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Prestige Brands Holdings, Inc.
Form 10-Q
August 02, 2018
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, 2018

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 x No o

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 x No o

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

Large accelerated filer x Accelerated filer o

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

Emerging growth company o

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

Exchange Act.

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

Yes No

As of July 27, 2018, there were 51,733,565 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.

Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

| | Three Months Ended | |
|---|--------------------|-----------|
| | June 30, | |
| (In thousands, except per share data) | 2018 | 2017 |
| Revenues | | |
| Net sales | \$253,954 | \$256,487 |
| Other revenues | 26 | 86 |
| Total revenues | 253,980 | 256,573 |
| Cost of Sales | | |
| Cost of sales excluding depreciation | 112,069 | 111,757 |
| Cost of sales depreciation | 1,288 | 1,340 |
| Cost of sales | 113,357 | 113,097 |
| Gross profit | 140,623 | 143,476 |
| Operating Expenses | | |
| Advertising and promotion | 37,111 | 36,944 |
| General and administrative | 23,941 | 20,410 |
| Depreciation and amortization | 7,084 | 7,167 |
| Total operating expenses | 68,136 | 64,521 |
| Operating income | 72,487 | 78,955 |
| Other (income) expense | | |
| Interest income | (100) | (69) |
| Interest expense | 26,040 | 26,410 |
| Other expense (income), net | 87 | (74) |
| Total other expense | 26,027 | 26,267 |
| Income before income taxes | 46,460 | 52,688 |
| Provision for income taxes | 11,994 | 18,929 |
| Net income | \$34,466 | \$33,759 |
| Earnings per share: | | |
| Basic | \$0.65 | \$0.64 |
| Diluted | \$0.65 | \$0.63 |
| Weighted average shares outstanding: | | |
| Basic | 52,640 | 53,038 |
| Diluted | 52,942 | 53,509 |
| Comprehensive income, net of tax: | | |
| Currency translation adjustments | (2,974) | 1,119 |
| Unrecognized net gain on pension plans | — | 1 |
| Total other comprehensive (loss) income | (2,974) | 1,120 |

| | | |
|----------------------|----------|----------|
| Comprehensive income | \$31,492 | \$34,879 |
|----------------------|----------|----------|

See accompanying notes.

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

| (In thousands) | June 30, 2018 | March 31, 2018 |
|--|------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$34,269 | \$32,548 |
| Accounts receivable, net of allowance of \$13,524 and \$12,734, respectively | 150,390 | 140,881 |
| Inventories | 118,957 | 118,547 |
| Deferred income tax assets | — | 26 |
| Prepaid expenses and other current assets | 10,862 | 11,475 |
| Total current assets | 314,478 | 303,477 |
| Property, plant and equipment, net | 52,453 | 52,552 |
| Goodwill | 612,966 | 620,098 |
| Intangible assets, net | 2,722,542 | 2,780,916 |
| Other long-term assets | 3,415 | 3,569 |
| Assets held for sale | 62,866 | — |
| Total Assets | \$3,768,720 | \$3,760,612 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$78,405 | \$61,390 |
| Accrued interest payable | 13,844 | 9,708 |
| Other accrued liabilities | 50,011 | 52,101 |
| Total current liabilities | 142,260 | 123,199 |
| Long-term debt, net | 1,993,803 | 1,992,952 |
| Deferred income tax liabilities | 447,855 | 442,518 |
| Other long-term liabilities | 23,079 | 23,333 |
| Total Liabilities | 2,606,997 | 2,582,002 |
| Commitments and Contingencies — Note 16 | | |
| 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 - 53,603 shares at June 30, 2018 and 53,396 shares at March 31, 2018 | 536 | 534 |
| Additional paid-in capital | 471,318 | 468,783 |
| Treasury stock, at cost - 1,871 shares at June 30, 2018 and 353 shares at March 31, 2018 | (59,928 |) (7,669 |
| Accumulated other comprehensive loss, net of tax | (22,289 |) (19,315 |
| Retained earnings | 772,086 | 736,277 |

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| | | |
|--|-------------|-------------|
| Total Stockholders' Equity | 1,161,723 | 1,178,610 |
| Total Liabilities and Stockholders' Equity | \$3,768,720 | \$3,760,612 |
| See accompanying notes. | | |

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

| (In thousands) | Three Months Ended June 30, | |
|---|--------------------------------|-----------|
| | 2018 | 2017 |
| Operating Activities | | |
| Net income | \$34,466 | \$33,759 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,372 | 8,507 |
| Loss on disposal of property and equipment | 1 | 490 |
| Deferred income taxes | 6,755 | 9,225 |
| Amortization of debt origination costs | 920 | 1,746 |
| Excess tax benefits from share-based awards | — | 302 |
| Stock-based compensation costs | 1,657 | 1,713 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (4,357) | 1,543 |
| Inventories | (9,303) | (2,899) |
| Prepaid expenses and other current assets | 623 | 9,604 |
| Accounts payable | 16,479 | (8,024) |
| Accrued liabilities | 347 | (1,558) |
| Other | (108) | (287) |
| Net cash provided by operating activities | 55,852 | 54,121 |
| Investing Activities | | |
| Purchases of property, plant and equipment | (2,469) | (2,554) |
| Acquisition of Fleet escrow receipt | — | 970 |
| Net cash used in investing activities | (2,469) | (1,584) |
| Financing Activities | | |
| Term loan repayments | — | (50,000) |
| Borrowings under revolving credit agreement | 20,000 | — |
| Repayments under revolving credit agreement | (20,000) | — |
| Proceeds from exercise of stock options | 880 | 433 |
| Fair value of shares surrendered as payment of tax withholding | (2,281) | (1,027) |
| Repurchase of common stock | (49,978) | — |
| Net cash used in financing activities | (51,379) | (50,594) |
| Effects of exchange rate changes on cash and cash equivalents | (283) | 337 |
| Increase in cash and cash equivalents | 1,721 | 2,280 |
| Cash and cash equivalents - beginning of period | 32,548 | 41,855 |
| Cash and cash equivalents - end of period | \$34,269 | \$44,135 |
| Interest paid | \$20,907 | \$24,298 |
| Income taxes paid | \$334 | \$2,230 |
| See accompanying notes. | | |

Prestige Brands Holdings, Inc.
Notes to Condensed 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 development, manufacturing, marketing, sales and distribution of over-the-counter (“OTC”) healthcare and household cleaning products to mass merchandisers and drug, food, dollar, convenience and club stores and e-commerce channels 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 8.

Basis of Presentation

The unaudited Condensed 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 consolidation. In the opinion of management, these Condensed 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 31st of each year. References in these Condensed Consolidated Financial Statements or related notes to a year (e.g., “2019”) mean our fiscal year ending or ended on March 31st of that year. Operating results for the three months ended June 30, 2018 are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2019. These unaudited Condensed 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, 2018.

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.

Reclassification

In accordance with Accounting Standards Update (“ASU”) 2017-07, we have reclassified net periodic benefit costs related to our pension plans from general and administrative expense to other (income) expense. The impact of this reclassification on our financial statements was less than \$1.0 million.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers - Topic 606, including new FASB Accounting Standards Codification (“ASC”) 606, which supersedes the revenue recognition requirements in FASB ASC 605. Along with amendments issued in 2015 and 2016, the new guidance eliminates industry-specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue. The core principle of the new guidance is that an entity should recognize revenue for the transfer of goods and services equal to an amount it expects to be entitled to receive for those goods and services. The new standard also requires additional disclosures regarding the nature, amount, timing

and uncertainty of revenue and cash flows arising from customer contracts. The new guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively by recognizing the cumulative effect of initially applying the guidance to all contracts existing at the date of initial application (the modified retrospective method). The ASU, as amended, is effective for annual reporting periods beginning after December 15, 2017. We adopted this guidance effective April 1, 2018 using the modified retrospective transition method and applied it to contracts that were not completed at the adoption date. See Note 2 for our revenue recognition policy.

