



# Prestige Brands

## Review of Second Quarter F'15 Results

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**Ron Lombardi, CFO**

**November 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 product introductions, investments in brand building, debt reduction, integration of the Insight acquisition, consumption growth and market position of the Company’s brands, M&A market activity, and the Company’s future financial performance. Words such as “continue,” “will,” “expect,” “project,” “anticipate,” “likely,” “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 Insight or Hydralyte businesses or future acquisitions, the failure to successfully commercialize new products, the severity of the cold and flu season, general economic and business conditions, competitive pressures, the effectiveness of the Company’s brand building investments, fluctuating foreign exchange rates, 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, 2014 and in Part II, Item 1A. Risk Factors in the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this presentation. Except to the extent required by applicable law, the Company undertakes no obligation to update any forward-looking statement contained in this presentation, whether as a result of new information, future events, or otherwise.

# Agenda for Today's Discussion

- I. Second Quarter FY2015: Performance Highlights**
- II. Second Quarter FY2015: Financial Overview**
- III. FY2015 Outlook and the Road Ahead**

# I. Second Quarter FY2015: Performance Highlights

# Q2 Performance Highlights:

## Strong Performance in A Challenging Retail Environment

- Q2 consolidated **Total Revenue** of **\$181.3** million, up **8.6%** versus the prior year corresponding quarter
  - **1.0% growth** excluding the impact of the recently closed Insight Pharmaceuticals acquisition
- **Adjusted E.P.S.** of **\$0.50<sup>(1)</sup>**, up **6.4%** versus the prior year corresponding quarter
- Strong **Adjusted Free Cash Flow** of **\$36.5<sup>(1)</sup>** million, up **14.7%** versus the prior year corresponding quarter
- **Core OTC consumption growth** of **4.9%** (excluding products impacted by pediatric and GI category dynamics)
- Continued investment in **brand building efforts**
  - New advertising campaigns
  - Goody's sports marketing partnerships
  - New products, digital marketing and promotions across brands
- **Closed** acquisition of **Insight Pharmaceuticals** in September. **Integration well underway**
- **On track** to continue to deliver **strong financial performance in FY2015**
  - Full year sales growth +15% – 18%
  - Adjusted E.P.S. \$1.75 – \$1.85<sup>(1)</sup>
  - Adjusted Free Cash Flow of approximately \$150 million<sup>(1)</sup>

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.



# Building Prestige's Portfolio: A Platform for Value Creation

## Focus on Brand Building

- Focus on long-term growth of Core OTC brands
- Invest behind brand building efforts that result in market share gains
- Manage through challenging retail environment

## Create a Diversified OTC Portfolio

- Build and add to strategic category platforms and geographies
- Effectively execute and integrate acquisitions
- Access a larger pool of prospective M&A candidates

## Leverage Our Financial Model to Build the Portfolio

- Efficient operating model
- Strong margin profile and consistent cash flow conversion
- Provides capacity for additional, accretive acquisitions

# Our Marketing Model at Work: Sports Marketing Events & Partnerships “Drive” Goody’s Sales

**Goody's**

## Goody's Headache Relief Shot 500



Dale Will Drive the Goody's Car #88 in Texas next year and promote “speed”

## Victory on the Track and at Retail



Consumption +2x Category Growth in L-12 Weeks

Source: IRI MULO + C-Store, L12-week period ending October 5, 2014.

Note: Data reflects retail dollar sales.

# Our Marketing Model at Work: New Flavors & Launch Tour Sweeten Consumption



## New Product Extension

- Consumer research drives new flavor selections and zeros in on taste preferences of key target audience to grow franchise
- Watermelon, Blue Raspberry and Sugar-Free Black Cherry on shelf mid-September
- Launch plan focuses on high profile music events in cities across America to drive sampling, raise awareness, and engage the brand's demographic



## Innovative Sampling Efforts



***Bumbershoot  
Music Festival***



***Boston Calling  
Music Festival***

**Consumption +7.6% Since Launch; +2.8x Category Growth**

Source: IRI MULO + C-Store, L4-week period ending October 5, 2014.  
Note: Data reflects retail dollar sales.



