

Edgar Filing: Prestige Brands Holdings, Inc. - Form 10-Q

Prestige Brands Holdings, Inc.  
Form 10-Q  
August 04, 2016  
UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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: 001-32433

PRESTIGE BRANDS HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware 20-1297589

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

660 White Plains Road  
Tarrytown, New York 10591

(Address of principal executive offices) (Zip Code)

(914) 524-6800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of July 29, 2016, there were 52,915,673 shares of common stock outstanding.



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Trademarks and Trade Names

Trademarks and trade names used in this Quarterly Report on Form 10-Q are the property of Prestige Brands Holdings, Inc. or its subsidiaries, as the case may be. We have italicized our trademarks or trade names when they appear in this Quarterly Report on Form 10-Q.

## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended	
	June 30,	
(In thousands, except per share data)	2016	2015
<b>Revenues</b>		
Net sales	\$208,770	\$191,287
Other revenues	805	845
Total revenues	209,575	192,132
<b>Cost of Sales</b>		
Cost of sales (exclusive of depreciation shown below)	87,984	79,896
Gross profit	121,591	112,236
<b>Operating Expenses</b>		
Advertising and promotion	27,635	26,422
General and administrative	19,457	17,589
Depreciation and amortization	6,832	5,720
Loss on sale of assets	55,453	—
Total operating expenses	109,377	49,731
Operating income	12,214	62,505
<b>Other (income) expense</b>		
Interest income	(57 )	(27 )
Interest expense	21,184	21,911
Loss on extinguishment of debt	—	451
Total other expense	21,127	22,335
(Loss) income before income taxes	(8,913 )	40,170
(Benefit) provision for income taxes	(3,382 )	13,997
Net (loss) income	\$(5,531 )	\$26,173
<b>(Loss) earnings per share:</b>		
Basic	\$(0.10 )	\$0.50
Diluted	\$(0.10 )	\$0.49
<b>Weighted average shares outstanding:</b>		
Basic	52,881	52,548
Diluted	52,881	52,958
<b>Comprehensive (loss) income, net of tax:</b>		
Currency translation adjustments	(5,824 )	(405 )
Total other comprehensive loss	(5,824 )	(405 )
Comprehensive (loss) income	\$(11,355 )	\$25,768

See accompanying notes.



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

(In thousands)	June 30, 2016	March 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$28,877	\$27,230
Accounts receivable, net	88,437	95,247
Inventories	92,867	91,263
Deferred income tax assets	10,702	10,108
Prepaid expenses and other current assets	18,730	25,165
Assets held for sale	41,745	—
Total current assets	281,358	249,013
Property and equipment, net	15,080	15,540
Goodwill	356,525	360,191
Intangible assets, net	2,223,559	2,322,723
Other long-term assets	1,918	1,324
Total Assets	\$2,878,440	\$2,948,791
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$35,012	\$38,296
Accrued interest payable	9,216	8,664
Other accrued liabilities	55,913	59,724
Total current liabilities	100,141	106,684
Long-term debt		
Principal amount	1,602,500	1,652,500
Less unamortized debt costs	(25,086)	(27,191)
Long-term debt, net	1,577,414	1,625,309
Deferred income tax liabilities	460,557	469,622
Other long-term liabilities	2,847	2,840
Total Liabilities	2,140,959	2,204,455
Commitments and Contingencies — Note 17		
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 - 53,247 shares at June 30, 2016 and 53,066 shares at March 31, 2016	532	530
Additional paid-in capital	451,075	445,182
Treasury stock, at cost - 331 shares at June 30, 2016 and 306 shares at March 31, 2016	(6,558)	(5,163)

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Accumulated other comprehensive loss, net of tax	(29,349	) (23,525	)
Retained earnings	321,781	327,312	
Total Stockholders' Equity	737,481	744,336	
Total Liabilities and Stockholders' Equity	\$2,878,440	\$2,948,791	
See accompanying notes.			

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

(In thousands)	Three Months Ended June 30,	
	2016	2015
Operating Activities		
Net (loss) income	\$(5,531)	\$26,173
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	6,832	5,720
Loss (gain) on sale of assets	55,453	(36)
Deferred income taxes	(9,660)	11,536
Amortization of debt origination costs	2,231	2,138
Stock-based compensation costs	1,940	3,047
Loss on extinguishment of debt	—	451
Changes in operating assets and liabilities, net of effects from acquisitions		
Accounts receivable	5,151	2,578
Inventories	(4,327)	(211)
Prepaid expenses and other current assets	5,697	(1,522)
Accounts payable	(3,401)	783
Accrued liabilities	(3,634)	(7,136)
Net cash provided by operating activities	50,751	43,521
Investing Activities		
Purchases of property and equipment	(895)	(780)
Proceeds from the sale of property and equipment	—	344
Net cash used in investing activities	(895)	(436)
Financing Activities		
Term loan repayments	(50,000)	(25,000)
Borrowings under revolving credit agreement	—	15,000
Repayments under revolving credit agreement	—	(35,000)
Payments of debt origination costs	(9)	(4,172)
Proceeds from exercise of stock options	3,405	6,328
Proceeds from restricted stock exercises	—	544
Excess tax benefits from share-based awards	550	1,600
Fair value of shares surrendered as payment of tax withholding	(1,395)	(2,187)
Net cash used in financing activities	(47,449)	(42,887)
Effects of exchange rate changes on cash and cash equivalents	(760)	82
Increase in cash and cash equivalents	1,647	280
Cash and cash equivalents - beginning of period	27,230	21,318
Cash and cash equivalents - end of period	\$28,877	\$21,598
Interest paid	\$18,337	\$22,444
Income taxes paid	\$1,357	\$1,914
See accompanying notes.		





Prestige Brands Holdings, Inc.  
Notes to Consolidated Financial Statements (unaudited)

1. Business and Basis of Presentation

Nature of Business

Prestige Brands Holdings, Inc. (referred to herein as the “Company” or “we”, which reference shall, unless the context requires otherwise, be deemed to refer to Prestige Brands Holdings, Inc. and all of its direct and indirect 100% owned subsidiaries on a consolidated basis) is engaged in the marketing, sales and distribution of over-the-counter (“OTC”) healthcare and household cleaning products to mass merchandisers, drug stores, supermarkets, and club, convenience, and dollar stores in North America (the United States and Canada) and in Australia and certain other international markets. Prestige Brands Holdings, Inc. is a holding company with no operations and is also the parent guarantor of the senior credit facility and the senior notes described in Note 10 to these Consolidated Financial Statements.

Basis of Presentation

The unaudited Consolidated Financial Statements presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All significant intercompany transactions and balances have been eliminated in these Consolidated Financial Statements. In the opinion of management, these Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, that are considered necessary for a fair statement of our consolidated financial position, results of operations and cash flows for the interim periods presented. Our fiscal year ends on March 31<sup>st</sup> of each year. References in these Consolidated Financial Statements or related notes to a year (e.g., “2017”) mean our fiscal year ending or ended on March 31 of that year. Operating results for the three months ended June 30, 2016 are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2017. These unaudited Consolidated Financial Statements and related notes should be read in conjunction with our audited Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on our knowledge of current events and actions that we may undertake in the future, actual results could differ from those estimates. As discussed below, our most significant estimates include those made in connection with the valuation of intangible assets, stock-based compensation, fair value of debt, sales returns and allowances, trade promotional allowances and inventory obsolescence, and the recognition of income taxes using an estimated annual effective tax rate.

Cash and Cash Equivalents

We consider all short-term deposits and investments with original maturities of three months or less to be cash equivalents. Substantially all of our cash is held by a large regional bank with headquarters in California. We do not believe that, as a result of this concentration, we are subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships. The Federal Deposit Insurance Corporation (“FDIC”) and Securities Investor Protection Corporation (“SIPC”) insure these balances up to \$250,000 and \$500,000, with a \$250,000 limit for cash, respectively. Substantially all of the Company's cash balances at June 30, 2016 are uninsured.

Accounts Receivable

We extend non-interest-bearing trade credit to our customers in the ordinary course of business. We maintain an allowance for doubtful accounts receivable based upon historical collection experience and expected collectability of the accounts receivable. In an effort to reduce credit risk, we (i) have established credit limits for all of our customer relationships, (ii) perform ongoing credit evaluations of customers' financial condition, (iii) monitor the payment history and aging of customers' receivables, and (iv) monitor open orders against an individual customer's outstanding receivable balance.

#### Inventories

Inventories are stated at the lower of cost or market value, with cost determined by using the first-in, first-out method. We reduce inventories for diminution of value resulting from product obsolescence, damage or other issues affecting marketability, equal to the difference between the cost of the inventory and its estimated market value. Factors utilized in the determination of estimated market value include: (i) current sales data and historical return rates, (ii) estimates of future demand, (iii) competitive pricing pressures, (iv) new product introductions, (v) product expiration dates, and (vi) component and packaging obsolescence.

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### Assets Held for Sale

We classify assets or disposal groups to be sold as held for sale in the period in which all of the following criteria are met: (i) management, having the authority to approve the action, commits to a plan to sell the asset or disposal group, (ii) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated, (iv) the sale of the asset or disposal group is probable, and transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to complete the sale of the asset or disposal group beyond one year, (v) the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

We measure an asset or disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held-for-sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset or disposal group until the date of sale. We assess the fair value of a long-lived asset or disposal group less any costs to sell each reporting period it remains classified as held for sale and report any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale.

Upon determining that an asset or disposal group meets the criteria as held for sale, the Company ceases depreciation and reports both long-lived assets and/or the current assets and liabilities of the disposal group, if material, in the line item assets held for sale in our consolidated balance sheet. Refer to Note 3 below for further discussion.

### Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method based on the following estimated useful lives:

	Years
Machinery	5
Computer equipment and software	3
Furniture and fixtures	7
Leasehold improvements	*

\*Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the related asset.