The effects of this recently adopted accounting pronouncement to our consolidated balance sheet as of April 1, 2018 are as follows:

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| (In thousands) | Balance March 31, 2018 | New Revenue Standard Adjustment | Balance April 1, 2018 |
|---------------------------------|------------------------------|--|-----------------------------|
| Accounts receivable, net | \$ 140,881 | \$ 5,438 | \$ 146,319 |
| Inventories | 118,547 | (1,768) | 116,779 |
| Other accrued liabilities | 52,101 | 1,925 | 54,026 |
| Deferred income tax liabilities | 442,518 | 401 | 442,919 |
| Retained earnings | 736,277 | 1,344 | 737,621 |

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which changes the presentation of net periodic benefit cost related to employer sponsored defined benefit plans and other postretirement benefits. Under this ASU, service cost should be included in the same income statement line item as other compensation costs arising from services rendered during the period, while other components of net periodic benefit pension cost should be presented separately outside of operating income. Additionally, only service costs may be capitalized in assets. Entities should apply the guidance on the presentation of the components of net periodic benefit cost in the income statement retrospectively. The guidance limiting the capitalization of net periodic benefit cost in assets to the service cost component should be applied prospectively. The standard is effective for annual reporting periods beginning after December 15, 2017. The adoption of this standard in the first quarter of 2019 required us to reclassify certain pension costs out of operating income and did not have a material impact on our consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05, Income Taxes (Topic 740). The amendments in this update reflect the income tax accounting implications of the Tax Cuts and Jobs Act ("Tax Act"). See Note 14 for a discussion of the Tax Act, which was signed into law on December 22, 2017, and the impact it has had, and may have, on our business and financial results.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. See Note 14 for a discussion of the Tax Act, which was signed into law on December 22, 2017, and the impact it has had, and may have, on our business and financial results. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. We have early adopted ASU 2018-02, and the adoption did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805); Clarifying the Definition of a Business. The amendments in this update clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. We adopted this standard effective April 1, 2018 and the adoption did not have a material impact to our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendments in this update provide clarification and guidance on eight cash flow classification issues. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We adopted this standard effective April 1, 2018, and the adoption did not have a material impact to our consolidated financial statements.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We are evaluating the impact of adopting this guidance on our consolidated financial statements and whether to early adopt this ASU.

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 in the process of analyzing our lease portfolio and evaluating the impact of adopting this guidance on our consolidated financial statements.

2. Revenue Recognition

Nature of Goods and Services

We recognize revenue from product sales. We primarily ship finished goods to our customers and operate in three segments: North American OTC Healthcare, International OTC Healthcare, and Household Cleaning. The segments are based on differences in the nature of products and geographical area. The North America and International OTC Healthcare segments market a variety of personal care and over-the-counter products in the following product groups: Analgesics, Cough & Cold, Women's Health, Gastrointestinal, Eye & Ear Care, Dermatologicals, and Oral Care. The Household Cleaning segment focuses on the sale of cleaning products. Our products are distinct and separately identifiable on customer contracts or invoices, with each product sale representing a separate performance obligation.

We sell consumer products under a variety of brands through a broad distribution platform that includes mass merchandisers and drug, food, dollar, convenience and club stores and e-commerce channels, all of which sell our products to consumers.

See Note 18 for disaggregated revenue information.

Satisfaction of Performance Obligations

Revenue is recognized when control of a promised good is transferred to a customer, in an amount that reflects the consideration that we expect to be entitled to in exchange for that good. This occurs either when finished goods are transferred to a common carrier for delivery to the customer or when product is picked up by the customer or the customer's carrier. This represents a change in the timing of revenue recognition for some sales. Refer to the table above in Note 1 for a disclosure of the adoption date impacts.

Once a product has transferred to the common carrier or been picked up by the customer, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the product. It is at this point that we have a right to payment and the customer has legal title.

Variable Consideration

Provisions for certain rebates, customer promotional programs, product returns, and discounts to customers are accounted for as variable consideration and recorded as a reduction in sales.

We record an estimate of future product returns concurrent with recording sales, which is made using the most likely amount method which incorporates (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.

We participate in the promotional programs of our customers to enhance the sale of our products. 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. The costs of such activities are recorded as a reduction to revenue when the related sale takes place. Estimates of the costs of these promotional programs are derived using the most likely amount method which incorporates (i) historical sales experience, (ii) the current promotional offering, (iii) forecasted data, (iv) current market conditions, and (v) communication with customer purchasing/marketing personnel. At the completion of the promotional program, the estimated amounts are adjusted to actual results.

Practical Expedients

Due to the nature (short duration) of our contracts with customers, we apply the practical expedient related to remaining performance obligations disclosure. Remaining performance obligations relate to contracts with a duration of less than one year, in which we have the right to invoice the customer at the time the performance obligation is satisfied for the amount of revenue recognized at that time. Accordingly, we have elected the practical expedient available under ASC 606 not to disclose remaining performance obligations for our contracts. The period between when control of the promised products transfers to the customer and when the customer pays for the products is one year or less. As such, we do not adjust product consideration for the effects of a significant financing component. The amortization period of any asset resulting from incremental costs of obtaining a contract would be one year or less. As such, we expense commission and broker fees as incurred.

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We expense incremental direct costs of obtaining a contract (broker commissions) when the related sale takes place.

We account for shipping and handling costs as fulfillment activities and therefore recognize them upon shipment of goods.

The impact of adopting ASC 606 on our Condensed Consolidated Statements of Income and Comprehensive Income is as follows:

| (In thousands) | Three Months Ended June 30, 2018 | | |
|----------------------------|----------------------------------|------------------|-----------------------------|
| | As Reported | Impact of Change | Without Adoption of ASC 606 |
| Total revenues | \$253,980 | \$(5,945) | \$248,035 |
| Cost of sales | \$113,357 | \$(2,192) | \$111,165 |
| Total operating expenses | \$68,136 | \$(139) | \$67,997 |
| Provision for income taxes | \$11,994 | \$(981) | \$11,013 |
| Net income | \$34,466 | \$(2,633) | \$31,833 |

3. Assets Held for Sale

In the first quarter of fiscal 2019, we were approached and discussed the potential to sell certain of our Household Cleaning business assets. Prior to these discussions, we did not contemplate any divestitures, and we did not commit to any course of action to divest any of the assets. On July 2, 2018, we sold the Comet®, Spic and Span®, Chore Boy®, Chlorinol® and Cinch® brands, as well as associated inventory. These brands represented our Household Cleaning segment. The gain/loss on sale will be recorded in the second quarter of fiscal 2019 and will not be material to our financial statements. See Note 19 for further information.

This transaction met the criteria as held for sale as of June 30, 2018, and the related assets were measured at the lower of the carrying value or fair value less any costs to sell based upon the agreed upon price. As a result, as of June 30, 2018, we recorded the held for sale assets at their estimated fair values.

The total assets held for sale related to this sale were:

| (In thousands) | June 30, 2018 |
|-------------------------------------|---------------|
| Components of assets held for sale: | |
| Inventories | \$6,644 |
| Property, plant and equipment, net | 662 |
| Goodwill | 6,245 |
| Intangible assets, net | 49,315 |
| Assets held for sale | \$62,866 |

4. Inventories

Inventories consist of the following:

| (In thousands) | June 30, 2018 | March 31, 2018 |
|---------------------------|---------------|----------------|
| Components of Inventories | | |

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| | | |
|-----------------------------|------------|------------|
| Packaging and raw materials | \$ 16,197 | \$ 13,112 |
| Work in process | 223 | 157 |
| Finished goods | 102,537 | 105,278 |
| Inventories | \$ 118,957 | \$ 118,547 |

Inventories are carried and depicted above at the lower of cost or net realizable value, which includes a reduction in inventory values of \$2.8 million and \$4.2 million at June 30, 2018 and March 31, 2018, respectively, related to obsolete and slow-moving inventory.

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5. 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, 2018 | | | | |
| Goodwill | \$711,104 | \$ 32,919 | \$ 71,405 | \$ 815,428 |
| Accumulated impairment loss | (130,170) | — | (65,160) | (195,330) |
| Balance - March 31, 2018 | 580,934 | 32,919 | 6,245 | 620,098 |
| 2019 Reclassified to assets held for sale | — | — | (6,245) | (6,245) |
| Effects of foreign currency exchange rates | — | (887) | — | (887) |
| Balance - June 30, 2018 | | | | |
| Goodwill | 711,104 | 32,032 | 65,160 | 808,296 |
| Accumulated impairment loss | (130,170) | — | (65,160) | (195,330) |
| Balance - June 30, 2018 | \$580,934 | \$ 32,032 | \$— | \$ 612,966 |

As discussed in Note 3, on July 2, 2018, we sold our Household Cleaning segment. As a result, we decreased goodwill by \$6.2 million.

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 28, 2018, during our annual test for goodwill impairment, there were no indicators of impairment under the analysis. Accordingly, no impairment charge was recorded in fiscal 2018. 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 28, 2018, 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, increasing competition, changing consumer preferences, technical advances, or reductions in advertising and promotion may require an impairment charge to be recorded in the future. As of June 30, 2018, no events have occurred that would indicate potential impairment of goodwill.