# Our Marketing Model at Work: Doctor's Digital Commerce Journey



**Digital E-Commerce Drives Brand Growth +6.6% in Q2**

Source: IRI MULO + C-Store, L12-week period ending October 5, 2014.  
Note: Data reflects retail dollar sales.

# Our Marketing Model at Work: Partnering With Retailers on Portfolio Promotions

## Eyes & Ear



## Dermatologicals



## Digestives

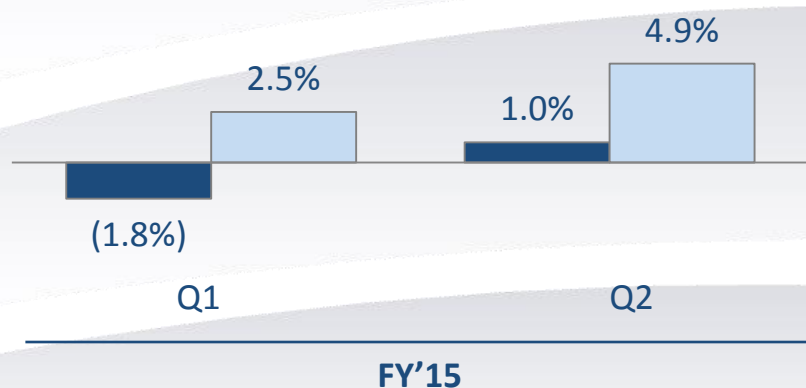


*Trade activation programs leverage scale within categories by partnering core brands with loyalty brands to increase consumer shopping basket*

**Partnering with Retailers Across the Portfolio**

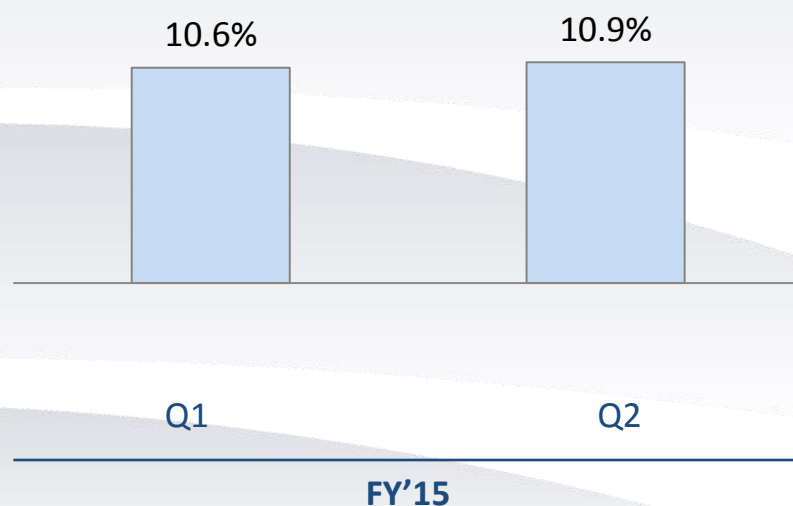
# Continued Improvement in Retail Consumption Performance Has Contributed to Sustained Market Share Gains