Expenditures for maintenance and repairs are charged to expense as incurred. When an asset is sold or otherwise disposed of, we remove the cost and associated accumulated depreciation from the respective accounts and recognize the resulting gain or loss in the Consolidated Statements of Operations and Comprehensive Income.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

### Goodwill

The excess of the purchase price over the fair market value of assets acquired and liabilities assumed in business combinations is classified as goodwill. Goodwill is not amortized, although the carrying value is tested for

impairment at least annually in the fourth fiscal quarter of each year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill is tested for impairment at the product group level, which is one level below the operating segment level.

#### Intangible Assets

Intangible assets, which are comprised primarily of trademarks, are stated at cost less accumulated amortization. For intangible assets with finite lives, amortization is computed using the straight-line method over estimated useful lives, typically ranging from 10 to 30 years.

Indefinite-lived intangible assets are tested for impairment at least annually in the fourth fiscal quarter of each year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their fair values and may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

#### Debt Origination Costs

We have incurred debt origination costs in connection with the issuance of long-term debt. These costs are amortized over the term of the related debt, using the effective interest method for our term loan facility and the straight-line method for our revolving credit facility.

#### Revenue Recognition

Revenues are recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the selling price is fixed or determinable, (iii) the product has been shipped and the customer takes ownership and assumes the risk of loss, and (iv) collection of the resulting receivable is reasonably assured. We have determined that these criteria are met and the transfer of the risk of loss generally occurs when the product is received by the customer, and, accordingly, we recognize revenue at that time. Provisions are made for estimated discounts related to customer payment terms and estimated product returns at the time of sale based on our historical experience.

As is customary in the consumer products industry, we participate in the promotional programs of our customers to enhance the sale of our products. The cost of these promotional programs varies based on the actual number of units sold during a finite period of time. These promotional programs consist of direct-to-consumer incentives, such as coupons and temporary price reductions, as well as incentives to our customers, such as allowances for new distribution, including slotting fees, and cooperative advertising. Estimates of the costs of these promotional programs are based on (i) historical sales experience, (ii) the current promotional offering, (iii) forecasted data, (iv) current market conditions, and (v) communication with customer purchasing/marketing personnel. We recognize the cost of such sales incentives by recording an estimate of such cost as a reduction of revenue, at the later of (a) the date the related revenue is recognized, or (b) the date when a particular sales incentive is offered. At the completion of a promotional program, the estimated amounts are adjusted to actual results.

Due to the nature of the consumer products industry, we are required to estimate future product returns. Accordingly, we record an estimate of product returns concurrent with recording sales, which is made after analyzing (i) historical return rates, (ii) current economic trends, (iii) changes in customer demand, (iv) product acceptance, (v) seasonality of our product offerings, and (vi) the impact of changes in product formulation, packaging and advertising.

#### Cost of Sales

Cost of sales includes product costs, warehousing costs, inbound and outbound shipping costs, and handling and storage costs. Warehousing, shipping and handling and storage costs were \$10.5 million for the three months ended June 30, 2016 and \$8.7 million for the three months ended June 30, 2015.

#### Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred. Allowances for new distribution costs associated with products, including slotting fees, are recognized as a reduction of sales. Under these new distribution arrangements, the retailers allow our products to be placed on the stores' shelves in exchange for such fees.

#### Stock-based Compensation

We recognize stock-based compensation by measuring the cost of services to be rendered based on the grant-date fair value of the equity award. Compensation expense is recognized over the period a grantee is required to provide service in exchange for the award, generally referred to as the requisite service period.

#### Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts

expected to be realized.

The Income Taxes topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the various taxing authorities. As a result, we have applied such guidance in determining our tax uncertainties.

We are subject to taxation in the United States and various state and foreign jurisdictions.

We classify penalties and interest related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations and Comprehensive Income.

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### Earnings Per Share

Basic earnings per share is calculated based on income available to common stockholders and the weighted-average number of shares outstanding during the reporting period. Diluted earnings per share is calculated based on income available to common stockholders and the weighted-average number of common and potential common shares outstanding during the reporting period. Potential common shares, composed of the incremental common shares issuable upon the exercise of outstanding stock options and unvested restricted stock units, are included in the earnings per share calculation to the extent that they are dilutive. In loss periods, the assumed exercise of in-the-money stock options and restricted stock units has an anti-dilutive effect and therefore, these instruments are excluded from the computation of diluted earnings per share.

### Recently Issued Accounting Standards

In May 2016, the FASB issued Accounting Standards Update ("ASU") 2016-12, Revenue from Contracts with Customers. The amendments do not change the core principle of the guidance in FASB ASC 606. Rather, the amendments in this update affect only certain narrow aspects of FASB ASC 606. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09 described below. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers. The amendments in this update clarify the implementation guidance on identifying performance obligations and licensing in FASB ASC 606. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09 described below. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The amendments in this update involve several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards, and classification on the statement of cash flows. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers. The amendments in this update clarify the implementation guidance on principals versus agent considerations in FASB ASC 606. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09 described below. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, Leases. The amendments in this update include a new FASB ASC Topic 842, which supersedes Topic 840. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted for all entities as of the beginning of interim or annual reporting periods. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. For public business entities, the amendments in this update are



effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early application is permitted for all entities as of the beginning of interim or annual reporting periods. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. The amendments in this update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards, under which an entity should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of ASU 2015-11 is not expected to have a material impact on our Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers - Topic 606, which supersedes the revenue recognition requirements in FASB ASC 605. The new guidance primarily states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to

be entitled in exchange for those goods and services. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 from annual and interim periods beginning after December 15, 2016 to annual and interim periods beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

## 2. Acquisitions

### Acquisition of DenTek

On February 5, 2016, the Company completed the acquisition of DenTek Holdings, Inc. ("DenTek"), a privately-held marketer and distributor of specialty oral care products. The closing was finalized pursuant to the terms of the merger agreement, announced November 23, 2015, under which Prestige agreed to acquire DenTek from its stockholders, including TSG Consumer Partners, for a purchase price of \$228.3 million. The acquisition expands Prestige's portfolio of brands, strengthens its existing oral care platform and increases its geographic reach in parts of Europe. The Company financed the transaction with a combination of available cash on hand, available cash from its Asset Based Loan revolver, and financing of an additional unsecured bridge loan. The DenTek brands are primarily included in the Company's North American and International OTC Healthcare segments.

The DenTek acquisition was accounted for in accordance with the Business Combinations topic of the FASB ASC 805, which requires that the total cost of an acquisition be allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values at the date of acquisition.

We prepared an analysis of the fair values of the assets acquired and liabilities assumed as of the date of acquisition. The following table summarizes our preliminary allocation of the assets acquired and liabilities assumed as of the February 5, 2016 acquisition date.

(In thousands)	February 5, 2016
Cash acquired	\$1,359
Accounts receivable	9,187
Inventories	14,304
Deferred income taxes	3,303
Prepays and other current assets	6,728
Property, plant and equipment, net	3,555
Goodwill	76,529
Intangible assets, net	206,700
Total assets acquired	321,665
Accounts payable	3,261
Accrued expenses	16,488
Deferred income tax liabilities - long term	73,573
Total liabilities assumed	93,322
Total purchase price	\$228,343

Based on this preliminary analysis, we allocated \$179.8 million to non-amortizable intangible assets and \$26.9 million to amortizable intangible assets. We are amortizing the purchased amortizable intangible assets on a straight-line basis over an estimated weighted average useful life of 18.5 years. The weighted average remaining life for amortizable intangible assets at June 30, 2016 was 18.2 years.

We also recorded goodwill of \$76.5 million based on the amount by which the purchase price exceeded the fair value of the net assets acquired. Goodwill is not deductible for income tax purposes.

The pro forma effect of this acquisition on revenues and earnings was not material.

### 3. Assets Held for Sale

#### Assets Held for Sale

Late in the first quarter of fiscal 2017, the Company was approached and discussed the potential to sell certain assets. Prior to these discussions, the Company did not contemplate any divestitures, and the Company did not commit to any course of action to divest any of the assets until entering into an agreement on June 29, 2016, to sell Pediacare, New Skin and Fiber Choice. The carrying value of Pediacare, New Skin and Fiber Choice at June 30, 2016 (including inventory) was \$24.1 million, \$30.6 million, and \$11.4 million, respectively. The purchase price for all three brands combined was \$40.0 million plus inventory and included an obligation of the Company to perform certain services on behalf of the buyer for a period of up to six months (the "Transitional Services Agreement" or "TSA") and an option to the buyer to purchase Dermoplast at a specified earnings multiple as defined in the agreement. The Pediacare, New Skin and Fiber Choice brands were reported under the Cough & Cold, Dermatologicals and Gastrointestinal product groups, respectively, and all these brands were reported under the North American OTC Healthcare segment. This transaction met the criteria as held for sale, and the related assets were measured at the lower of the carrying value or fair value less any costs to sell based on the agreed-upon sales price. As a result, as of June 30, 2016, we recorded the held for sale assets at their estimated fair value and recorded a pre-tax loss on sale of assets of \$55.5 million.

This transaction closed in July 2016 and as of June 30, 2016, the total assets held for sale, net of the loss recognized, related to Pediacare, New Skin and Fiber Choice were:

(In thousands)	June 30, 2016
Components of assets held for sale:	
Inventory	\$2,420
Intangible assets, net	36,405
Goodwill	2,920
Assets held for sale	\$41,745

Refer to Note 21 below for further information. Additionally, we determined that this transaction did not meet the criteria to be classified as discontinued operations under FASB ASC 205.

### 4. Accounts Receivable

Accounts receivable consist of the following:

(In thousands)	June 30, 2016	March 31, 2016
Components of Accounts Receivable		
Trade accounts receivable	\$98,513	\$105,592
Other receivables	1,046	1,261
	99,559	106,853
Less allowances for discounts, returns and uncollectible accounts	(11,122 )	(11,606 )
Accounts receivable, net	\$88,437	\$95,247

### 5. Inventories

Inventories consist of the following:

(In thousands)	June 30, 2016	March 31, 2016
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Components of Inventories

Packaging and raw materials	\$7,442	\$7,563
Finished goods	85,425	83,700
Inventories	\$92,867	\$91,263

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Inventories are carried and depicted above at the lower of cost or market value, which includes a reduction in inventory values of \$5.2 million and \$4.8 million at June 30, 2016 and March 31, 2016, respectively, related to obsolete and slow-moving inventory.