6. Intangible Assets, net

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

| (In thousands) | Indefinite Lived Trademarks | Finite Lived Trademarks and Customer Relationships | Totals |
|--|-----------------------------------|---|-------------|
| Gross Carrying Amounts | | | |
| Balance — March 31, 2018 | \$2,490,303 | \$ 441,314 | \$2,931,617 |
| Reclassified to assets held for sale | (30,562) | (34,889) | (65,451) |
| Effects of foreign currency exchange rates | (3,089) | (190) | (3,279) |
| Balance — June 30, 2018 | 2,456,652 | 406,235 | 2,862,887 |
| Accumulated Amortization | | | |
| Balance — March 31, 2018 | — | 150,701 | 150,701 |
| Additions | — | 5,812 | 5,812 |
| Reclassified to assets held for sale | — | (16,136) | (16,136) |
| Effects of foreign currency exchange rates | — | (32) | (32) |
| Balance — June 30, 2018 | — | 140,345 | 140,345 |
| Intangible assets, net — June 30, 2018 | \$2,456,652 | \$ 265,890 | \$2,722,542 |

As discussed in Note 3, on July 2, 2018, we sold our Household Cleaning segment. As a result, we decreased our indefinite lived intangibles by \$30.5 million and our net finite-lived trademarks by \$18.8 million.

Amortization expense was \$5.8 million for the three months ended June 30, 2018, and \$5.9 million for the three months ended June 30, 2017. Based on our amortizable intangible assets as of June 30, 2018, amortization expense is expected to be approximately \$16.1 million for the remainder of fiscal 2019, \$21.5 million in fiscal 2020, \$21.1 million in fiscal 2021, \$20.6 million in fiscal 2022, \$20.6 million in fiscal 2023 and \$20.6 million in fiscal 2024.

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. The date of our annual impairment review was February 28, 2018, and we recorded impairment charges in our March 31, 2018 financial statements.

We utilize the excess earnings method to estimate the fair value of our individual indefinite-lived intangible assets.

The discount rate utilized in the analyses, as well as future cash flows, may be influenced by such factors as changes in interest rates and rates of inflation. Additionally, should the related fair values of intangible assets be adversely affected as a result of declining sales or margins caused by competition, changing consumer preferences, technological advances or reductions in advertising and promotional expenses, we may be required to record impairment charges in the future.

As of June 30, 2018, no events have occurred that would indicate further potential impairment of intangible assets.

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7. Other Accrued Liabilities

Other accrued liabilities consist of the following:

| (In thousands) | June 30, 2018 | March 31, 2018 |
|----------------------------|------------------|-------------------|
| Accrued marketing costs | \$26,772 | \$ 21,473 |
| Accrued compensation costs | 4,658 | 10,591 |
| Accrued broker commissions | 1,174 | 1,487 |
| Income taxes payable | 18 | 1,901 |
| Accrued professional fees | 1,997 | 2,244 |
| Accrued production costs | 8,747 | 7,392 |
| Other accrued liabilities | 6,645 | 7,013 |
| | \$50,011 | \$ 52,101 |

8. Long-Term Debt

At June 30, 2018, we had \$75.0 million outstanding on the asset-based revolving credit facility entered into January 31, 2012, as amended (the "2012 ABL Revolver") and an additional borrowing capacity of \$98.9 million.

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

| (In thousands, except percentages) | June 30, 2018 | March 31, 2018 |
|--|------------------|-------------------|
| 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. | \$600,000 | \$600,000 |
| 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-5 Loans bearing interest at the Borrower's option at either LIBOR plus a margin of 2.00%, with a LIBOR floor of 0.00%, or an alternate base rate plus a margin of 1.00% with a floor of 1.00% due on January 26, 2024. | 938,000 | 938,000 |
| 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 January 26, 2022. | 75,000 | 75,000 |
| Long-term debt | 2,013,000 | 2,013,000 |
| Less: unamortized debt costs | (19,197) | (20,048) |
| Long-term debt, net | \$1,993,803 | \$1,992,952 |

As of June 30, 2018, aggregate future principal payments required in accordance with the terms of the 2012 Term B-5 Loans, 2012 ABL Revolver and the indentures governing the 6.375% senior unsecured notes due 2024 (the "2016 Senior Notes") and the 5.375% senior unsecured notes due 2021 (the "2013 Senior Notes") are as follows:

(In thousands)
Year
Ending
March
31,
2019 \$—
(remaining

nine
months
ending
March
31,
2019)
2020 —
2021 —
2022 475,000
2023 437
Thereafter 1,563
\$2,013,000

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9. 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.

FASB ASC 820, Fair Value Measurements, 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. ASC 820 established market (observable inputs) as the preferred source of fair value, to be followed by our 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 us 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 2012 Term B-5 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, 2018 and March 31, 2018).

| (In thousands) | June 30, 2018 | | March 31, 2018 | |
|---------------------|----------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| 2016 Senior Notes | \$600,000 | \$597,000 | \$600,000 | \$610,500 |
| 2013 Senior Notes | 400,000 | 401,000 | 400,000 | 402,000 |
| 2012 Term B-5 Loans | 938,000 | 934,483 | 938,000 | 939,173 |
| 2012 ABL Revolver | 75,000 | 75,000 | 75,000 | 75,000 |

At June 30, 2018 and March 31, 2018, we did not have any assets or liabilities measured in Level 1 or 3.

Nonrecurring Fair Value Measurements

In addition to the recurring fair value measurements disclosed above, as of June 30, 2018 we recorded the long-lived held for sale assets (discussed in Note 3) at fair value, using Level 3 inputs. The fair value of the associated assets approximated their carrying value and, as such, no loss was recorded.

10. Stockholders' Equity

We are 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 our common stock through June 30, 2018.

During the three months ended June 30, 2018 and 2017, we repurchased 68,939 shares and 19,616 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, 2018 and 2017 were at an average price of \$33.09 and \$52.36. All of the repurchased shares have been recorded as treasury stock.

During the three months ended June 30, 2018, we repurchased 1,449,750 shares of our common stock in conjunction with our share repurchase program. The repurchases were at an average price of \$34.47 per share, totaled \$50.0 million, and have been recorded as treasury stock.

11. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of the following at June 30, 2018 and March 31, 2018:

| (In thousands) | June 30, 2018 | March 31, 2018 |
|--|------------------|-------------------|
| Components of Accumulated Other Comprehensive Loss | | |
| Cumulative translation adjustment | \$(23,372) | \$(20,398) |
| Unrecognized net gain on pension plans | 1,083 | 1,083 |
| Accumulated other comprehensive loss, net of tax | \$(22,289) | \$(19,315) |

As of June 30, 2018 and March 31, 2018, no amounts were reclassified from accumulated other comprehensive income into earnings.

12. Earnings Per Share

Basic earnings per share is computed based on income available to common stockholders and the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on income available to common stockholders and 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 ("RSUs"). Potential common shares, composed of the incremental common shares issuable upon the exercise of outstanding stock options and nonvested RSUs, are included in the diluted 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.

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, | |
|---|--------------------------------|----------|
| | 2018 | 2017 |
| Numerator | | |
| Net income | \$34,466 | \$33,759 |
| Denominator | | |
| Denominator for basic earnings per share — weighted average shares outstanding | 52,640 | 53,038 |
| Dilutive effect of nonvested restricted stock units and options issued to employees and directors | 302 | 471 |
| Denominator for diluted earnings per share | 52,942 | 53,509 |
| Earnings per Common Share: | | |
| Basic earnings per share | \$0.65 | \$0.64 |
| Diluted earnings per share | \$0.65 | \$0.63 |

For the three months ended June 30, 2018 and 2017, there were 0.8 million and 0.4 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.

13. 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, RSUs and other equity-based awards. In June 2014, the Board of Directors approved, and in July 2014, our stockholders ratified, an increase of an additional 1.8 million shares of our common stock for issuance under the Plan, an increase of the maximum number of shares subject to stock options that may be awarded to any one participant under the Plan during any fiscal 12-month period from 1.0 million to 2.5 million shares, and an extension of 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, 2018 and 2017, pre-tax share-based compensation costs charged against income were \$1.7 million and \$1.7 million, respectively, and the related income tax benefit recognized was \$0.2 million and \$0.5 million, respectively.

At June 30, 2018, there were \$11.3 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 costs over a weighted-average period of 1.1 years. The total fair value of options and RSUs vested during the three months ended June 30, 2018 and 2017 was \$10.7 million and \$4.9 million, respectively. For the three months ended June 30, 2018 and 2017, we received cash from the exercise of stock options of \$0.9 million and \$0.4 million, respectively. For the three months ended June 30, 2018 and 2017, we realized \$1.2 million and \$0.9 million, respectively, in tax benefits from the tax deductions resulting from RSU issuances and stock option exercises. At June 30, 2018, there were 1.8 million shares available for issuance under the Plan.