## Core OTC Consumption Growth



■ Excluding Cough/Cold Competitive Returns / GI Category Dynamics<sup>(1)</sup>

## Core OTC Market Share<sup>(1)</sup>



**Consumption Growth Accelerating**

**Brand Building Leading to Share Gains**

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

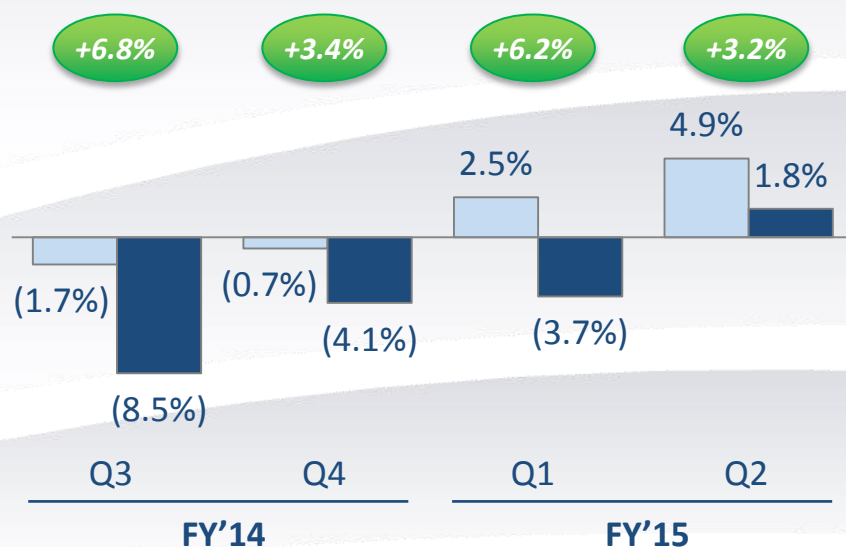
Data reflects retail dollar sales percentage growth versus prior period.

(1) Excludes PediaCare, Little Remedies, Beano and Insight Pharmaceuticals.

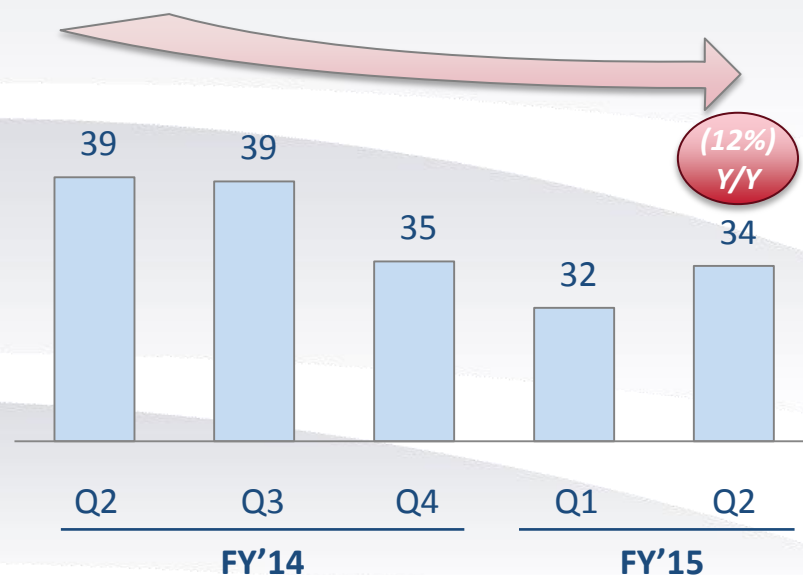
# Consumption Consistently Outpacing Shipments as Retailers Reduce Inventory

## Core OTC Consump. vs. Rev. Growth<sup>(1)</sup>

□ Consumption Growth    ■ Total Revenue Growth



## Inventory at Trade (MM of Units)<sup>(1)(2)</sup>



**Consumption Consistently Outpacing Shipments**

**Retailers Maintaining Low Inventory Level**

Notes:

(1) Core OTC Brands; Excludes PediaCare, Little Remedies, Beano and Insight Pharmaceuticals.

(2) Company estimate.