## 6. Property and Equipment

Property and equipment consist of the following:

(In thousands)	June 30, 2016	March 31, 2016
Components of Property and Equipment		
Machinery	\$8,444	\$7,734
Computer equipment	13,154	12,793
Furniture and fixtures	2,444	2,445
Leasehold improvements	7,384	7,389
	31,426	30,361
Accumulated depreciation	(16,346 )	(14,821 )
Property and equipment, net	\$ 15,080	\$ 15,540

We recorded depreciation expense of \$1.5 million and \$1.3 million for the three months ended June 30, 2016 and 2015, respectively.

## 7. Goodwill

A reconciliation of the activity affecting goodwill by operating segment is as follows:

(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Balance — March 31, 2016	\$330,615	\$ 22,776	\$ 6,800	\$ 360,191
Reclassified to assets held for sale	(2,920 )	—	—	(2,920 )
Effects of foreign currency exchange rates	—	(746 )	—	(746 )
Balance — June 30, 2016	\$327,695	\$ 22,030	\$ 6,800	\$ 356,525

As discussed in Note 2, on February 5, 2016, we completed the acquisition of DenTek. In connection with this acquisition, we recorded goodwill of \$76.5 million based on the amount by which the purchase price exceeded the fair value of net assets acquired.

Under accounting guidelines, goodwill is not amortized, but must be tested for impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below the carrying amount.

On an annual basis during the fourth quarter of each fiscal year, or more frequently if conditions indicate that the carrying value of the asset may not be recoverable, management performs a review of the values assigned to goodwill and tests for impairment. At February 29, 2016, during our annual test for goodwill impairment, there were no indicators of impairment under the analysis. Accordingly, no impairment charge was recorded in fiscal 2016. We utilize the discounted cash flow method to estimate the fair value of our reporting units as part of the goodwill impairment test. We also considered our market capitalization at February 29, 2016, which was the date of our annual

review, as compared to the aggregate fair values of our reporting units, to assess the reasonableness of our estimates pursuant to the discounted cash flow methodology. The estimates and assumptions made in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Consequently, changing rates of interest and inflation, declining sales or margins, increases in competition, changing consumer preferences, technical advances, or reductions in advertising and promotion may require an impairment charge to be recorded in the future.

On June 29, 2016, we entered into an agreement to sell Pediacare, New Skin and Fiber Choice. This transaction (see Note 3 above for further details) met the criteria as held for sale, and the related assets were measured at the lower of carrying value or fair value less cost to sell. As a result, the allocable portion of goodwill related to these businesses were reclassified and included in assets held for sale. As of June 30, 2016, no events have occurred that would indicate potential impairment of goodwill.

## 8. Intangible Assets

A reconciliation of the activity affecting intangible assets is as follows:

(In thousands)	Indefinite Lived Trademarks	Finite Lived Trademarks and Customer Relationships	Totals
<b>Gross Carrying Amounts</b>			
Balance — March 31, 2016	\$2,020,046	\$ 417,880	\$2,437,926
Reclassified to assets held for sale	(37,207 )	(60,103 )	(97,310 )
Effects of foreign currency exchange rates	(2,545 )	(107 )	(2,652 )
Balance — June 30, 2016	1,980,294	357,670	2,337,964
<b>Accumulated Amortization</b>			
Balance — March 31, 2016	—	115,203	115,203
Reclassified to assets held for sale	—	(6,102 )	(6,102 )
Additions	—	5,313	5,313
Effects of foreign currency exchange rates	—	(9 )	(9 )
Balance — June 30, 2016	—	114,405	114,405
Intangible assets, net - June 30, 2016	\$ 1,980,294	\$ 243,265	\$ 2,223,559
<b>Intangible Assets, net by Reportable Segment:</b>			
North American OTC Healthcare	\$ 1,786,666	\$ 219,570	\$ 2,006,236
International OTC Healthcare	83,356	1,453	84,809
Household Cleaning	110,272	22,242	132,514
Intangible assets, net - June 30, 2016	\$ 1,980,294	\$ 243,265	\$ 2,223,559

On June 29, 2016, we entered into an agreement to sell Pediacare, New Skin and Fiber Choice. This transaction (see Note 3 above for further details) met the criteria as held for sale, and the related assets were measured at the lower of the carrying value or fair value less cost to sell based on the agreed-upon sales price. As a result, as of June 30, 2016, we recorded the held for sale assets at their estimated fair value and recorded a pre-tax loss of \$55.5 million and reclassified \$37.2 million and \$54.0 million of indefinite and finite lived trademarks, respectively, to assets held for sale.

As discussed in Note 2, on February 5, 2016, we completed the acquisition of DenTek. In connection with this acquisition, we allocated \$206.7 million to intangible assets based on our analysis.

Under accounting guidelines, indefinite-lived assets are not amortized, but must be tested for impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below the carrying amount. Additionally, at each reporting period, an evaluation must be made to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with finite lives are amortized over their respective estimated useful lives and are also tested for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable and exceeds its fair value.

On an annual basis during the fourth fiscal quarter, or more frequently if conditions indicate that the carrying value of the asset may not be recoverable, management performs a review of both the values and, if applicable, useful lives assigned to intangible assets and tests for impairment.



We utilize the excess earnings method to estimate the fair value of our individual indefinite-lived intangible assets. We also considered our market capitalization at February 29, 2016, which was the date of our annual review. The estimates and assumptions made in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Consequently, changing rates of interest and inflation, declining sales or margins, increases in competition, changing consumer preferences, technical advances, or reductions in advertising and promotion may require an impairment charge to be recorded in the future.

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The weighted average remaining life for finite-lived intangible assets at June 30, 2016 was approximately 13.4 years, and the amortization expense for the three months ended June 30, 2016 was \$5.3 million. At June 30, 2016, finite-lived intangible assets are being amortized over a period of 10 to 30 years, and the associated amortization expense is expected to be as follows:

(In thousands)

Year Ending March 31,	Amount
2017 (Remaining nine months ending March 31, 2017)	\$13,654
2018	18,049
2019	18,049
2020	18,049
2021	17,626
Thereafter	157,838
	\$243,265

#### 9. Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In thousands)	June 30, 2016	March 31, 2016
Accrued marketing costs	\$29,410	\$26,373
Accrued compensation costs	4,275	9,574
Accrued broker commissions	564	1,497
Income taxes payable	3,282	3,675
Accrued professional fees	2,226	1,787
Deferred rent	747	836
Accrued production costs	3,413	3,324
Accrued lease termination costs	417	448
Income tax related payable	6,354	6,354
Other accrued liabilities	5,225	5,856
	\$55,913	\$59,724

#### 10. Long-Term Debt

##### 2012 Term Loan and 2012 ABL Revolver:

On January 31, 2012, Prestige Brands, Inc. (the "Borrower") entered into a new senior secured credit facility, which consists of (i) a \$660.0 million term loan facility (the "2012 Term Loan") with a 7-year maturity and (ii) a \$50.0 million asset-based revolving credit facility (the "2012 ABL Revolver") with a 5-year maturity. In subsequent years, we have utilized portions of our accordion feature to increase the amount of our borrowing capacity under the 2012 ABL Revolver by \$85.0 million to \$135.0 million and reduced our borrowing rate on the 2012 ABL Revolver by 0.25% (discussed below). The 2012 Term Loan was issued with an original issue discount of 1.5% of the principal amount thereof, resulting in net proceeds to the Borrower of \$650.1 million. In connection with these loan facilities, we incurred \$20.6 million of costs, which were capitalized as deferred financing costs and are being amortized over the terms of the facilities. The 2012 Term Loan is unconditionally guaranteed by Prestige Brands Holdings, Inc. and

certain of its domestic 100% owned subsidiaries, other than the Borrower. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries or to make payments to the Borrower or the Company.

On February 21, 2013, we entered into Amendment No. 1 ("Term Loan Amendment No. 1") to the 2012 Term Loan. Term Loan Amendment No. 1 provided for the refinancing of all of the Borrower's existing Term B Loans with new Term B-1 Loans (the "Term B-1 Loans"). The interest rate on the Term B-1 Loans under Term Loan Amendment No. 1 was based, at the Borrower's option, on a LIBOR rate plus a margin of 2.75% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin. The new Term B-1 Loans would have matured on the same date as the Term B Loans' original maturity date. In addition, Term Loan Amendment No. 1 provided the Borrower with certain additional capacity to prepay subordinated

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debt, the 8.125% senior notes due in 2020 and certain other unsecured indebtedness permitted to be incurred under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver. In connection with Term Loan Amendment No. 1, during the fourth quarter ended March 31, 2013, we recognized a \$1.4 million loss on the extinguishment of debt.

On September 3, 2014, we entered into Amendment No. 2 ("Term Loan Amendment No. 2") to the 2012 Term Loan. Term Loan Amendment No. 2 provided for (i) the creation of a new class of Term B-2 Loans under the 2012 Term Loan (the "Term B-2 Loans") in an aggregate principal amount of \$720.0 million, (ii) increased flexibility under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver, including additional investment, restricted payment and debt incurrence flexibility and financial maintenance covenant relief, and (iii) an interest rate on (x) the Term B-1 Loans that was based, at our option, on a LIBOR rate plus a margin of 3.125% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin, and (y) the Term B-2 Loans that was based, at our option, on a LIBOR rate plus a margin of 3.50% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin (with a margin step-down to 3.25% per annum, based upon achievement of a specified secured net leverage ratio).