On May 7, 2018, the Compensation and Talent Management Committee of our Board of Directors granted 103,406 performance stock units, 100,399 RSUs and stock options to acquire 294,484 shares of our common stock to certain executive officers and employees under the Plan. The stock options were granted at an exercise price of \$29.46 per share, which was equal to the closing price for our common stock on the date of the grant.

Restricted Stock Units

RSUs granted to employees under the Plan generally vest in three years, primarily upon the attainment of certain time vesting thresholds, and, in the case of performance share units, 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 RSUs provide for accelerated vesting if there is a change of control, as defined in the Plan. The RSUs granted to employees generally vest either ratably over three years or in their entirety on the three-year anniversary of the date of the grant. Upon vesting, the units will be settled in shares of our common stock. Termination of employment prior to vesting will result in forfeiture of the RSUs, unless otherwise accelerated by the Compensation and Talent Management Committee or, in the case of RSUs granted in May 2017 and 2018, subject to pro-rata vesting in the event of death, disability or retirement. The RSUs granted to directors vest immediately upon grant, and will be settled by delivery to the director of one share of our common stock for each vested RSU 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 RSUs is determined using the closing price of our common stock on the date of the grant.

A summary of the RSUs granted under the Plan is presented below:

| RSUs | Shares (in thousands) | Weighted- Average Grant-Date Fair Value |
|--|-----------------------------|--|
| Three Months Ended June 30, 2017 | | |
| Vested and nonvested at March 31, 2017 | 350.1 | \$ 39.29 |
| Granted | 90.4 | 56.11 |
| Vested and issued | (50.8) | 34.28 |
| Forfeited | (2.3) | 50.06 |
| Vested and nonvested at June 30, 2017 | 387.4 | 43.81 |
| Vested at June 30, 2017 | 63.7 | 20.31 |
| Three Months Ended June 30, 2018 | | |
| Vested and nonvested at March 31, 2018 | 393.5 | \$ 44.13 |
| Granted | 203.8 | 29.46 |
| Vested and issued | (173.4) | 43.00 |
| Forfeited | (31.1) | 48.32 |
| Vested and nonvested at June 30, 2018 | 392.8 | 36.68 |
| Vested at June 30, 2018 | 90.5 | 29.88 |

Options

The Plan provides that the exercise price of options granted shall be no less than the fair market value of our 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. Except in the case of death, disability or retirement, termination of employment prior to vesting will result in forfeiture of the nonvested 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, 2018 and 2017 were \$10.22 and \$21.20, respectively.

Three
Months
Ended
June 30,
20182017

| | |
|------------------------|----------------------|
| Expected volatility | 29% 35% |
| Expected dividends | \$— \$— |
| Expected term in years | 6.0 6.0 |
| Risk-free rate | 2.9% 2.2% |

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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, 2017 | | | | |
| Outstanding at March 31, 2017 | 772.3 | \$ 37.70 | | |
| Granted | 182.8 | 56.11 | | |
| Exercised | (13.8) | 31.35 | | |
| Forfeited or expired | (5.8) | 32.64 | | |
| Outstanding at June 30, 2017 | 935.5 | 41.42 | 7.7 | \$ 12,123 |
| Exercisable at June 30, 2017 | 527.3 | 31.95 | 6.5 | \$ 11,305 |
| Three Months Ended June 30, 2018 | | | | |
| Outstanding at March 31, 2018 | 873.2 | \$ 41.79 | | |
| Granted | 294.5 | 29.46 | | |
| Exercised | (32.8) | 26.81 | | |
| Forfeited or expired | (72.7) | 45.00 | | |
| Outstanding at June 30, 2018 | 1,062.2 | 38.61 | 7.6 | \$ 6,573 |
| Exercisable at June 30, 2018 | 599.8 | 37.99 | 6.2 | \$ 4,054 |

The aggregate intrinsic value of options exercised during the three months ended June 30, 2018 was \$0.3 million.

14. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Act. The Tax Act represents significant U.S. federal tax reform legislation that includes a permanent reduction to the U.S. federal corporate income tax rate. The permanent reduction to the federal corporate income tax rate resulted in a one-time gain of \$267.0 million related to the value of our deferred tax liabilities and a gain of \$3.2 million related to the lower blended tax rate on our earnings, in the year ended March 31, 2018, resulting in a net gain of \$270.2 million. Additionally, the Tax Act subjects certain of our cumulative foreign earnings and profits to U.S. income taxes through a deemed repatriation, which resulted in a charge of \$1.9 million in the year ended March 31, 2018.

The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates we have utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates and foreign exchange rates of foreign subsidiaries. The U.S. Securities and Exchange Commission has issued rules that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustment by the end of the measurement period.

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 rates used in the calculation of income taxes were 25.8% and 35.9% for the three months ended June 30, 2018 and 2017, respectively. The decrease in the effective tax rate for the three months ended June 30, 2018 was primarily due to the Tax Act.

The balance in our uncertain tax liability was \$10.8 million at June 30, 2018 and at March 31, 2018. 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.

15. Employee Retirement Plans

The primary components of Net Periodic Benefits consist of the following:

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| (In thousands) | Three Months Ended June 30, 2018 | Three Months Ended June 30, 2017 |
|-----------------------------|--|--|
| Interest cost | \$ 610 | 629 |
| Expected return on assets | (768) | (726) |
| Net periodic benefit income | \$ (158) | \$ (97) |

During the three months ended June 30, 2018, we contributed \$0.1 million to our non-qualified defined benefit plan and made no contributions to the qualified defined benefit plan. During the remainder of fiscal 2019, we expect to contribute an additional \$0.3 million to our non-qualified plan and make a contribution of \$1.0 million to the qualified plan.

16. 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.

17. Concentrations of Risk

Our revenues are concentrated in the areas of OTC Healthcare and Household Cleaning products. We sell our products to mass merchandisers and drug, food, dollar, convenience and club stores and e-commerce channels. During the three months ended June 30, 2018 and 2017, approximately 42.6% and 43.2%, respectively, of our gross revenues were derived from our five top selling brands. One customer, Walmart, accounted for more than 10% of our gross revenues for both of the periods presented. Walmart accounted for approximately 24.6% and 25.5%, respectively, of our gross revenues for the three months ended June 30, 2018 and 2017, respectively. At June 30, 2018, approximately 25.2% of accounts receivable were owed by Walmart.

We manage product distribution in the continental United States through a third-party distribution center in St. Louis, Missouri. A serious disruption, such as an earthquake, tornado, 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, 2018, we had relationships with 116 third-party manufacturers. Of those, we had long-term contracts with 38 manufacturers that produced items that accounted for approximately 61.9% of gross sales for the three months ended June 30, 2018. At June 30, 2017, we had relationships with 116 third-party manufacturers. Of those, we had

long-term contracts with 48 manufacturers that produced items that accounted for approximately 77.2% of gross sales for the three months ended June 30, 2017. 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 of operations. Although we are in the process of negotiating long-term contracts with certain key manufacturers, we may not be able to reach a timely agreement, which could have a material adverse effect on our business and results of operations.

18. 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.

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The tables below summarize information about our reportable segments

| (In thousands) | Three Months Ended June 30, 2018 | | | |
|----------------------------|----------------------------------|------------------------------|--------------------|--------------|
| | North American OTC Healthcare | International OTC Healthcare | Household Cleaning | Consolidated |
| Total segment revenues* | \$214,775 | \$ 19,394 | \$ 19,811 | \$ 253,980 |
| Cost of sales | 89,153 | 7,616 | 16,588 | 113,357 |
| Gross profit | 125,622 | 11,778 | 3,223 | 140,623 |
| Advertising and promotion | 33,258 | 3,423 | 430 | 37,111 |
| Contribution margin | \$92,364 | \$ 8,355 | \$ 2,793 | 103,512 |
| Other operating expenses | | | | 31,025 |
| Operating income | | | | 72,487 |
| Other expense | | | | 26,027 |
| Income before income taxes | | | | 46,460 |
| Provision for income taxes | | | | 11,994 |
| Net income | | | | \$ 34,466 |

* Intersegment revenues of \$2.7 million were eliminated from the North American OTC Healthcare segment.

| (In thousands) | Three Months Ended June 30, 2017 | | | |
|----------------------------|----------------------------------|------------------------------|--------------------|--------------|
| | North American OTC Healthcare | International OTC Healthcare | Household Cleaning | Consolidated |
| Total segment revenues* | \$215,815 | \$ 20,898 | \$ 19,860 | \$ 256,573 |
| Cost of sales | 86,501 | 9,950 | 16,646 | 113,097 |
| Gross profit | 129,314 | 10,948 | 3,214 | 143,476 |
| Advertising and promotion | 32,808 | 3,690 | 446 | 36,944 |
| Contribution margin | \$96,506 | \$ 7,258 | \$ 2,768 | 106,532 |
| Other operating expenses | | | | 27,577 |
| Operating income | | | | 78,955 |
| Other expense | | | | 26,267 |
| Income before income taxes | | | | 52,688 |
| Provision for income taxes | | | | 18,929 |
| Net income | | | | \$ 33,759 |

* Intersegment revenues of \$1.4 million were eliminated from the North American OTC Healthcare segment.