# Integration of Insight Pharmaceuticals on Track



## Systems / Back-Office

- IT systems and processes transferred
- Personnel and offices transitioned

## Regulatory / Quality Assurance

- Regulatory and quality functions integrated

## Sales & Distribution

- Go-to-market strategy in-place and selling organization integrated

## Supply Chain

- Optimizing common supplier network
- Identifying and capturing cost savings potential

## Brand Building

- Marketing strategy formation underway
- Brand plans and new product / innovation pipeline being developed

**Expect to  
Complete by  
End of Q3**

**On-Going  
12-24  
Months**

# The Combined Prestige Portfolio

Analgesics	Women's Health	GI	Cough & Cold	Eye & Ear Care
 <b>Ecotrin</b> <b>STANBACK</b> <b>Percogesic</b> <hr/> New Brand <b>ANACIN</b>	New Brand <b>MONISTAT</b> <hr/> New Brand  New Brand <b>VITRON-C</b> <small>ferrous iron and ascorbic acid</small> <hr/> New Brand <b>URISTAT</b>	 <b>Dramamine</b>  <b>Gaviscon</b> <b>Tagamet</b>	  <b>LUDEN'S</b>  <hr/> New Brand <b>SUCRETS</b>	 <b>Debrox</b> <b>Murine</b> <hr/> New Brand <b>Stye</b> <hr/> New Brand <b>Auro</b>
Oral Care	Skin Care	Sleep Aids	Household Cleaning	Care Pharmaceuticals
 <b>Efferdent</b> <small>ANTI-BACTERIAL DENTURE CLEANSER</small> <b>Effergrip</b> 	  <b>Dermoplast</b> <hr/> New Brand <b>Nix</b>	  	   	  <hr/> New Brand  <hr/>   <b>MURINE</b>

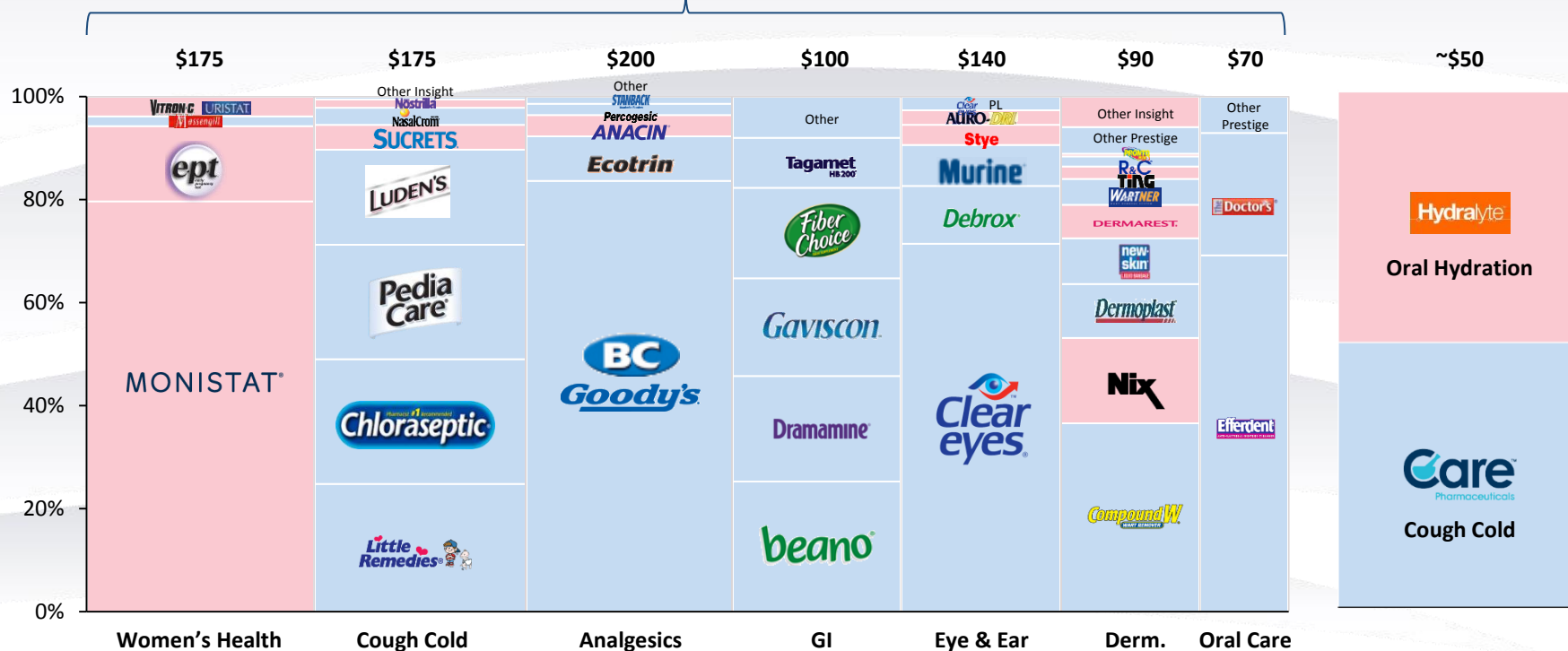
# Portfolio Anchored in Multiple Category Platforms of Scale