Also, on September 3, 2014, the Borrower entered into Amendment No. 3 ("ABL Amendment No. 3") to the 2012 ABL Revolver. ABL Amendment No. 3 provides for (i) a \$40.0 million increase in revolving commitments under the 2012 ABL Revolver and (ii) increased flexibility under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver, including additional investment, restricted payment and debt incurrence flexibility. Borrowings under the 2012 ABL Revolver, as amended, bear interest at a rate per annum equal to an applicable margin, plus, at the Borrower's option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month, adjusted for certain additional costs, plus 1.00% or (ii) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs. The applicable margin for borrowings under the 2012 ABL Revolver may be increased to 2.00% or 2.25% for LIBOR borrowings and 1.00% or 1.25% for base-rate borrowings, depending on average excess availability under the 2012 ABL Revolver during the prior fiscal quarter. In addition to paying interest on outstanding principal under the 2012 ABL Revolver, we are required to pay a commitment fee to the lenders under the 2012 ABL Revolver in respect of the unutilized commitments thereunder. The initial commitment fee rate is 0.50% per annum. The commitment fee rate will be reduced to 0.375% per annum at any time when the average daily unused commitments for the prior quarter is less than a percentage of total commitments by an amount set forth in the credit agreement covering the 2012 ABL Revolver. We may voluntarily repay outstanding loans under the 2012 ABL Revolver at any time without a premium or penalty.

On May 8, 2015, we entered into Amendment No. 3 ("Term Loan Amendment No. 3") to the 2012 Term Loan. Term Loan Amendment No. 3 provides for (i) the creation of a new class of Term B-3 Loans under the 2012 Term Loan (the "Term B-3 Loans") in an aggregate principal amount of \$852.5 million, which combined the outstanding balances of the Term B-1 Loans of \$207.5 million and the Term B-2 Loans of \$645.0 million, and (ii) increased flexibility under the credit agreement governing the 2012 Term Loan, including additional investment, restricted payment, and debt incurrence flexibility and financial maintenance covenant relief. The maturity date of the Term B-3 Loans remains the same as the Term B-2 Loans' original maturity date of September 3, 2021.

The 2012 Term Loan, as amended, bears interest at a rate per annum equal to an applicable margin plus, at our option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month, adjusted for certain additional costs, plus 1.00% and (d) a floor of 1.75% or (ii) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, with a floor of 0.75%. For the three months ended June 30, 2016, the average interest rate on the 2012 Term Loan was 4.7%.

Under the 2012 Term Loan, the Borrower was originally required to make quarterly payments each equal to 0.25% of the original principal amount of the 2012 Term Loan, with the balance expected to be due on the seventh anniversary of the closing date. However, since the Borrower has previously made significant optional payments that exceeded all of our required quarterly payments, the Borrower will not be required to make another payment until the maturity date of March 31, 2019.

On June 9, 2015, we entered into Amendment No. 4 (“ABL Amendment No. 4”) to the 2012 ABL Revolver. ABL Amendment No. 4 provides for (i) a \$35.0 million increase in the accordion feature under the 2012 ABL Revolver and (ii) increased flexibility under the credit agreement governing the 2012 ABL Revolver, including additional investment, restricted payment, and debt incurrence flexibility and financial maintenance covenant relief and (iii) extended the maturity date of the 2012 ABL Revolver to June 9, 2020, which is five years from the effective date. We may voluntarily repay outstanding loans under the 2012 ABL Revolver at any time without a premium or penalty. For the three months ended June 30, 2016, the average interest rate on the amounts borrowed under the 2012 ABL Revolver was 2.2%.

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In connection with the DenTek acquisition on February 5, 2016, we entered into Amendment No. 5 (“ABL Amendment No. 5”) to the 2012 ABL Revolver. ABL Amendment No. 5 temporarily suspended certain financial and related reporting covenants in the 2012 ABL Revolver until the earliest of (i) the date that is 60 calendar days following February 4, 2016, (ii) the date upon which certain of DenTek’s assets are included in the Company’s borrowing base under the 2012 ABL Revolver and (iii) the date upon which the Company receives net proceeds from an offering of debt securities.

#### 2013 Senior Notes:

On December 17, 2013, the Borrower issued \$400.0 million of senior unsecured notes, with an interest rate of 5.375% and a maturity date of December 15, 2021 (the “2013 Senior Notes”). The Borrower may redeem some or all of the 2013 Senior Notes at redemption prices set forth in the indenture governing the 2013 Senior Notes. The 2013 Senior Notes are guaranteed by Prestige Brands Holdings, Inc. and certain of its 100% domestic owned subsidiaries, other than the Borrower. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries or to make payments to the Borrower or the Company. In connection with the 2013 Senior Notes offering, we incurred \$7.2 million of costs, which were capitalized as deferred financing costs and are being amortized over the term of the 2013 Senior Notes.

#### 2016 Senior Notes:

On February 19, 2016, the Borrower completed the sale of \$350.0 million aggregate principal amount of 6.375% senior notes due 2024 (the “2016 Senior Notes”), pursuant to a purchase agreement, dated February 16, 2016, among the Borrower, the guarantors party thereto (the “Guarantors”) and the initial purchasers party thereto. The 2016 Senior Notes are guaranteed by Prestige Brands Holdings, Inc. and certain of its domestic 100% owned subsidiaries, other than the Borrower. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the Guarantors to obtain funds from their subsidiaries or to make payments to the Borrower or the Company. In connection with the 2016 Senior Notes offering, we incurred \$5.5 million of costs, which were capitalized as deferred financing costs and are being amortized over the term of the 2016 Senior Notes.

The 2016 Senior Notes were issued pursuant to an indenture, dated February 19, 2016 (the “Indenture”). The Indenture provides, among other things, that interest will be payable on the 2016 Senior Notes on March 1 and September 1 of each year, beginning on September 1, 2016, until their maturity date of March 1, 2024. The 2016 Senior Notes are senior unsecured obligations of the Borrower.

#### Redemptions and Restrictions:

At any time prior to December 15, 2016, we have the option to redeem the 2013 Senior Notes in whole or in part at a redemption price equal to 100% of the principal amount of notes redeemed, plus an applicable "make-whole premium" calculated as set forth in the indenture governing the 2013 Senior Notes, together with accrued and unpaid interest, if any, to the date of redemption. On or after December 15, 2016, we have the option to redeem some or all of the 2013 Senior Notes at redemption prices set forth in the indenture governing the 2013 Senior Notes. In addition, at any time prior to December 15, 2016, we have the option to redeem up to 35% of the aggregate principal amount of the 2013 Senior Notes at a redemption price equal to 105.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of certain equity offerings, provided that certain conditions are met. Subject to certain limitations, in the event of a change of control, as defined in the indenture governing the 2013 Senior Notes, the Borrower will be required to make an offer to purchase the 2013 Senior Notes at a price equal to 101% of the aggregate principal amount of the 2013 Senior Notes repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The Borrower has the option to redeem all or a portion of the 2016 Senior Notes at any time on or after March 1, 2019 at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any. The Borrower may also redeem all or any portion of the 2016 Senior Notes at any time prior to March 1, 2019, at a price equal to 100% of the

aggregate principal amount of the notes redeemed, plus an applicable "make-whole premium" calculated as set forth in the Indenture, and accrued and unpaid interest, if any, to the date of redemption. In addition, before March 1, 2019, the Borrower may redeem up to 40% of the aggregate principal amount of the 2016 Senior Notes with the net proceeds of certain equity offerings at the redemption price set forth in the Indenture, provided that certain conditions are met. Subject to certain limitations, in the event of a change of control, as defined in the Indenture, the Borrower will be required to make an offer to purchase the 2016 Senior Notes at a price equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The indentures governing the 2013 Senior Notes and the 2016 Senior Notes contain provisions that restrict us from undertaking specified corporate actions, such as asset dispositions, acquisitions, dividend payments, repurchases of common shares outstanding, changes of control, incurrences of indebtedness, issuance of equity, creation of liens, making of loans and transactions with affiliates. Additionally, the credit agreement with respect to the 2012 Term Loan and the 2012 ABL Revolver and the indentures governing the 2013 Senior Notes and the 2016 Senior Notes contain cross-default provisions, whereby a default pursuant to the terms and conditions of certain indebtedness will cause a default on the remaining indebtedness under the credit agreement

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governing the 2012 Term Loan and the 2012 ABL Revolver and the indentures governing the 2013 Senior Notes and the 2016 Senior Notes. At March 31, 2016, we were in compliance with the covenants under our long-term indebtedness.

At June 30, 2016, we had an aggregate of \$1.2 million of unamortized debt costs related to the 2012 ABL Revolver included in other long-term assets, and \$25.1 million of unamortized debt costs included in long-term debt costs, the total of which is comprised of \$5.2 million related to the 2013 Senior Notes, \$5.3 million related to the 2016 Senior Notes, and \$14.6 million related to the 2012 Term Loan.

At March 31, 2016 we had an aggregate of \$1.3 million of unamortized debt costs related to the 2012 ABL Revolver included in other long-term assets, and \$27.2 million of unamortized debts costs included in long-term debt costs, the total of which is comprised of \$5.4 million related to the 2013 Senior Notes, \$5.4 million related to the 2016 Senior Notes, and \$16.4 million related to the 2012 Term Loan.

At June 30, 2016, we had \$85.0 million outstanding on the 2012 ABL Revolver and a borrowing capacity of \$38.6 million.

Long-term debt consists of the following, as of the dates indicated:

(In thousands, except percentages)	June 30, 2016	March 31, 2016
2016 Senior Notes bearing interest at 6.375%, with interest payable on March 1 and September 1 of each year. The 2016 Senior Notes mature on March 1, 2024.	\$350,000	\$350,000
2013 Senior Notes bearing interest at 5.375%, with interest payable on June 15 and December 15 of each year. The 2013 Senior Notes mature on December 15, 2021.	400,000	400,000
2012 Term B-3 Loans bearing interest at the Borrower's option at either a base rate with a floor of 1.75% plus applicable margin or LIBOR with a floor of 0.75% plus applicable margin, due on September 3, 2021.	767,500	817,500
2012 ABL Revolver bearing interest at the Borrower's option at either a base rate plus applicable margin or LIBOR plus applicable margin. Any unpaid balance is due on June 9, 2020.	85,000	85,000
Total long-term debt (including current portion)	1,602,500	1,652,500
Current portion of long-term debt	—	—
Long-term debt	1,602,500	1,652,500
Less: unamortized debt costs	(25,086 )	(27,191 )
Long-term debt, net	\$1,577,414	\$1,625,309

At June 30, 2016, aggregate future principal payments required in accordance with the terms of the 2012 Term Loan, 2012 ABL Revolver and the indentures governing the 2016 Senior Notes and the 2013 Senior Notes are as follows:

(In thousands)

Year Ending March 31,	Amount
2017 (remaining nine months ending March 31, 2017)	\$—
2018	—
2019	—
2020	—
2021	85,000
Thereafter	1,517,500
	\$1,602,500



#### 11. Fair Value Measurements

For certain of our financial instruments, including cash, accounts receivable, accounts payable and other current liabilities, the carrying amounts approximate their respective fair values due to the relatively short maturity of these amounts.