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

| (In thousands) | Three Months Ended June 30, 2018 | | | |
|------------------------|----------------------------------|---------------|-----------|--------------|
| | North | International | Household | Consolidated |
| | American | OTC | | |
| | OTC | Healthcare | | |
| Healthcare | | | | |
| Analgesics | \$28,258 | \$ 157 | \$ — | \$ 28,415 |
| Cough & Cold | 16,214 | 5,171 | — | 21,385 |
| Women's Health | 63,477 | 2,257 | — | 65,734 |
| Gastrointestinal | 32,799 | 5,990 | — | 38,789 |
| Eye & Ear Care | 25,472 | 2,619 | — | 28,091 |
| Dermatologicals | 25,122 | 532 | — | 25,654 |
| Oral Care | 22,197 | 2,667 | — | 24,864 |
| Other OTC | 1,236 | 1 | — | 1,237 |
| Household Cleaning | — | — | 19,811 | 19,811 |
| Total segment revenues | \$214,775 | \$ 19,394 | \$ 19,811 | \$ 253,980 |

| (In thousands) | Three Months Ended June 30, 2017 | | | |
|------------------------|----------------------------------|---------------|-----------|--------------|
| | North | International | Household | Consolidated |
| | American | OTC | | |
| | OTC | Healthcare | | |
| Healthcare | | | | |
| Analgesics | \$29,290 | \$ 509 | \$ — | \$ 29,799 |
| Cough & Cold | 17,410 | 4,613 | — | 22,023 |
| Women's Health | 63,145 | 3,594 | — | 66,739 |
| Gastrointestinal | 30,430 | 5,733 | — | 36,163 |
| Eye & Ear Care | 25,271 | 3,055 | — | 28,326 |
| Dermatologicals | 24,131 | 501 | — | 24,632 |
| Oral Care | 24,892 | 2,892 | — | 27,784 |
| Other OTC | 1,246 | 1 | — | 1,247 |
| Household Cleaning | — | — | 19,860 | 19,860 |
| Total segment revenues | \$215,815 | \$ 20,898 | \$ 19,860 | \$ 256,573 |

Our total segment revenues by geographic area are as follows:

| | Three Months | |
|---------------|---------------------|-----------|
| | Ended June 30, 2018 | 2017 |
| United States | \$223,477 | \$224,994 |
| Rest of world | 30,503 | 31,579 |
| Total | \$253,980 | \$256,573 |

Our consolidated goodwill and intangible assets have been allocated to the reportable segments as follows:

| June 30, 2018 | North American OTC Healthcare | International OTC Healthcare | Household Cleaning (a) | Consolidated |
|------------------------|--|------------------------------------|------------------------------|--------------|
| (In thousands) | | | | |
| Goodwill | \$580,934 | \$ 32,032 | \$ — | —\$ 612,966 |
| Intangible assets | | | | |
| Indefinite-lived | 2,375,737 | 80,915 | — | 2,456,652 |
| Finite-lived, net | 260,114 | 5,776 | — | 265,890 |
| Intangible assets, net | 2,635,851 | 86,691 | — | 2,722,542 |
| Total | \$3,216,785 | \$ 118,723 | \$ — | —\$3,335,508 |

(a) As noted in Note 3, goodwill and intangible assets associated with our Household Cleaning segment have been reclassified to Assets held for sale.

| March 31, 2018 | North American OTC Healthcare | International OTC Healthcare | Household Cleaning | Consolidated |
|------------------------|--|------------------------------------|-----------------------|--------------|
| (In thousands) | | | | |
| Goodwill | \$580,934 | \$ 32,919 | \$ 6,245 | \$ 620,098 |
| Intangible assets | | | | |
| Indefinite-lived | 2,375,736 | 84,006 | 30,561 | 2,490,303 |
| Finite-lived, net | 265,356 | 6,068 | 19,189 | 290,613 |
| Intangible assets, net | 2,641,092 | 90,074 | 49,750 | 2,780,916 |
| Total | \$3,222,026 | \$ 122,993 | \$ 55,995 | \$ 3,401,014 |

Our goodwill and intangible assets by geographic area are as follows:

| | June 30, 2018 | March 31, 2018 |
|---------------|------------------|-------------------|
| United States | \$3,216,785 | \$3,278,021 |
| Rest of world | 118,723 | 122,993 |
| Total | \$3,335,508 | \$3,401,014 |

19. Subsequent Events

Sale of Household Cleaning Business

On July 2, 2018, we entered into an Asset Purchase Agreement with KIK International LLC, pursuant to which we sold certain assets, including certain intellectual property rights, associated with our Household Cleaning product business lines. The assets sold represent our Household Cleaning segment. The purchase price was \$69.0 million subject to certain adjustments. As a condition of the agreement, we entered into a Transitional Services Agreement on July 2, 2018, under which we will provide certain services to KIK International LLC related to the transition of the business for a specified period of time. We used the proceeds from this sale to repay \$50.0 million of long-term debt in July 2018.

Director Equity Grants

Pursuant to the Plan, each of the independent members of the Board of Directors received a grant of 3,779 RSUs on July 31, 2018. The RSUs are fully vested upon receipt of the award and will be settled by delivery to the director of one share of our common stock for each vested RSU 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with the Condensed Consolidated Financial Statements and the related notes included in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended March 31, 2018. This discussion and analysis may contain forward-looking statements that involve certain risks, assumptions and uncertainties. Future results could differ materially from the discussion that follows for many reasons, including the factors described in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 and in future reports filed with the Securities and Exchange Commission (the "SEC").

See also "Cautionary Statement Regarding Forward-Looking Statements" on page 30 of this Quarterly Report on Form 10-Q.

Unless otherwise indicated by the context, all references in this Quarterly Report on Form 10-Q to "we," "us," "our," the "Company" or "Prestige" refer to Prestige Brands Holdings, Inc. and our subsidiaries. Similarly, reference to a year (e.g., "2019") refers to our fiscal year ended March 31 of that year.

General

We are engaged in the development, manufacturing, marketing, sales and distribution of well-recognized, brand name over-the-counter ("OTC") healthcare and household cleaning products to mass merchandisers and drug, food, dollar, convenience, and club stores and e-commerce channels in North America (the United States and Canada) and in Australia and certain other international markets. We use the strength of our brands, our established retail distribution network, a low-cost operating model and our experienced management team to our competitive advantage.

We have grown our brand portfolio both organically and through acquisitions. We develop our existing brands by investing in new product lines, brand extensions and strong advertising support. Acquisitions of OTC brands have also been an important part of our growth strategy. We have acquired strong and well-recognized brands from consumer products and pharmaceutical companies, as well as private equity firms. While many of these brands have long histories of brand development and investment, we believe that, at the time we acquired them, most were considered "non-core" by their previous owners. As a result, these acquired brands did not benefit from adequate management focus and marketing support during the period prior to their acquisition, which created opportunities for us to reinvigorate these brands and improve their performance post-acquisition. After adding a core brand to our portfolio, we seek to increase its sales, market share and distribution in both existing and new channels through our established retail distribution network. We pursue this growth through increased spending on advertising and promotional support, new sales and marketing strategies, improved packaging and formulations, and innovative development of brand extensions.

Assets Held for Sale

On July 2, 2018, we entered into an Asset Purchase Agreement with KIK International LLC, under which we sold certain assets, including certain intellectual property rights, associated with our Household Cleaning product business lines. The assets sold represent our Household Cleaning segment. The purchase price was \$69.0 million subject to certain adjustments. As a condition of the agreement, we entered into a Transitional Services Agreement on July 2, 2018, under which we will provide certain services to KIK International LLC related to the transition of the business for a specified period of time. We used the proceeds from this sale to repay \$50.0 million of long-term debt in July 2018.

Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Act"). The Tax Act represents significant U.S. federal tax reform legislation that includes a permanent reduction to the U.S. federal corporate income tax rate. The permanent reduction to the federal corporate

income tax rate resulted in a one-time gain of \$267.0 million related to the value of our deferred tax liabilities and a gain of \$3.2 million related to the lower blended tax rate on our earnings, in the year ended March 31, 2018, resulting in a net gain of \$270.2 million. Additionally, the Tax Act subjects certain of our cumulative foreign earnings and profits to U.S. income taxes through a deemed repatriation, which resulted in a charge of \$1.9 million in the year ended March 31, 2018.

The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates and foreign exchange rates of foreign subsidiaries. The U.S.

Securities and Exchange Commission has issued rules that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts.

Results of Operations Three Months Ended June 30, 2018 compared to the Three Months Ended June 30, 2017

Total Segment Revenues

The following table represents total revenue by segment, including product groups, for the three months ended June 30, 2018 and 2017.

| (In thousands) | Three Months Ended June 30, | | | | Increase (Decrease) | |
|--|-----------------------------|--------------|------------------|--------------|------------------------|---------------|
| | 2018 | % | 2017 | % | Amount | % |
| North American OTC Healthcare | | | | | | |
| Analgesics | \$28,258 | 11.1 | \$29,290 | 11.4 | \$(1,032) | (3.5) |
| Cough & Cold | 16,214 | 6.4 | 17,410 | 6.8 | (1,196) | (6.9) |
| Women's Health | 63,477 | 25.0 | 63,145 | 24.6 | 332 | 0.5 |
| Gastrointestinal | 32,799 | 12.9 | 30,430 | 11.9 | 2,369 | 7.8 |
| Eye & Ear Care | 25,472 | 10.0 | 25,271 | 9.8 | 201 | 0.8 |
| Dermatologicals | 25,122 | 9.9 | 24,131 | 9.4 | 991 | 4.1 |
| Oral Care | 22,197 | 8.8 | 24,892 | 9.7 | (2,695) | (10.8) |
| Other OTC | 1,236 | 0.5 | 1,246 | 0.5 | (10) | (0.8) |
| Total North American OTC Healthcare | 214,775 | 84.6 | 215,815 | 84.1 | (1,040) | (0.5) |
| International OTC Healthcare | | | | | | |
| Analgesics | 157 | 0.1 | 509 | 0.2 | (352) | (69.2) |
| Cough & Cold | 5,171 | 2.0 | 4,613 | 1.8 | 558 | 12.1 |
| Women's Health | 2,257 | 0.9 | 3,594 | 1.4 | (1,337) | (37.2) |
| Gastrointestinal | 5,990 | 2.3 | 5,733 | 2.3 | 257 | 4.5 |
| Eye & Ear Care | 2,619 | 1.0 | 3,055 | 1.2 | (436) | (14.3) |
| Dermatologicals | 532 | 0.2 | 501 | 0.2 | 31 | 6.2 |
| Oral Care | 2,667 | 1.1 | 2,892 | 1.1 | (225) | (7.8) |
| Other OTC | 1 | — | 1 | — | — | — |
| Total International OTC Healthcare | 19,394 | 7.6 | 20,898 | 8.2 | (1,504) | (7.2) |
| Total OTC Healthcare | 234,169 | 92.2 | 236,713 | 92.3 | (2,544) | (1.1) |
| Household Cleaning | 19,811 | 7.8 | 19,860 | 7.7 | (49) | (0.2) |
| Total Consolidated | \$253,980 | 100.0 | \$256,573 | 100.0 | \$(2,593) | (1.0) |

Total segment revenues for the three months ended June 30, 2018 were \$254.0 million, a decrease of \$2.6 million, or 1.0%, versus the three months ended June 30, 2017. The \$2.6 million decrease was primarily related to decreases in the International OTC Healthcare segment and North American OTC Healthcare segment of \$1.5 million and \$1.0 million, respectively.

North American OTC Healthcare Segment

Revenues for the North American OTC Healthcare segment were relatively flat, decreasing \$1.0 million, or 0.5%, during the three months ended June 30, 2018 versus the three months ended June 30, 2017.

International OTC Healthcare Segment

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Revenues for the International OTC Healthcare segment decreased \$1.5 million, or 7.2%, during three months ended June 30, 2018 versus the three months ended June 30, 2017. The decrease was primarily attributable to timing differences in distributor orders and shipments.

Household Cleaning Segment

Revenues for the Household Cleaning segment were relatively flat during the three months ended June 30, 2018 versus the three months ended June 30, 2017.

Gross Profit

The following table presents our gross profit and gross profit as a percentage of total segment revenues, by segment for each of the periods presented.

| (In thousands) | Three Months Ended June 30, | | | | Increase (Decrease) | |
|-------------------------------|-----------------------------|------|-----------|------|------------------------|-------|
| | 2018 | % | 2017 | % | Amount | % |
| Gross Profit | | | | | | |
| North American OTC Healthcare | \$125,622 | 58.5 | \$129,314 | 59.9 | \$(3,692) | (2.9) |
| International OTC Healthcare | 11,778 | 60.7 | 10,948 | 52.4 | 830 | 7.6 |
| Household Cleaning | 3,223 | 16.3 | 3,214 | 16.2 | 9 | 0.3 |
| | \$140,623 | 55.4 | \$143,476 | 55.9 | \$(2,853) | (2.0) |

Gross profit for the three months ended June 30, 2018 decreased \$2.9 million, or 2.0%, when compared with the three months ended June 30, 2017. The decrease in gross profit was primarily due to decreases in gross margin within the North American OTC Healthcare segment. As a percentage of total revenues, gross profit remained relatively consistent at 55.4% during the three months ended June 30, 2018, compared to 55.9% during the three months ended June 30, 2017.

North American OTC Healthcare Segment

Gross profit for the North American OTC Healthcare segment decreased \$3.7 million, or 2.9%, during the three months ended June 30, 2018 versus the three months ended June 30, 2017. As a percentage of North American OTC Healthcare revenues, gross profit decreased to 58.5% during the three months ended June 30, 2018 from 59.9% during the three months ended June 30, 2017, primarily due to higher distribution costs.

International OTC Healthcare Segment

Gross profit for the International OTC Healthcare segment increased \$0.8 million, or 7.6%, during the three months ended June 30, 2018 versus the three months ended June 30, 2017. As a percentage of International OTC Healthcare revenues, gross profit increased to 60.7% during the three months ended June 30, 2018 from 52.4% during the three months ended June 30, 2017, primarily due to product mix.

Household Cleaning Segment

Gross profit for the Household Cleaning segment was relatively flat during the three months ended June 30, 2018 versus the three months ended June 30, 2017. As a percentage of Household Cleaning revenue, gross profit remained relatively consistent at 16.3% during the three months ended June 30, 2018 compared to 16.2% during the three months ended June 30, 2017.

Contribution Margin

Contribution margin is our segment measure of profitability. It is defined as gross profit less advertising and promotional expenses.

The following table presents our contribution margin and contribution margin as a percentage of total segment revenues, by segment for each of the periods presented.

| (In thousands) | Three Months Ended June 30, | | | | Increase (Decrease) | |
|-------------------------------|-----------------------------|------|-----------|------|------------------------|-------|
| | 2018 | % | 2017 | % | Amount | % |
| Contribution Margin | | | | | | |
| North American OTC Healthcare | \$92,364 | 43.0 | \$96,506 | 44.7 | \$(4,142) | (4.3) |
| International OTC Healthcare | 8,355 | 43.1 | 7,258 | 34.7 | 1,097 | 15.1 |
| Household Cleaning | 2,793 | 14.1 | 2,768 | 13.9 | 25 | 0.9 |
| | \$103,512 | 40.8 | \$106,532 | 41.5 | \$(3,020) | (2.8) |

North American OTC Healthcare Segment

Contribution margin for the North American OTC Healthcare segment decreased \$4.1 million, or 4.3%, during the three months ended June 30, 2018 versus the three months ended June 30, 2017. As a percentage of North American OTC Healthcare revenues, contribution margin decreased to 43.0% during the three months ended June 30, 2018 from 44.7% during the three months ended June 30, 2017. The contribution margin decrease as a percentage of revenues was primarily due to the gross profit decrease as a percentage of revenues in the North American OTC Healthcare segment discussed above.