Prestige Recent Acquisitions

North America

Australasia

~\$1BN

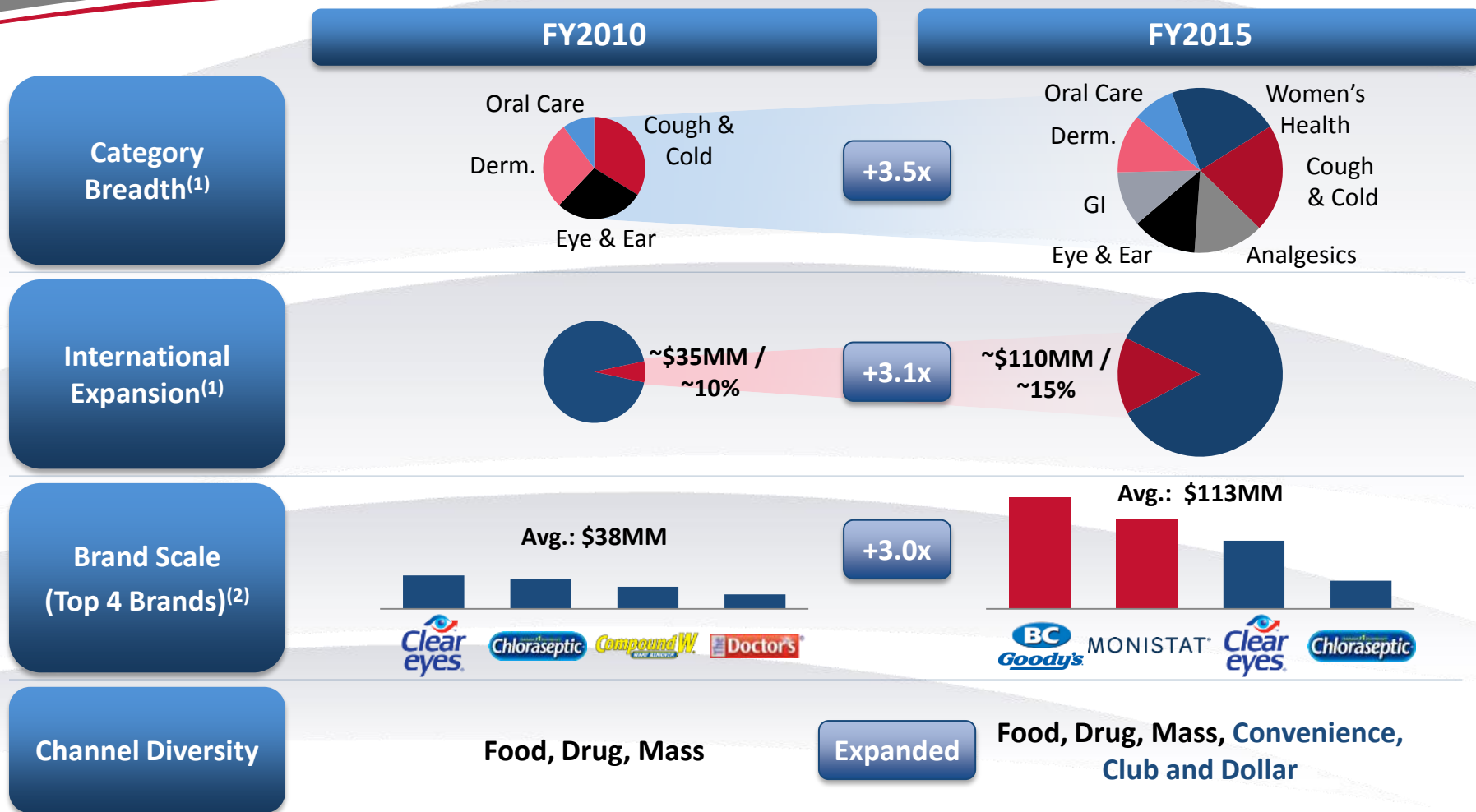


Dollar values in millions

Source: North America – IRI MULO + C-Store, L52-week period ending October 5, 2014.

Note: Data reflects retail dollar sales.

# Acquisitions Have Strengthened Our OTC Platform



Dollar values in millions

(1) Based on company estimates.

(2) IRI MULO + C-Store data, reflects retail dollar sales.