The Fair Value Measurements and Disclosures topic of the FASB ASC 820 requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market assuming an orderly transaction between market participants. The Fair Value Measurements and Disclosures topic established

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market (observable inputs) as the preferred source of fair value, to be followed by the Company's assumptions of fair value based on hypothetical transactions (unobservable inputs) in the absence of observable market inputs. Based upon the above, the following fair value hierarchy was created:

Level 1 - Quoted market prices for identical instruments in active markets;

Level 2 - Quoted prices for similar instruments in active markets, as well as quoted prices for identical or similar instruments in markets that are not considered active; and

Level 3 - Unobservable inputs developed by the Company using estimates and assumptions reflective of those that would be utilized by a market participant.

The market values have been determined based on market values for similar instruments adjusted for certain factors. As such, the 2016 Senior Notes, the 2013 Senior Notes, the Term B-3 loans, and the 2012 ABL Revolver are measured in Level 2 of the above hierarchy (see summary below detailing the carrying amounts and estimated fair values of these borrowings at June 30, 2016 and March 31, 2016).

(In thousands)	June 30, 2016		March 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2016 Senior Notes	\$350,000	\$359,625	\$350,000	\$363,125
2013 Senior Notes	400,000	404,000	400,000	408,000
Term B-3 Loans	767,500	766,541	817,500	818,522
2012 ABL Revolver	85,000	85,000	85,000	85,000

At June 30, 2016 and March 31, 2016, we did not have any assets or liabilities measured in Level 1 or 3.

#### Nonrecurring Fair Value Measurements

As of June 30, 2016, and in addition to the recurring fair value measurements disclosed above, we recorded the long-lived held for sale assets (discussed in Note 3 above) at fair value, using level 3 inputs, and recorded a pre-tax loss on sale of assets of \$55.5 million (\$35.5 million after-tax).

#### 12. Stockholders' Equity

The Company is authorized to issue 250.0 million shares of common stock, \$0.01 par value per share, and 5.0 million shares of preferred stock, \$0.01 par value per share. The Board of Directors may direct the issuance of the undesignated preferred stock in one or more series and determine preferences, privileges and restrictions thereof.

Each share of common stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all classes of outstanding stock having priority rights as to dividends. No dividends have been declared or paid on the Company's common stock through June 30, 2016.

During the three months ended June 30, 2016 and 2015, we repurchased 24,988 shares and 39,429 shares, respectively, of restricted common stock from our employees pursuant to the provisions of various employee restricted stock awards. The repurchases for the three months ended June 30, 2016 and 2015 were at an average price of \$55.82 and \$41.66, respectively. All of the repurchased shares have been recorded as treasury stock.

13. Accumulated Other Comprehensive Loss

The table below presents accumulated other comprehensive loss (“AOCI”), which affects equity and results from recognized transactions and other economic events, other than transactions with owners in their capacity as owners.

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AOCI consisted of the following at June 30, 2016 and March 31, 2016:

(In thousands)	June 30, 2016	March 31, 2016
Components of Accumulated Other Comprehensive Loss		
Cumulative translation adjustment	\$(29,349)	\$(23,525)
Accumulated other comprehensive loss, net of tax	\$(29,349)	\$(23,525)

#### 14. Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of shares of common stock outstanding plus the effect of potentially dilutive common shares outstanding during the period using the treasury stock method, which includes stock options and restricted stock units. In loss periods, the assumed exercise of in-the-money stock options and restricted stock units has an anti-dilutive effect and therefore, these instruments are excluded from the computation of diluted earnings per share. The following table sets forth the computation of basic and diluted earnings per share:

(In thousands, except per share data)	Three Months Ended June 30,	
	2016	2015
Numerator		
Net (loss) income	\$(5,531)	\$26,173
Denominator		
Denominator for basic earnings per share — weighted average shares outstanding	52,881	52,548
Dilutive effect of unvested restricted stock units and options issued to employees and directors	—	410
Denominator for diluted earnings per share	52,881	52,958
Earnings per Common Share:		
Basic net (loss) earnings per share	\$(0.10 ) \$0.50	
Diluted net (loss) earnings per share	\$(0.10 ) \$0.49	

For the three months ended June 30, 2016 and 2015 there were 0.7 million and 0.2 million shares, respectively, attributable to outstanding stock-based awards that were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

#### 15. Share-Based Compensation

In connection with our initial public offering, the Board of Directors adopted the 2005 Long-Term Equity Incentive Plan (the “Plan”), which provides for grants of up to a maximum of 5.0 million shares of restricted stock, stock options, restricted stock units and other equity-based awards. In June 2014, the Board of Directors approved, and in July 2014, the stockholders ratified, an increase of an additional 1.8 million shares of our common stock for issuance under the Plan, increased the maximum number of shares subject to stock options that may be awarded to any one participant under the Plan during any 12-month period from 1.0 million to 2.5 million shares, and extended the term of the Plan by ten years to February 2025. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing services for the Company, are eligible for grants under the Plan.

During the three months ended June 30, 2016 and 2015, pre-tax share-based compensation costs charged against income were \$1.9 million and \$3.0 million, respectively, and the related income tax benefit recognized was \$0.7

million and \$1.1 million, respectively.

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On May 9, 2016, the Compensation Committee of our Board of Directors granted 49,064 shares of restricted common stock units and stock options to acquire 224,843 shares of our common stock to certain executive officers and employees under the Plan. All of the shares of restricted common stock units vest in their entirety on the three-year anniversary of the date of grant. Upon vesting, the units will be settled in shares of our common stock. The stock options will vest 33.3% per year over three years and are exercisable for up to ten years from the date of grant. These stock options were granted at an exercise price of \$57.18 per share, which is equal to the closing price for our common stock on the date of the grant. Termination of employment prior to vesting will result in forfeiture of the unvested restricted common stock units and the unvested stock options. Vested stock options will remain exercisable by the employee after termination, subject to the terms of the Plan.

#### Restricted Shares

Restricted shares granted to employees under the Plan generally vest in three to five years, primarily upon the attainment of certain time vesting thresholds, and may also be contingent on the attainment of certain performance goals of the Company, including revenue and earnings before income taxes, depreciation and amortization targets. The restricted stock unit awards provide for accelerated vesting if there is a change of control, as defined in the Plan. The restricted stock units granted to employees generally vest in their entirety on the three-year anniversary of the date of the grant. Termination of employment prior to vesting will result in forfeiture of the restricted stock units, unless otherwise accelerated by the Compensation Committee. The restricted stock units granted to directors vest in their entirety one year after the date of grant so long as the membership on the Board of Directors continues through the vesting date, with the settlement in common stock to occur on the earliest of the director's death, disability or six-month anniversary of the date on which the director's Board membership ceases for reasons other than death or disability. Upon vesting, the units will be settled in shares of our common stock.

Each of our six independent members of the Board of Directors received a grant of 2,075 restricted stock units on August 4, 2015 under the Plan. Additionally, on May 26, 2016 and May 11, 2015, the Compensation Committee granted 346 restricted stock units and 362 restricted stock units, respectively, to newly appointed Board members. The restricted stock units vest on the one year anniversary of the date of grant and will be settled by delivery to the director of one share of common stock of the Company for each vested restricted stock unit promptly following the earliest of the director's (i) death, (ii) disability or (iii) the six-month anniversary of the date on which the director's Board membership ceases for reasons other than death or disability.

The fair value of the restricted stock units is determined using the closing price of our common stock on the date of the grant. The weighted-average grant-date fair value during the three months ended June 30, 2016 and 2015 was \$57.16 and \$41.85, respectively.

A summary of the Company's restricted stock units granted under the Plan is presented below:

	Shares (in thousands)	Weighted- Average Grant-Date Fair Value
Restricted Stock Units		
Three months ended June 30, 2015		
Vested and nonvested at March 31, 2015	362.3	\$ 22.74
Granted	243.8	41.85
Vested and issued	(138.9 )	19.35
Forfeited	(1.4 )	33.50
Vested and nonvested at June 30, 2015	465.8	33.72
Vested at June 30, 2015	76.6	11.62

Three months ended June 30, 2016

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Vested and nonvested at March 31, 2016	467.8	\$ 35.22
Granted	49.4	57.16
Vested and issued	(75.6 )	31.36
Forfeited	(76.2 )	39.93
Vested and nonvested at June 30, 2016	365.4	38.00
Vested at June 30, 2016	70.2	14.89

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Options

The Plan provides that the exercise price of options granted shall be no less than the fair market value of the Company's common stock on the date the options are granted. Options granted have a term of no greater than ten years from the date of grant and vest in accordance with a schedule determined at the time the option is granted, generally three to five years. The option awards provide for accelerated vesting in the event of a change in control, as defined in the Plan. Termination of employment prior to vesting will result in forfeiture of the unvested stock options. Vested stock options will remain exercisable by the employee after termination of employment, subject to the terms in the Plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Pricing Model that uses the assumptions noted in the table below. Expected volatilities are based on the historical volatility of our common stock and other factors, including the historical volatilities of comparable companies. We use appropriate historical data, as well as current data, to estimate option exercise and employee termination behaviors. Employees that are expected to exhibit similar exercise or termination behaviors are grouped together for the purposes of valuation. The expected terms of the options granted are derived from our historical experience, management's estimates, and consideration of information derived from the public filings of companies similar to us, and represent the period of time that options granted are expected to be outstanding. The risk-free rate represents the yield on U.S. Treasury bonds with a maturity equal to the expected term of the granted options.

The weighted-average grant-date fair values of the options granted during the three months ended June 30, 2016 and 2015 were \$22.26 and \$16.95, respectively.

