94 million
  - \$298 million of term loan
  - \$698 million of bonds
  - \$37 million of revolver
- Leverage ratio<sup>(2)</sup> of 4.30x
- Continue to expect full year cash flow of \$125 million

Dollar values in millions

Note:

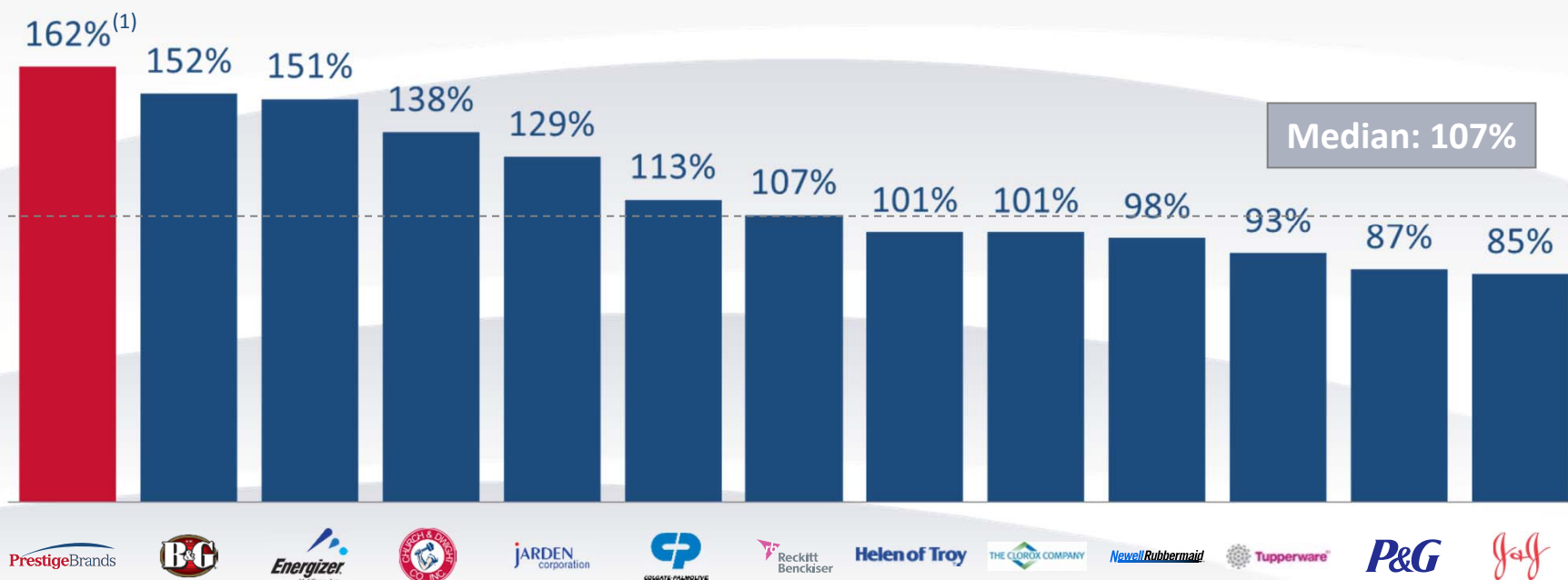
(1) Adjusted operating cash flow is a Non-GAAP financial measure and is reconciled to GAAP net cash provided by operating activities in our earnings release in the "About Non-GAAP Financial Measures" section.

(2) Leverage ratio reflects net debt / covenant defined EBITDA.



# Prestige Continues to Have Leading Free Cash Flow Conversion

## Free Cash Flow Conversion



Source: Capital IQ

Notes: For the latest twelve month period.

Free Cash Flow Conversion is a non GAAP financial measure and is defined as Non-GAAP Operating Cash Flow less Capital Expenditures over Adjusted Net Income.