# The Power of the Platform: Expanding Set of M&A Candidates

Category  
Breadth

International  
Expansion

Brand Scale

Channel  
Diversity

Expanded M&A Pool Across  
Categories, Geographies,  
Channels and Consumer  
Choices

 BLACKSMITH  
BRANDS

 Dramamine<sup>®</sup>

 gsk  
GlaxoSmithKline

 Care<sup>™</sup>  
Pharmaceuticals

 Hydralyte<sup>™</sup>

 insight  
Pharmaceuticals

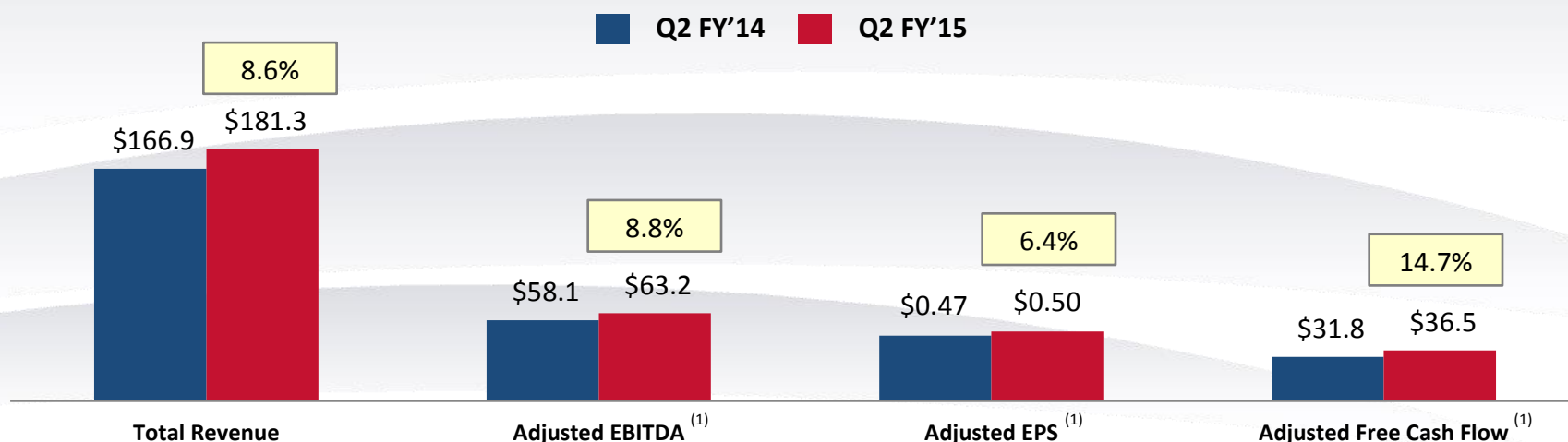
## II. Second Quarter FY2015: Financial Overview