	Three months ended June 30, 2016	2015
Expected volatility	37%	40%
Expected dividends	\$ —	\$ —
Expected term in years	6.0	6.0
Risk-free rate	1.7%	1.7%

A summary of option activity under the Plan is as follows:

Options	Shares (in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Three months ended June 30, 2015				
Outstanding at March 31, 2015	871.2	\$ 23.40		
Granted	186.3	41.44		
Exercised	(330.4)	19.15		
Forfeited or expired	(0.9)	33.50		
Outstanding at June 30, 2015	726.2	29.95	8.3	\$ 11,830
Exercisable at June 30, 2015	322.5	21.54	7.2	7,966
Three months ended June 30, 2016				
Outstanding at March 31, 2016	727.7	\$ 30.70		
Granted	224.8	57.18		
Exercised	(105.7)	32.20		



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Forfeited or expired	(45.5	)	37.34		
Outstanding at June 30, 2016	801.3		37.55	8.0	\$ 14,700
Exercisable at June 30, 2016	386.4		25.20	6.7	11,669

The aggregate intrinsic value of options exercised in the three months ended June 30, 2016 was \$2.3 million.

At June 30, 2016, there were \$13.8 million of unrecognized compensation costs related to nonvested share-based compensation arrangements under the Plan, based on management's estimate of the shares that will ultimately vest. We expect to recognize such

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costs over a weighted-average period of 1.1 years. The total fair value of options and restricted stock units vested during the three months ended June 30, 2016 and 2015 was \$7.0 million and \$6.2 million, respectively. For the three months ended June 30, 2016 and 2015, cash received from the exercise of stock options was \$3.4 million and \$6.3 million, respectively, and we realized \$0.7 million and \$1.0 million, respectively, in tax benefits from the tax deductions resulting from these option exercises. At June 30, 2016, there were 2.4 million shares available for issuance under the Plan.

## 16. Income Taxes

Income taxes are recorded in our quarterly financial statements based on our estimated annual effective income tax rate, subject to adjustments for discrete events, should they occur. The effective tax rates used in the calculation of income taxes were 37.9% and 34.8% for the three months ended June 30, 2016 and 2015, respectively. The increase in the effective tax rate for the three months ended June 30, 2016 was primarily due to higher marginal tax rates that apply in the current year period related to the agreement to sell Pediacare, New Skin and Fiber Choice. See Note 3 above.

During the three months ended June 30, 2016, we realized a net reduction to our deferred tax liability of \$19.4 million as a result of the agreement to sell Pediacare, New Skin and Fiber Choice.

At June 30, 2016, a 100% owned subsidiary of the Company had a net operating loss carryforward of approximately \$20.9 million (\$7.4 million, tax effected), which may be used to offset future taxable income of the consolidated group and begins to expire in 2025. The Company expects to fully utilize the loss carryover before it expires. The net operating loss carryforward is subject to an annual limitation as to usage under Internal Revenue Code Section 382 of approximately \$33.6 million.

The balance in our uncertain tax liability was \$4.1 million at June 30, 2016 and March 31, 2016. We recognize interest and penalties related to uncertain tax positions as a component of income tax expense. We did not incur any material interest or penalties related to income taxes in any of the periods presented.

## 17. Commitments and Contingencies

We are involved from time to time in legal matters and other claims incidental to our business. We review outstanding claims and proceedings internally and with external counsel as necessary to assess the probability and amount of a potential loss. These assessments are re-evaluated at each reporting period and as new information becomes available to determine whether a reserve should be established or if any existing reserve should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded reserve. In addition, because it is not permissible under GAAP to establish a litigation reserve until the loss is both probable and estimable, in some cases there may be insufficient time to establish a reserve prior to the actual incurrence of the loss (upon verdict and judgment at trial, for example, or in the case of a quickly negotiated settlement). We believe the resolution of routine legal matters and other claims incidental to our business, taking our reserves into account, will not have a material adverse effect on our business, financial condition, or results of operations.

### Lease Commitments

We have operating leases for office facilities and equipment in New York and other locations, which expire at various dates through fiscal 2022. These amounts have been included in the table below.

The following summarizes future minimum lease payments for our operating leases as of June 30, 2016 <sup>(a)</sup>:

(In thousands)

Year	Ending Facilities	Equipment	Total
March 31, 2017	\$ 1,522	\$ 34	\$ 1,556
(Remaining nine months ending March 31, 2017)	2,015	—	2,015
<del>2018</del>	2,009	—	2,009
<del>2019</del>	1,842	—	1,842
<del>2020</del>	903	—	903
<del>Thereafter</del>	59	—	59
	\$ 8,350	\$ 34	\$ 8,384

(a) Minimum lease payments have not been reduced by minimum sublease rentals of \$1.1 million due to us in the future under noncancelable subleases.

The following schedule shows the composition of total minimum lease payments that have been reduced by minimum sublease rentals:

(In thousands)	June 30, 2016	March 31, 2016
Minimum lease payments	\$8,384	\$8,434
Less: Sublease rentals	(1,100 )	(1,165 )
	\$7,284	\$7,269

Rent expense for the three months ended June 30, 2016 and 2015 was \$0.6 million and \$0.4 million, respectively.

#### Purchase Commitments

Effective November 1, 2009, we entered into a ten year supply agreement for the exclusive manufacture of a portion of one of our Household Cleaning products. Although we are committed under the supply agreement to pay the minimum amounts set forth in the table below, the total commitment is less than 10% of the estimated purchases that we expect to make during the course of the agreement.

(In thousands)

Year Ending Amount March 31, 2017 (Remaining nine months ending March 31, 2017)
<del>2018</del>
<del>2019</del>
<del>2020</del>
<del>2021</del>
\$ 3,358

#### 18. Concentrations of Risk

Our revenues are concentrated in the areas of OTC Healthcare and Household Cleaning products. We sell our products to mass merchandisers, food and drug stores, and convenience, dollar and club stores. During the three months ended June 30, 2016 and 2015, approximately 42.3% and 43.9%, respectively, of our total revenues were derived from our five top selling brands. One customer, Walmart, accounted for more than 10% of our gross revenues for each of the periods presented. Walmart accounted for approximately 20.7% and 19.9% of our gross revenues for the three months ended June 30, 2016 and 2015, respectively. Our next largest customer, Walgreens, accounted for approximately 10.3% and 9.4% of gross revenues for the three months ended June 30, 2016 and 2015, respectively. At June 30, 2016, approximately 23.2% and 10.2% of accounts receivable were owed by Walmart and Walgreens, respectively.

We manage product distribution in the continental United States through a third-party distribution center in St. Louis, Missouri. A serious disruption, such as a flood or fire, to the main distribution center could damage our inventories and could materially impair our ability to distribute our products to customers in a timely manner or at a reasonable cost. We could incur significantly higher costs and experience longer lead times associated with the distribution of our products to our customers during the time that it takes us to reopen or replace our distribution center. As a result, any such disruption could have a material adverse effect on our business, sales and profitability.

At June 30, 2016, we had relationships with 102 third-party manufacturers. Of those, we had long-term contracts with 55 manufacturers that produced items that accounted for approximately 79.7% of gross sales for the three months ended June 30, 2016. At June 30, 2015, we had relationships with 98 third-party manufacturers. Of those, we had long-term contracts with 47 manufacturers that produced items that accounted for approximately 83.9% of gross sales for the three months ended June 30, 2015. The fact that we do not have long-term contracts with certain manufacturers means that they could cease manufacturing our products at any time and for any reason or initiate arbitrary and costly price increases, which could have a material adverse effect on our business and results from operations. Although we are in the process of negotiating long-term contracts with certain key manufacturers, we may not be able to reach an agreement, which could have a material adverse effect on our business and results of operations.

## 19. Business Segments

Segment information has been prepared in accordance with the Segment Reporting topic of the FASB ASC 280. Our current reportable segments consist of (i) North American OTC Healthcare, (ii) International OTC Healthcare and (iii) Household Cleaning. We evaluate the performance of our operating segments and allocate resources to these segments based primarily on contribution margin, which we define as gross profit less advertising and promotional expenses.

The tables below summarize information about our reportable segments.

(In thousands)	Three Months Ended June 30, 2016			
	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Gross segment revenues	\$ 173,301	\$ 15,800	\$ 20,890	\$ 209,991
Elimination of intersegment revenues	(1,221 )	—	—	(1,221 )
Third-party segment revenues	172,080	15,800	20,890	208,770
Other revenues	—	4	801	805
Total segment revenues	172,080	15,804	21,691	209,575
Cost of sales	65,718	5,464	16,802	87,984
Gross profit	106,362	10,340	4,889	121,591
Advertising and promotion	25,040	2,124	471	27,635
Contribution margin	\$ 81,322	\$ 8,216	\$ 4,418	93,956
Other operating expenses*				81,742
Operating income				12,214
Other expense				21,127
Loss before income taxes				(8,913 )
Benefit for income taxes				(3,382 )
Net loss				\$ (5,531 )

\*Other operating expenses includes a pre-tax loss on sale of assets of \$55.5 million recognized for assets held for sale related to Pediacare, New Skin and Fiber Choice. These assets and corresponding contribution margin are included within the North American OTC Healthcare segment.

(In thousands)	Three Months Ended June 30, 2015			
	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Gross segment revenues	\$ 156,339	\$ 14,209	\$ 21,467	\$ 192,015
Elimination of intersegment revenues	(728 )	—	—	(728 )
Third-party segment revenues	155,611	14,209	21,467	191,287
Other revenues**	15	25	805	845
Total segment revenues	155,626	14,234	22,272	192,132
Cost of sales**	58,503	4,913	16,480	79,896
Gross profit	97,123	9,321	5,792	112,236
Advertising and promotion	23,195	2,723	504	26,422
Contribution margin	\$ 73,928	\$ 6,598	\$ 5,288	85,814
Other operating expenses				23,309
Operating income				62,505
Other expense				22,335

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Income before income taxes	40,170
Provision for income taxes	13,997
Net income	\$ 26,173

\*\*Certain immaterial amounts relating to other revenues and cost of sales were reclassified between the International OTC Healthcare segment and the North American OTC Healthcare segment. There were no changes to the consolidated financial statements for any periods presented.