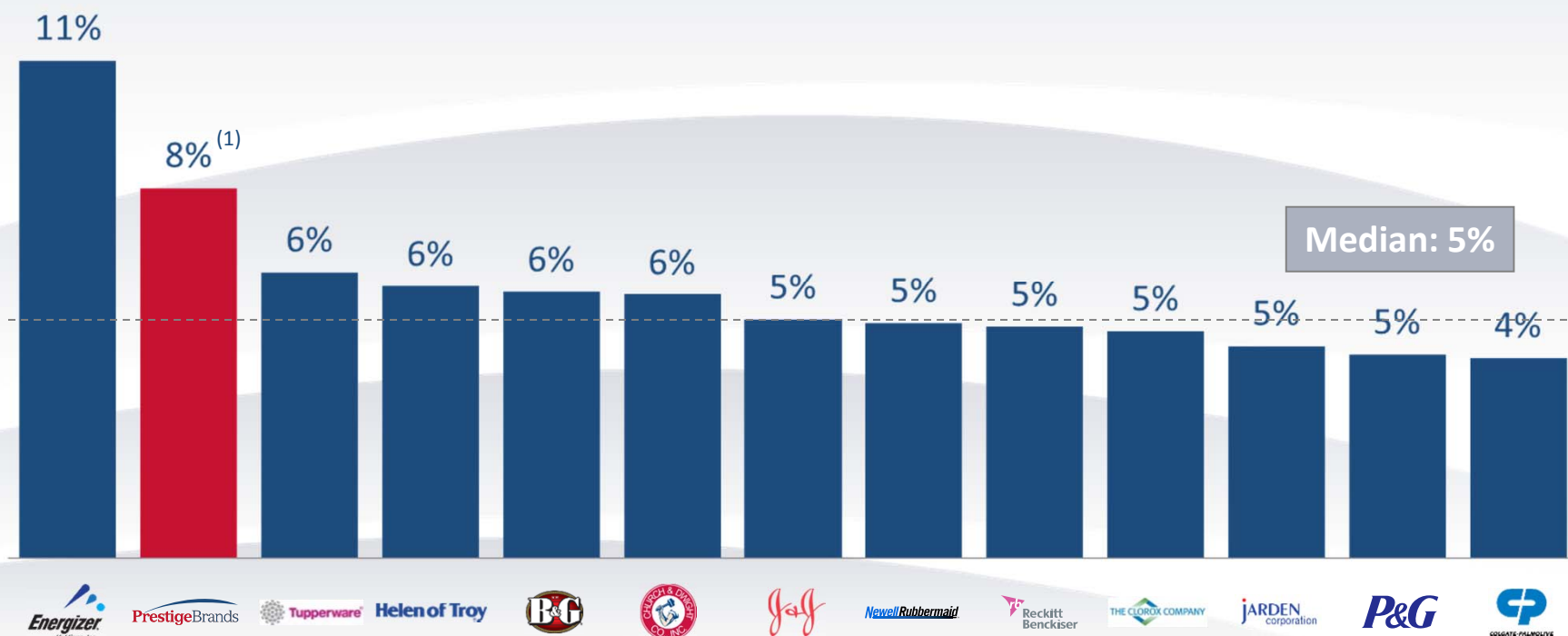
Operating Cash Flow and Adjusted Net Income are reconciled to their reported GAAP amounts in our earnings release in the "About Non-GAAP Financial Measures" section.

(1) PBH free cash flow conversion is calculated using non GAAP free cash flow. This non GAAP financial measure is reconciled to net income on page 22.



# Leading Free Cash Flow Yield Supports Attractive Valuation

## Free Cash Flow Yield



Source: Capital IQ

Note: For the latest twelve month period.

Free Cash Flow Yield is a non GAAP financial measure and is defined as Cash Provided by Operating Activities divided by Market Capitalization.

- (1) PBH Free Cash Flow yield is calculated using non GAAP Free Cash Flow. This non GAAP financial measure is reconciled to net income on page 22. Free Cash Flow is reconciled to GAAP cash flow provided by operating activities in our earnings release in the "About Non-GAAP Financial Measures" section.





# FY2014 Outlook and Road Ahead



# Outlook for Q4 FY'2014 and Beyond

## Q4 Considerations: Remain Cautious

- Potential for continued soft retail and foot traffic and retailer inventory reductions
- Seasonal cough/cold incidences remain well below prior year
- Expect returning competitive brands will settle over time
- Appropriate investment in brand building behind core brands through A&P support and new product introductions

## FY 14 Full Year

- Continue to expect \$125 million of full year free cash flow<sup>(1)</sup>
- In light of combination of three factors impacting short term, expect FY'2014 Adjusted E.P.S. of \$1.48 to \$1.52

## Long-Term Outlook

- Stay the strategic course: Invest in Core OTC growth; continue to deliver cash flow to de-lever, remain aggressive and disciplined in M&A market
- Expect 10%+ long-term E.P.S growth

(1) Free cash flow is a non-GAAP financial measure.



## Our Corporate Mission

**To be the Best Mid-Sized, Public Company in the Consumer Health Care Market**

*The following principles guide us in this endeavor:*

- **DELIVER** outstanding shareholder value through superior growth in sales, profits, and cash flow
- **CREATE** innovative products that exceed our consumers' expectations
- **ENGAGE** in true partnerships with our suppliers and customers
- **BUILD** a company culture founded on leadership, trust, change and execution





# Prestige Brands