# Selected Observations on Second Quarter Performance

- **Solid overall financial performance** in the quarter **consistent with expectations**

- Total Revenue growth of 8.6% based on increasingly diversified portfolio and impact of Insight
- Adjusted EPS of \$0.50<sup>(1)</sup> up 6.4% versus the prior year corresponding quarter
- Strong adjusted free cash flow of \$36.5<sup>(1)</sup> million, up 14.7% versus the prior year corresponding quarter

- **On track** to achieve full year outlook



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.

# FY'15 Second Quarter and YTD Consolidated Financial Summary

- Q2 Total Revenue growth of +8.6%; 1.0% growth excluding the impact of the recently closed Insight Pharmaceuticals acquisition
- Q2 Adjusted Gross Margin expansion of ~60 bps versus the prior year corresponding quarter
- Q2 Adjusted EBITDA margin consistent at 34.9%
- Adjusted EPS growth of 6.4% versus the prior year corresponding quarter

	Three Months Ended			Six Months Ended		
	Sep '14	Sep '13	% Chg	Sep '14	Sep '13	% Chg
Total Revenue	\$ 181.3	\$ 166.9	8.6%	\$ 327.0	\$ 309.5	5.7%
Adj. Gross Margin <sup>(1)</sup>	103.3	94.2	9.7%	185.3	177.3	4.5%
% Margin	57.0%	56.4%		56.7%	57.3%	
A&P	25.0	24.5	2.0%	44.1	43.2	2.1%
% Total Revenue	13.8%	14.7%		13.5%	14.0%	
Adj. G&A <sup>(1)</sup>	15.0	11.5	30.5%	26.9	22.7	18.7%
% Total Revenue	8.3%	6.9%		8.2%	7.3%	
Adjusted EBITDA <sup>(1)</sup>	\$ 63.2	\$ 58.1	8.8%	\$ 114.3	\$ 111.4	2.6%
% Margin	34.9%	34.8%		34.9%	36.0%	
Adjusted Net Income <sup>(1)</sup>	\$ 26.4	\$ 24.6	7.0%	\$ 47.9	\$ 45.7	4.7%
Adjusted Earnings Per Share <sup>(1)</sup>	\$ 0.50	\$ 0.47	6.4%	\$ 0.91	\$ 0.88	3.4%

Dollar values in millions

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.



# Net Income and E.P.S. Reconciliation

	Q2 FY'15				YTD FY'15			
	3 Months Ended Q2 FY'15		3 Months Ended Q2 FY'14		6 Months Ended Q2 FY'15		6 Months Ended Q2 FY'14	
	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
<b>As Reported</b>	<b>\$ 16.5</b>	<b>\$ 0.31</b>	<b>\$ 32.8</b>	<b>\$ 0.63</b>	<b>\$ 33.2</b>	<b>\$ 0.63</b>	<b>\$ 53.5</b>	<b>\$ 1.03</b>
<u>Adjustments:</u>								
Inventory Step-Up & Other Costs of Sales	0.8	0.01	1.0	0.02	0.9	0.01	1.0	0.02
Legal, Professional & Transaction Fees	8.1	0.15	0.1	-	12.8	0.25	0.7	0.01
Acquisition Integration & Transition Costs	4.0	0.09	-	-	4.4	0.09	-	-
Tax Impact of Adjustments	(2.9)	(0.06)	(0.1)	(0.01)	(3.5)	(0.07)	(0.4)	(0.01)
Impact of State Tax Adjustments	-	-	(9.1)	(0.17)	-	-	(9.1)	(0.17)
<b>Total Adjustments</b>	<b>9.9</b>	<b>0.19</b>	<b>(8.1)</b>	<b>(0.16)</b>	<b>14.7</b>	<b>0.28</b>	<b>(7.8)</b>	<b>(0.15)</b>
<b>Adjusted</b>	<b>\$ 26.4</b>	<b>\$ 0.50</b>	<b>\$ 24.6</b>	<b>\$ 0.47</b>	<b>\$ 47.9</b>	<b>\$ 0.91</b>	<b>\$ 45.7</b>	<b>\$ 0.88</b>