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The tables below summarize information about our segment revenues from similar product groups.

(In thousands)	Three Months Ended June 30, 2016			
	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Analgesics	\$28,126	\$ 527	\$ —	\$ 28,653
Cough & Cold	17,967	4,392	—	22,359
Women's Health	32,887	936	—	33,823
Gastrointestinal	19,106	4,256	—	23,362
Eye & Ear Care	26,007	2,796	—	28,803
Dermatologicals	22,698	671	—	23,369
Oral Care	23,811	2,217	—	26,028
Other OTC	1,478	9	—	1,487
Household Cleaning	—	—	21,691	21,691
Total segment revenues	\$172,080	\$ 15,804	\$ 21,691	\$ 209,575

(In thousands)	Three Months Ended June 30, 2015			
	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Analgesics	\$26,848	\$ 530	\$ —	\$ 27,378
Cough & Cold	19,759	4,506	—	24,265
Women's Health	32,908	700	—	33,608
Gastrointestinal	20,320	3,808	—	24,128
Eye & Ear Care	24,307	3,955	—	28,262
Dermatologicals	20,095	534	—	20,629
Oral Care	9,977	194	—	10,171
Other OTC	1,412	7	—	1,419
Household Cleaning	—	—	22,272	22,272
Total segment revenues	\$155,626	\$ 14,234	\$ 22,272	\$ 192,132

During the three months ended June 30, 2016 and 2015, approximately 87.5% and 87.3%, respectively, of our total segment revenues were from customers in the United States. Other than the United States, no individual geographical area accounted for more than 10% of net sales in any of the periods presented. During the three months ended June 30, 2016, our Canada and Australia sales accounted for approximately 4.7% and 5.0%, respectively, of our total segment revenues, while during the three months ended June 30, 2015, approximately 5.1% and 5.7%, respectively, of our total segment revenues were attributable to sales to Canada and Australia.

At June 30, 2016 and March 31, 2016, approximately 95.9% of our consolidated goodwill and intangible assets were located in the United States and approximately 4.1% were located in Australia. These consolidated goodwill and intangible assets have been allocated to the reportable segments as follows:

June 30, 2016 (In thousands)	North American OTC Healthcare			
	International OTC Healthcare	Household Cleaning	Consolidated	
Goodwill	\$327,695	\$ 22,030	\$ 6,800	\$ 356,525



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Intangible assets				
Indefinite-lived	1,786,666	83,356	110,272	1,980,294
Finite-lived	219,570	1,453	22,242	243,265
Intangible assets, net	2,006,236	84,809	132,514	2,223,559
Total	\$2,333,931	\$ 106,839	\$ 139,314	\$ 2,580,084

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March 31, 2016 (In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Goodwill	\$330,615	\$ 22,776	\$ 6,800	\$ 360,191
Intangible assets				
Indefinite-lived	1,823,873	85,901	110,272	2,020,046
Finite-lived	277,762	2,237	22,678	302,677
Intangible assets, net	2,101,635	88,138	132,950	2,322,723
Total	\$2,432,250	\$ 110,914	\$ 139,750	\$ 2,682,914

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## 20. Condensed Consolidating Financial Statements

As described in Note 10, Prestige Brands Holdings, Inc., together with certain of our 100% owned subsidiaries, has fully and unconditionally guaranteed, on a joint and several basis, the obligations of Prestige Brands, Inc. (a 100% owned subsidiary of the Company) set forth in the indentures governing the 2016 Senior Notes and the 2013 Senior Notes, including the obligation to pay principal and interest with respect to the 2016 Senior Notes and the 2013 Senior Notes. The 100% owned subsidiaries of the Company that have guaranteed the 2016 Senior Notes and the 2013 Senior Notes are as follows: Prestige Services Corp., Prestige Brands Holdings, Inc. (a Virginia corporation), Prestige Brands International, Inc., Medtech Holdings, Inc., Medtech Products Inc., The Cutex Company, The Spic and Span Company, Blacksmith Brands, Inc., Insight Pharmaceuticals Corporation, Insight Pharmaceuticals, LLC, Practical Health Products, Inc., and DenTek Holdings, Inc. (collectively, the "Subsidiary Guarantors"). A significant portion of our operating income and cash flow is generated by our subsidiaries. As a result, funds necessary to meet Prestige Brands, Inc.'s debt service obligations are provided in part by distributions or advances from our subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of our subsidiaries, could limit Prestige Brands, Inc.'s ability to obtain cash from our subsidiaries for the purpose of meeting our debt service obligations, including the payment of principal and interest on the 2016 Senior Notes and the 2013 Senior Notes. Although holders of the 2016 Senior Notes and the 2013 Senior Notes will be direct creditors of the guarantors of the 2016 Senior Notes and the 2013 Senior Notes by virtue of the guarantees, we have indirect subsidiaries located primarily in the United Kingdom, the Netherlands and Australia (collectively, the "Non-Guarantor Subsidiaries") that have not guaranteed the 2016 Senior Notes or the 2013 Senior Notes, and such subsidiaries will not be obligated with respect to the 2016 Senior Notes or the 2013 Senior Notes. As a result, the claims of creditors of the Non-Guarantor Subsidiaries will effectively have priority with respect to the assets and earnings of such companies over the claims of the holders of the 2016 Senior Notes and the 2013 Senior Notes.

Presented below are supplemental Condensed Consolidating Balance Sheets as of June 30, 2016 and March 31, 2016, Condensed Consolidating Statements of Operations and Comprehensive Income for the three months ended June 30, 2016 and 2015, and Condensed Consolidating Statements of Cash Flows for the three months ended June 30, 2016 and 2015. Such consolidating information includes separate columns for:

- a) Prestige Brands Holdings, Inc., the parent,
- b) Prestige Brands, Inc., the Issuer or the Borrower,
- c) Combined Subsidiary Guarantors,
- d) Combined Non-Guarantor Subsidiaries, and
- e) Elimination entries necessary to consolidate the Company and all of its subsidiaries.

The Condensed Consolidating Financial Statements are presented using the equity method of accounting for investments in our 100% owned subsidiaries. Under the equity method, the investments in subsidiaries are recorded at cost and adjusted for our share of the subsidiaries' cumulative results of operations, capital contributions, distributions and other equity changes. The elimination entries principally eliminate investments in subsidiaries and intercompany balances and transactions. The financial information in this note should be read in conjunction with the Consolidated Financial Statements presented and other notes related thereto contained in this Quarterly Report on Form 10-Q.

Condensed Consolidating Statements of Operations and Comprehensive Income  
 Three Months Ended June 30, 2016

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues</b>						
Net sales	\$—	\$27,959	\$168,205	\$13,826	\$(1,220)	\$208,770
Other revenues	—	75	801	486	(557)	805
Total revenues	—	28,034	169,006	14,312	(1,777)	209,575
<b>Cost of Sales</b>						
Cost of sales (exclusive of depreciation shown below)	—	12,086	71,462	6,000	(1,564)	87,984
Gross profit	—	15,948	97,544	8,312	(213)	121,591
<b>Operating Expenses</b>						
Advertising and promotion	—	4,745	20,804	2,086	—	27,635
General and administrative	1,937	2,188	14,314	1,018	—	19,457
Depreciation and amortization	920	151	5,633	128	—	6,832
Loss on sale of assets	—	—	55,453	—	—	55,453
Total operating expenses	2,857	7,084	96,204	3,232	—	109,377
Operating income (loss)	(2,857)	8,864	1,340	5,080	(213)	12,214
<b>Other (income) expense</b>						
Interest income	(11,967)	(21,262)	(1,274)	(159)	34,605	(57)
Interest expense	8,440	21,174	24,901	1,274	(34,605)	21,184
Equity in (income) loss of subsidiaries	5,738	(31,333)	(3,076)	—	28,671	—
Total other expense (income)	2,211	(31,421)	20,551	1,115	28,671	21,127
(Loss) income before income taxes	(5,068)	40,285	(19,211)	3,965	(28,884)	(8,913)
(Benefit) provision for income taxes	463	3,178	(7,912)	889	—	(3,382)
Net (loss) income	\$(5,531)	\$37,107	\$(11,299)	\$3,076	\$(28,884)	\$(5,531)
<b>Comprehensive (loss) income, net of tax:</b>						
Currency translation adjustments	(5,824)	(5,824)	(5,824)	(5,824)	17,472	(5,824)
Total other comprehensive (loss) income	(5,824)	(5,824)	(5,824)	(5,824)	17,472	(5,824)
Comprehensive (loss) income	\$(11,355)	\$31,283	\$(17,123)	\$(2,748)	\$(11,412)	\$(11,355)



Condensed Consolidating Statements of Income and Comprehensive Income  
 Three Months Ended June 30, 2015

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues</b>						
Net sales	\$—	\$27,883	\$152,524	\$11,608	\$(728)	\$191,287
Other revenues	—	96	819	498	(568)	845
Total revenues	—	27,979	153,343	12,106	(1,296)	192,132
<b>Cost of Sales</b>						
Cost of sales (exclusive of depreciation shown below)	—	10,441	66,378	4,408	(1,331)	79,896
Gross profit	—	17,538	86,965	7,698	35	112,236
<b>Operating Expenses</b>						
Advertising and promotion	—	2,517	21,228	2,677	—	26,422
General and administrative	1,315	2,555	11,951	1,768	—	17,589
Depreciation and amortization	989	146	4,445	140	—	5,720
Total operating expenses	2,304	5,218	37,624	4,585	—	49,731
Operating income (loss)	(2,304)	12,320	49,341	3,113	35	62,505
<b>Other (income) expense</b>						
Interest income	(12,049)	(21,408)	(1,220)	(112)	34,762	(27)
Interest expense	8,490	21,908	25,055	1,220	(34,762)	21,911
Loss on extinguishment of debt	—	451	—	—	—	451
Equity in (income) loss of subsidiaries	(25,306)	(16,955)	(1,450)	—	43,711	—
Total other (income) expense	(28,865)	(16,004)	22,385	1,108	43,711	22,335
Income (loss) before income taxes	26,561	28,324	26,956	2,005	(43,676)	40,170
Provision for income taxes	388	4,025	9,029	555	—	13,997
Net income (loss)	\$26,173	\$24,299	\$17,927	\$1,450	\$(43,676)	\$26,173
<b>Comprehensive income, net of tax:</b>						
Currency translation adjustments	(405)	(405)	(405)	(405)	1,215	(405)
Total other comprehensive income (loss)	(405)	(405)	(405)	(405)	1,215	(405)
Comprehensive income (loss)	\$25,768	\$23,894	\$17,522	\$1,045	\$(42,461)	\$25,768