International OTC Healthcare Segment

Contribution margin for the International OTC Healthcare segment increased \$1.1 million, or 15.1%, during the three months ended June 30, 2018 versus the three months ended June 30, 2017. As a percentage of International OTC Healthcare revenues, contribution margin increased to 43.1% during the three months ended June 30, 2018 from 34.7% during the three months ended June 30, 2017. The contribution margin increase as a percentage of revenues was primarily due to the gross profit increase as a percentage of revenues in the International OTC Healthcare segment discussed above.

Household Cleaning Segment

Contribution margin for the Household Cleaning segment was relatively flat during the three months ended June 30, 2018 versus the three months ended June 30, 2017. As a percentage of Household Cleaning revenues, contribution margin remained relatively consistent at 14.1% during the three months ended June 30, 2018 compared to 13.9% during the three months ended June 30, 2017.

General and Administrative

General and administrative expenses were \$23.9 million for the three months ended June 30, 2018 versus \$20.4 million for the three months ended June 30, 2017. The increase in general and administrative expenses was primarily due to costs associated with the sale of the Household Cleaning segment as well as increased information technology and legal costs.

Depreciation and Amortization

Depreciation and amortization expense remained relatively consistent at \$7.1 million and \$7.2 million for the three months ended June 30, 2018 and 2017, respectively.

Interest Expense

Net interest expense was \$25.9 million during the three months ended June 30, 2018, versus \$26.3 million during the three months ended June 30, 2017. The average indebtedness decreased to \$2.0 billion during the three months ended June 30, 2018 from \$2.2 billion during the three months ended June 30, 2017. The average cost of borrowing increased to 5.1% for the three months ended June 30, 2018 from 4.8% from the three months ended June 30, 2017.

Income Taxes

The provision for income taxes during the three months ended June 30, 2018 was \$12.0 million versus \$18.9 million during the three months ended June 30, 2017. The effective tax rate during the three months ended June 30, 2018 was 25.8% versus 35.9% during the three months ended June 30, 2017. The decrease in the effective tax rate for the three months ended June 30, 2018 was primarily due to a reduction in the corporate tax rate as a result of the Tax Act.

Liquidity and Capital Resources

Liquidity

Our primary source of cash comes from our cash flow from operations. In the past, we have supplemented this source of cash with various debt facilities, primarily in connection with acquisitions. We have financed our operations, and expect to continue to finance our operations over the next twelve months, with a combination of funds generated from operations and borrowings. Our principal uses of cash are for operating expenses, debt service, share repurchase and acquisitions. Based on our current levels of operations and anticipated growth, excluding acquisitions, we believe that our cash generated from operations and our existing credit facilities will be adequate to finance our working capital and capital expenditures through the next twelve months, although no assurance can be given in this regard.

As of June 30, 2018, we had cash and cash equivalents of \$34.3 million, an increase of \$1.7 million from March 31, 2018. The following table summarizes the change:

| (In thousands) | Three Months Ended June 30, | | |
|---|-----------------------------|-----------|-----------|
| | 2018 | 2017 | \$ Change |
| Cash provided by (used in): | | | |
| Operating Activities | \$55,852 | \$54,121 | \$1,731 |
| Investing Activities | (2,469) | (1,584) | (885) |
| Financing Activities | (51,379) | (50,594) | (785) |
| Effects of exchange rate changes on cash and cash equivalents | (283) | 337 | (620) |
| Net change in cash and cash equivalents | \$1,721 | \$2,280 | \$(559) |

Operating Activities

Net cash provided by operating activities was \$55.9 million for the three months ended June 30, 2018 compared to \$54.1 million for the three months ended June 30, 2017. The \$1.7 million increase was primarily due to decreased working capital, partially offset by a decrease in net income after non-cash items.

Investing Activities

Net cash used in investing activities was \$2.5 million for the three months ended June 30, 2018 compared to \$1.6 million for the three months ended June 30, 2017. The change was primarily due to an escrow payment we received in the prior period related to an acquisition.

Financing Activities

Net cash used in financing activities was \$51.4 million for the three months ended June 30, 2018 compared to \$50.6 million for the three months ended June 30, 2017. The change was primarily due to the repurchase of shares of our common stock in conjunction with our share repurchase program and an increase in the fair value of shares surrendered as payment of withholding taxes as a result of the vesting of restricted stock units, partially offset by a repayment of our term loan in the prior year.

Capital Resources

As of June 30, 2018, we had an aggregate of \$2.0 billion of outstanding indebtedness, which consisted of the following:

- \$400.0 million of 5.375% 2013 Senior Notes, which mature on December 15, 2021;
- \$600.0 million of 6.375% 2016 Senior Notes, which mature on March 1, 2024;

\$938.0 million of borrowings under the 2012 Term B-5 Loans due January 26, 2024; and
\$75.0 million of borrowings under the 2012 ABL Revolver due January 26, 2022.

As of June 30, 2018, we had \$98.9 million of an additional borrowing capacity under the 2012 ABL Revolver.

During the years ended March 31, 2018 and 2017, we made voluntary principal payments against outstanding indebtedness of \$444.0 million and \$175.5 million, respectively, under the 2012 Term Loan. During the first quarter of 2019, we did not make any voluntary principal payments under the 2012 Term Loan. Under the Term Loan Amendment No. 5, we are required to make quarterly payments each equal to 0.25% of the aggregate principal amount which, as of June 30, 2018, was \$938.0 million. Since we have made optional payments that exceeded a significant portion of our required quarterly payments, we will not be required to make another payment on the 2012 Term Loan until the fiscal year ending March 31, 2022.

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Maturities:

(In thousands)
 Year Ending Amount
 March 31, 2019 (remaining nine months ending March 31, 2019)
 2020 —
 2021 —
 2022 475,000
 2023 437
 Thereafter 1,537,563
 \$2,013,000

Covenants:

Our debt facilities contain various financial covenants, including provisions that require us to maintain certain leverage, interest coverage and fixed charge ratios. The credit agreement governing the 2012 Term Loan and the 2012 ABL Revolver and the indentures governing the 2013 Senior Notes and 2016 Senior Notes contain provisions that accelerate our indebtedness on certain changes in control and restrict us from undertaking specified corporate actions, including asset dispositions, acquisitions, payment of dividends and other specified payments, repurchasing our equity securities in the public markets, incurrence of indebtedness, creation of liens, making loans and investments and transactions with affiliates. Specifically, we must:

Have a leverage ratio of less than 7.00 to 1.0 for the quarter ended June 30, 2018 (defined as, with certain adjustments, the ratio of our consolidated total net debt as of the last day of the fiscal quarter to our trailing twelve month consolidated net income before interest, taxes, depreciation, amortization, non-cash charges and certain other items (“EBITDA”)). Our leverage ratio requirement decreases over time by .25 to 1.0 per quarter until December 31, 2018 and to 6.50 to 1.0 thereafter;

Have an interest coverage ratio of greater than 2.25 to 1.0 for the quarter ended June 30, 2018 and thereafter (defined as, with certain adjustments, the ratio of our consolidated EBITDA to our trailing twelve month consolidated cash interest expense); and

Have a fixed charge ratio of greater than 1.0 to 1.0 for the quarter ended June 30, 2018 (defined as, with certain adjustments, the ratio of our consolidated EBITDA minus capital expenditures to our trailing twelve month consolidated interest paid, taxes paid and other specified payments). Our fixed charge requirement remains level throughout the term of the credit agreement.

At June 30, 2018, we were in compliance with the applicable financial and restrictive covenants under the 2012 Term Loan and the 2012 ABL Revolver and the indentures governing the 2013 Senior Notes and the 2016 Senior Notes.

Additionally, management anticipates that in the normal course of operations, we will be in compliance with the financial and restrictive covenants during the remainder of 2019.

As we deem appropriate, we may from time to time utilize derivative financial instruments to mitigate the impact of changing interest rates associated with our long-term debt obligations or other derivative financial instruments. While we have utilized derivative financial instruments in the past, we did not have any significant derivative financial instruments outstanding at either June 30, 2018 or March 31, 2018 or during any of the periods presented. We have not entered into derivative financial instruments for trading purposes; all of our derivatives have been over-the-counter instruments with liquid markets.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements or financing activities with special-purpose entities.

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Inflation

Inflationary factors such as increases in the costs of raw materials, packaging materials, purchased product and overhead may adversely affect our operating results and financial condition. Although we do not believe that inflation has had a material impact on our financial condition or results of operations for the three months ended June 30, 2018, a high rate of inflation in the future could have a material adverse effect on our financial condition or results of operations. Volatility in crude oil prices may have an adverse impact on transportation costs, as well as certain petroleum-based raw materials and packaging material. Although we make efforts to minimize the impact of inflationary factors, including raising prices to our customers, a high rate of pricing volatility associated with crude oil supplies or other raw materials used in our products may have an adverse effect on our operating results.