Dollar values in millions, except per share data

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

# Strong Free Cash Flow Generation

## Cash Flow

	Q2 FY'15	Q2 FY'14	YTD FY'15	YTD FY'14
<b>Net Income - As Reported</b>	<b>\$ 16.5</b>	<b>\$ 32.8</b>	<b>\$ 33.2</b>	<b>\$ 53.5</b>
Depreciation & Amortization	3.9	3.3	6.8	6.6
Other Non-Cash Operating Items	8.0	0.4	18.0	9.6
Working Capital	(1.0)	(3.7)	(1.0)	(14.1)
<b>Operating Cash Flow<sup>(1)</sup></b>	<b>\$ 27.4</b>	<b>\$ 32.8</b>	<b>\$ 57.1</b>	<b>\$ 55.6</b>
Additions to Property and Equipment	(0.9)	(1.0)	(1.4)	(2.3)
Integration, Transition and Other Payments Associated with Acquisitions	10.0	-	12.4	-
<b>Adjusted Free Cash Flow<sup>(3)</sup></b>	<b>\$ 36.5</b>	<b>\$ 31.8</b>	<b>\$ 68.1</b>	<b>\$ 53.3</b>

## Comments

### Debt Profile & Financial Compliance:

- Total Net Debt at 9/30/14 of \$1,677 million comprised of:
  - Cash on hand of \$22 million
  - \$1,048 million of term loan and revolver
  - \$650 million of bonds
- Leverage ratio<sup>(2)</sup> of ~5.6x

Dollar values in millions

Notes:

(1) Operating cash flow is equal to GAAP net cash provided by operating activities.

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

(3) Adjusted Free 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 Measure" section.

The background of the slide is a dense, repeating collage of various Prestige Brands logos. These logos are arranged in a pattern that follows a slight curve across the slide. The logos include names such as Debrox, Hydralyte, Chloraseptic, Doctor's, FAB IRON, Efferdent, Clear eyes, Nix, Pedia Care, LUDEN'S, BC, Goody's, MONISTAT, Little Remedies, ept, Dramamine, Compound W, and Little Eyes. The logos are in various colors and sizes, creating a textured, branded background.

# III. FY2015 Outlook and the Road Ahead

# Strategic Approach Continues to Create Shareholder Value

## Second Half of Year

- Improved Core OTC consumption trends leading to market share gains
- Challenging retail environment continues to impact retailer inventory
- Power of the portfolio provides favorable long term outlook

## Brand Building in Focus

- Continued new product introductions
- Investment in brand building communication vehicles
  - Typical 2<sup>nd</sup> half A&P increase
  - Promotional spending

## Insight Integration

- Ongoing evolution of marketing vehicles (sports marketing, digital)
- Seasoned Integration Team and core competency
  - Infrastructure largely in place by Q3
  - Brand building in progress—consumer learning, advertising, health care professionals
- Stabilizing the business underway (supply and demand)
- Marketing learning and foundation in FY'15 leads to investment in FY'16

## Prolific M&A Outlook

- Remain aggressive and disciplined
- Effectively integrate  and  acquisitions
- Capitalize on OTC consolidation and major company announcements



## Confident in Full FY2015 Year Outlook

- Full year revenue growth +15% – 18%
- Adjusted E.P.S. \$1.75 – \$1.85<sup>(1)</sup>
- Adjusted Free Cash Flow of approximately \$150 million<sup>(1)</sup>

Notes:

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