Condensed Consolidating Balance Sheet  
June 30, 2016

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$5,311	\$—	\$2,278	\$ 21,288	\$—	\$28,877
Accounts receivable, net	—	10,167	69,646	8,624	—	88,437
Inventories	—	10,017	73,711	9,884	(745 )	92,867
Deferred income tax assets	325	826	8,812	739	—	10,702
Prepaid expenses and other current assets	9,012	538	8,365	815	—	18,730
Assets held for sale	—	—	41,745	—	—	41,745
<b>Total current assets</b>	<b>14,648</b>	<b>21,548</b>	<b>204,557</b>	<b>41,350</b>	<b>(745 )</b>	<b>281,358</b>
Property and equipment, net	8,624	216	5,641	599	—	15,080
Goodwill	—	66,007	268,490	22,028	—	356,525
Intangible assets, net	—	191,655	1,946,309	85,595	—	2,223,559
Other long-term assets	—	1,918	—	—	—	1,918
Intercompany receivables	1,460,733	2,664,832	1,249,875	11,046	(5,386,486 )	—
Investment in subsidiary	1,631,033	1,553,227	77,679	—	(3,261,939 )	—
<b>Total Assets</b>	<b>\$3,115,038</b>	<b>\$4,499,403</b>	<b>\$3,752,551</b>	<b>\$ 160,618</b>	<b>\$(8,649,170)</b>	<b>\$2,878,440</b>
<b>Liabilities and Stockholders' Equity</b>						
<b>Current liabilities</b>						
Accounts payable	\$1,384	\$6,922	\$24,731	\$ 1,975	\$—	\$35,012
Accrued interest payable	—	9,216	—	—	—	9,216
Other accrued liabilities	7,991	2,137	39,617	6,168	—	55,913
<b>Total current liabilities</b>	<b>9,375</b>	<b>18,275</b>	<b>64,348</b>	<b>8,143</b>	<b>—</b>	<b>100,141</b>
<b>Long-term debt</b>						
Principal amount	—	1,602,500	—	—	—	1,602,500
Less unamortized debt costs	—	(25,086 )	—	—	—	(25,086 )
<b>Long-term debt, net</b>	<b>—</b>	<b>1,577,414</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,577,414</b>
Deferred income tax liabilities	—	60,847	399,323	387	—	460,557
Other long-term liabilities	—	—	2,682	165	—	2,847
Intercompany payables	2,368,182	1,243,701	1,697,409	77,194	(5,386,486 )	—
<b>Total Liabilities</b>	<b>2,377,557</b>	<b>2,900,237</b>	<b>2,163,762</b>	<b>85,889</b>	<b>(5,386,486 )</b>	<b>2,140,959</b>
<b>Stockholders' Equity</b>						
Common stock	532	—	—	—	—	532



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Additional paid-in capital	451,075	1,280,947	1,359,921	78,774	(2,719,642 )	451,075
Treasury stock, at cost	(6,558 )	—	—	—	—	(6,558 )
Accumulated other comprehensive (loss) income, net of tax	(29,349 )	(29,349 )	(29,349 )	(29,349 )	88,047	(29,349 )
Retained earnings (accumulated deficit)	321,781	347,568	258,217	25,304	(631,089 )	321,781
Total Stockholders' Equity	737,481	1,599,166	1,588,789	74,729	(3,262,684 )	737,481
Total Liabilities and Stockholders' Equity	\$3,115,038	\$4,499,403	\$3,752,551	\$ 160,618	\$(8,649,170)	\$2,878,440

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Condensed Consolidating Balance Sheet  
March 31, 2016

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$4,440	\$—	\$2,899	\$ 19,891	\$—	\$27,230
Accounts receivable, net	—	12,025	74,446	8,776	—	95,247
Inventories	—	9,411	72,296	10,088	(532 )	91,263
Deferred income tax assets	316	681	8,293	818	—	10,108
Prepaid expenses and other current assets	15,311	257	8,379	1,218	—	25,165
<b>Total current assets</b>	<b>20,067</b>	<b>22,374</b>	<b>166,313</b>	<b>40,791</b>	<b>(532 )</b>	<b>249,013</b>
Property and equipment, net	9,166	210	5,528	636	—	15,540
Goodwill	—	66,007	271,409	22,775	—	360,191
Intangible assets, net	—	191,789	2,042,640	88,294	—	2,322,723
Other long-term assets	—	1,324	—	—	—	1,324
Intercompany receivables	1,457,011	2,703,192	1,083,488	10,738	(5,254,429 )	—
Investment in subsidiary	1,641,477	1,527,718	81,545	—	(3,250,740 )	—
<b>Total Assets</b>	<b>\$3,127,721</b>	<b>\$4,512,614</b>	<b>\$3,650,923</b>	<b>\$ 163,234</b>	<b>\$(8,505,701)</b>	<b>\$2,948,791</b>
<b>Liabilities and Stockholders' Equity</b>						
<b>Current liabilities</b>						
Accounts payable	\$2,914	\$7,643	\$24,437	\$ 3,302	\$—	\$38,296
Accrued interest payable	—	8,664	—	—	—	8,664
Other accrued liabilities	12,285	1,714	38,734	6,991	—	59,724
<b>Total current liabilities</b>	<b>15,199</b>	<b>18,021</b>	<b>63,171</b>	<b>10,293</b>	<b>—</b>	<b>106,684</b>
<b>Long-term debt</b>						
Principal amount	—	1,652,500	—	—	—	1,652,500
Less unamortized debt costs	—	(27,191 )	—	—	—	(27,191 )
<b>Long-term debt, net</b>	<b>—</b>	<b>1,625,309</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,625,309</b>
Deferred income tax liabilities	—	60,317	408,893	412	—	469,622
Other long-term liabilities	—	—	2,682	158	—	2,840
Intercompany payables	2,368,186	1,241,084	1,570,265	74,894	(5,254,429 )	—
<b>Total Liabilities</b>	<b>2,383,385</b>	<b>2,944,731</b>	<b>2,045,011</b>	<b>85,757</b>	<b>(5,254,429 )</b>	<b>2,204,455</b>
<b>Stockholders' Equity</b>						
Common stock	530	—	—	—	—	530
Additional paid-in capital	445,182	1,280,947	1,359,921	78,774	(2,719,642 )	445,182
Treasury stock, at cost	(5,163 )	—	—	—	—	(5,163 )
Accumulated other comprehensive income (loss), net of tax	(23,525 )	(23,525 )	(23,525 )	(23,525 )	70,575	(23,525 )
	<b>327,312</b>	<b>310,461</b>	<b>269,516</b>	<b>22,228</b>	<b>(602,205 )</b>	<b>327,312</b>

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Retained earnings (accumulated deficit)

Total Stockholders' Equity	744,336	1,567,883	1,605,912	77,477	(3,251,272 )	744,336
Total Liabilities and Stockholders' Equity	\$3,127,721	\$4,512,614	\$3,650,923	\$ 163,234	\$(8,505,701)	\$2,948,791

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Condensed Consolidating Statement of Cash Flows  
Three Months Ended June 30, 2016

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Operating Activities</b>						
Net (loss) income	\$(5,531 )	\$37,107	\$(11,299 )	\$ 3,076	\$(28,884 )	\$(5,531 )
Adjustments to reconcile net (loss) income to net cash provided by operating activities:						
Depreciation and amortization	920	151	5,633	128	—	6,832
Loss on sale of assets	—	—	55,453	—	—	55,453
Deferred income taxes	(9 )	385	(10,089 )	53	—	(9,660 )
Amortization of debt origination costs	—	2,231	—	—	—	2,231
Stock-based compensation costs	1,940	—	—	—	—	1,940
Equity in income of subsidiaries	5,738	(31,333 )	(3,076 )	—	28,671	—
Changes in operating assets and liabilities, net of effects from acquisitions:						
Accounts receivable	—	1,858	4,800	(1,507 )	—	5,151
Inventories	—	(606 )	(3,835 )	(99 )	213	(4,327 )
Prepaid expenses and other current assets	6,299	(281 )	(697 )	376	—	5,697
Accounts payable	(1,556 )	(721 )	109	(1,233 )	—	(3,401 )
Accrued liabilities	(4,294 )	975	261	(576 )	—	(3,634 )
Net cash provided by operating activities	3,507	9,766	37,260	218	—	50,751
<b>Investing Activities</b>						
Purchases of property and equipment	(225 )	(23 )	(596 )	(51 )	—	(895 )
Net cash used in investing activities	(225 )	(23 )	(596 )	(51 )	—	(895 )
<b>Financing Activities</b>						
Term loan repayments	—	(50,000 )	—	—	—	(50,000 )
Payments of debt origination costs	—	(9 )	—	—	—	(9 )
Proceeds from exercise of stock options	3,405	—	—	—	—	3,405
Excess tax benefits from share-based awards	550	—	—	—	—	550
Fair value of shares surrendered as payment of tax withholding	(1,395 )	—	—	—	—	(1,395 )
Intercompany activity, net	(4,971 )	40,266	(37,285 )	1,990	—	—
Net cash (used in) provided by financing activities	(2,411 )	(9,743 )	(37,285 )	1,990	—	(47,449 )
Effect of exchange rate changes on cash and cash equivalents						
Increase (decrease) in cash and cash equivalents	871	—	(621 )	1,397	—	1,647
Cash and cash equivalents - beginning of period	4,440	—	2,899	19,891	—	27,230
Cash and cash equivalents - end of period	\$5,311					