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Critical Accounting Policies and 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. A summary of our critical accounting policies is presented in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018. There were no material changes to our critical accounting policies during the three months ended June 30, 2018, except as described in Note 2 of this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

A description of recently issued and recently adopted accounting pronouncements is included in the notes to the unaudited Condensed Consolidated Financial Statements in Note 1 of this Quarterly Report on Form 10-Q.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “PSLRA”), including, without limitation, information within Management's Discussion and Analysis of Financial Condition and Results of Operations. The following cautionary statements are being made pursuant to the provisions of the PSLRA and with the intention of obtaining the benefits of the “safe harbor” provisions of the PSLRA.

Forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required under federal securities laws and the rules and regulations of the SEC, we do not intend to update any forward-looking statements to reflect events or circumstances arising after the date of this Quarterly Report on Form 10-Q, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on forward-looking statements included in this Quarterly Report on Form 10-Q or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

These forward-looking statements generally can be identified by the use of words or phrases such as “believe,” “anticipate,” “expect,” “estimate,” “project,” “intend,” “strategy,” “goal,” “future,” “seek,” “may,” “should,” “would,” “will,” or other similar words and phrases. Forward-looking statements are based on current expectations and assumptions that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated, including, without limitation:

- The high level of competition in our industry and markets;
- Our inability to increase organic growth via new product introductions, line extensions, increased spending on advertising and promotional support, and other new sales and marketing strategies;
- Our dependence on a limited number of customers for a large portion of our sales;
- Our inability to successfully identify, negotiate, complete and integrate suitable acquisition candidates and to obtain necessary financing;
- Our inability to invest successfully in research and development to develop new products;
- Changes in inventory management practices by retailers;
- Our inability to grow our international sales;
- General economic conditions affecting sales of our products and their respective markets;
- Economic factors, such as increases in interest rates and currency exchange rate fluctuations;
- Business, regulatory and other conditions affecting retailers;
- Changing consumer trends, additional store brand or branded competition or other pricing pressures which may cause us to lower our prices;
- Our dependence on third-party manufacturers to produce many of the products we sell;
- Our dependence on a third party logistics provider to distribute our products to customers;
- Price increases for raw materials, labor, energy and transportation costs, and for other input costs;
- Disruptions in our distribution center or manufacturing facility;
- Acquisitions, dispositions or other strategic transactions diverting managerial resources, the incurrence of additional liabilities or problems associated with integration of those businesses and facilities;
- Actions of government agencies in connection with our products, advertising or regulatory matters governing our industry;
- Product liability claims, product recalls and related negative publicity;
- Our inability to protect our intellectual property rights;
- Our dependence on third parties for intellectual property relating to some of the products we sell;
- Our inability to protect our internal information technology systems;
-

- Our dependence on third party information technology service providers and their ability to protect against security threats and disruptions;
- Our assets being comprised virtually entirely of goodwill and intangibles and possible changes in their value based on adverse operating results;
- Our dependence on key personnel;
- Shortages of supply of sourced goods or interruptions in the distribution or manufacturing of our products;
- The costs associated with any claims in litigation or arbitration and any adverse judgments rendered in such litigation or arbitration;
- Our level of indebtedness and possible inability to service our debt;
- Our inability to obtain additional financing;
- The restrictions imposed by our financing agreements on our operations; and
- Changes in federal and state tax laws, including the recently enacted Tax Cuts and Jobs Act.

For more information, see Part I, Item 1A., "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to changes in interest rates because our 2012 Term Loan and 2012 ABL Revolver are variable rate debt instruments. Interest rate changes generally do not significantly affect the market value of the 2012 Term Loan and the 2012 ABL Revolver but do affect the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. At June 30, 2018, we had variable rate debt of approximately \$1,013.0 million.

Holding other variables constant, including levels of indebtedness, a 1.0% increase in interest rates on our variable rate debt would have an adverse impact on pre-tax earnings and cash flows for the three months ended June 30, 2018 of approximately \$2.6 million.

Foreign Currency Exchange Rate Risk

During the three months ended June 30, 2018, approximately 9.0% of our revenues were denominated in currencies other than the U.S. Dollar. During the three months ended June 30, 2017, approximately 9.7% of our revenues were denominated in currencies other than the U.S. Dollar. As such, we are exposed to transactions that are sensitive to foreign currency exchange rates, including insignificant foreign currency forward exchange agreements. These transactions are primarily with respect to the Canadian and Australian Dollar.

We performed a sensitivity analysis with respect to exchange rates for the three months ended June 30, 2018. Holding all other variables constant, and assuming a hypothetical 10.0% adverse change in foreign currency exchange rates, this analysis resulted in a less than 5.0% impact on pre-tax income of approximately \$1.0 million for the three months ended June 30, 2018 and approximately \$0.9 million for the three months ended June 30, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), as of June 30, 2018. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

You should carefully consider the risk factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2018, which could materially affect our business, financial condition or future results of operations. The risk factors described in our Annual Report on Form 10-K have not materially changed in the period covered by this Quarterly Report on Form 10-Q, and such risks are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations.

Our quarterly operating results and revenues may fluctuate as a result of any of these or other factors. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year, and revenues for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the market price of our outstanding securities could be adversely impacted.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES (a)

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs |
|---------------------------|----------------------------------|------------------------------|--|--|
| April 1 to April 30, 2018 | 28,007 | \$ 30.25 | n/a | n/a |
| May 1 to May 31, 2018 | 1,433,619 | 34.52 | 1,392,687 | — |
| June 1 to June 30, 2018 | 57,063 | 33.61 | 57,063 | — |
| Total | 1,518,689 | | 1,449,750 | — |

(a) The majority of these purchases (1.4 million) were made pursuant to our share repurchase program. The remaining purchases (0.1 million) were made pursuant to our 2005 Long-Term Equity Incentive Plan, which allows for the indirect purchase of shares through a net-settlement feature upon the vesting of shares in order to satisfy minimum statutory tax-withholding requirements.

Item 5. OTHER INFORMATION

Submission of Matters to a Vote of Security Holders.

The 2018 Annual Meeting of Stockholders of the Company was held on July 31, 2018. The stockholders of the Company voted upon three proposals at the Annual Meeting, with the following results:

Item 1 – Election of seven directors nominated by the Board of Directors to serve until the 2019 Annual Meeting of Stockholders.

| Director Nominee | For | Withheld | Broker Non-Votes |
|---------------------|------------|-----------|------------------|
| Ronald M. Lombardi | 46,697,029 | 1,408,660 | 1,178,319 |
| John E. Byom | 45,070,264 | 3,035,425 | 1,178,319 |
| Gary E. Costley | 44,977,183 | 3,128,506 | 1,178,319 |
| Sheila A. Hopkins | 47,516,581 | 589,108 | 1,178,319 |
| James M. Jenness | 46,124,402 | 1,981,287 | 1,178,319 |
| Carl J. Johnson | 46,137,489 | 1,968,200 | 1,178,319 |
| Natale S. Ricciardi | 47,504,893 | 600,796 | 1,178,319 |

Item 2 – Ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2019.

| For | Against | Abstentions |
|------------|-----------|-------------|
| 47,853,963 | 1,359,927 | 70,117 |

Item 3 – Non-binding resolution to approve the compensation of the Company's named executive officers as disclosed in the Company's proxy statement.

| For | Against | Abstentions | Broker Non-Votes |
|------------|-----------|-------------|------------------|
| 46,015,498 | 2,019,090 | 71,100 | 1,178,320 |

ITEM 6. EXHIBITS

See Exhibit Index immediately following the signature page.

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SIGNATURES

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

PRESTIGE BRANDS HOLDINGS, INC.

Date: August 2, 2018 By: /s/ Christine Sacco
Christine Sacco
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

Exhibit Index

- 10.1 Asset Purchase Agreement, dated July 2, 2018, by and among KIK International LLC, Prestige Brands International, Inc., The Spic and Span Company, Medtech Holdings, Inc. (as guarantor only) and Prestige Brands Holdings, Inc.
- 31.1 Certification of Principal Executive Officer of Prestige Brands Holdings, Inc. pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
- 31.2 Certification of Principal Financial Officer of Prestige Brands Holdings, Inc. pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
- 32.1 Certification of Principal Executive Officer of Prestige Brands Holdings, Inc. pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
- 32.2 Certification of Principal Financial Officer of Prestige Brands Holdings, Inc. pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* XBRL information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement, prospectus or other document to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.