

Prestige Brands Holdings, Inc.
Form 10-Q
November 07, 2012

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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)

90 North Broadway, Irvington, NY 10533

(Former name or former address, 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o

Accelerated filer x

Non-accelerated filer o

(Do not check if a smaller reporting company)

Smaller reporting company o

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 November 5, 2012, there were 50,506,100 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. CONSOLIDATED FINANCIAL STATEMENTS

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

(In thousands, except per share data)	Three Months Ended September 30,		Six Months Ended September 30,	
	2012	2011	2012	2011
Revenues				
Net sales	\$ 161,323	\$ 104,572	\$ 307,243	\$ 198,879
Other revenues	532	972	1,609	1,960
Total revenues	161,855	105,544	308,852	200,839
Cost of Sales				
Cost of sales (exclusive of depreciation shown below)	71,310	51,638	134,703	97,065
Gross profit	90,545	53,906	174,149	103,774
Operating Expenses				
Advertising and promotion	23,508	13,073	43,833	23,306
General and administrative	12,585	8,861	28,736	18,711
Depreciation and amortization	3,296	2,570	6,591	5,120
Total operating expenses	39,389	24,504	79,160	47,137
Operating income	51,156	29,402	94,989	56,637
Other (income) expense				
Interest income	(3)	(1)	(5)	(3)
Interest expense	19,663	8,280	39,513	16,860
Gain on settlement	—	—	—	(5,063)
Total other expense	19,660	8,279	39,508	11,794
Income before income taxes	31,496	21,123	55,481	44,843
Provision for income taxes	12,252	8,174	21,582	17,126
Net income	\$ 19,244	\$ 12,949	\$ 33,899	\$ 27,717
Earnings per share:				
Basic	\$ 0.38	\$ 0.26	\$ 0.67	\$ 0.55
Diluted	\$ 0.38	\$ 0.26	\$ 0.66	\$ 0.55
Weighted average shares outstanding:				
Basic	50,364	50,278	50,353	50,231
Diluted	51,225	50,671	51,166	50,659
Comprehensive income, net of tax:				
Currency translation adjustments	66	(42)	24	(52)
Total other comprehensive income (loss)	66	(42)	24	(52)
Comprehensive income	\$ 19,310	\$ 12,907	\$ 33,923	\$ 27,665

See accompanying notes.

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

(In thousands)	September 30, 2012	March 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$29,006	\$19,015
Accounts receivable, net	84,767	60,228
Inventories	53,836	50,861
Deferred income tax assets	5,973	5,283
Prepaid expenses and other current assets	5,840	11,396
Current assets held for sale	185	252
Total current assets	179,607	147,035
Property and equipment, net	6,128	1,304
Goodwill	173,928	173,702
Intangible assets, net	1,380,499	1,386,357
Other long-term assets	33,653	35,713
Long-term assets held for sale	13,808	14,165
Total Assets	\$1,787,623	\$1,758,276
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$41,883	\$26,726
Accrued interest payable	13,867	13,889
Other accrued liabilities	32,651	23,308
Total current liabilities	88,401	63,923
Long-term debt		
Principal amount	1,090,000	1,135,000
Less unamortized discount	(10,280)	(11,092)
Long-term debt, net of unamortized discount	1,079,720	1,123,908
Deferred income tax liabilities	180,798	167,717
Total Liabilities	1,348,919	1,355,548
Commitments and Contingencies — Note 16		
Stockholders' Equity		
Preferred stock - \$0.01 par value		
Authorized - 5,000 shares		
Issued and outstanding - None	—	—
Preferred share rights	283	283
Common stock - \$0.01 par value		
Authorized - 250,000 shares		
Issued - 50,500 shares at September 30, 2012 and 50,466 shares at March 31, 2012	505	505
Additional paid-in capital	393,951	391,898
Treasury stock, at cost - 181 shares at September 30, 2012 and March 31, 2012	(687)	(687)

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Accumulated other comprehensive income (loss), net of tax	11	(13)
Retained earnings	44,641	10,742	
Total Stockholders' Equity	438,704	402,728	
Total Liabilities and Stockholders' Equity	\$1,787,623	\$1,758,276	
See accompanying notes.			

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

(In thousands)	Six Months Ended September 30,	
	2012	2011
Operating Activities		
Net income	\$33,899	\$27,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,591	5,120
Deferred income taxes	12,391	5,962
Amortization of deferred financing costs	2,060	565
Stock-based compensation costs	1,973	1,657
Amortization of debt discount	812	458
Lease termination costs	975	—
Loss on disposal of equipment	51	—
Changes in operating assets and liabilities, net of effects from acquisitions		
Accounts receivable	(24,530	) (5,075
Inventories	(2,904	) (6,672
Prepaid expenses and other current assets	5,556	1,794
Accounts payable	15,150	3,594
Accrued liabilities	8,350	(1,654
Net cash provided by operating activities	60,374	33,466
Investing Activities		
Purchases of property and equipment	(5,266	) (307
Proceeds from escrow of Blacksmith acquisition	—	1,200
Proceeds from sale of property and equipment	15	—
Acquisition of brands from GSK purchase price adjustments	(226) —
Net cash (used in) provided by investing activities	(5,477	) 893
Financing Activities		
Repayments of long-term debt	(70,000	) (40,000
Repayments under revolving credit agreement	(8,000) —
Borrowings under revolving credit agreement	33,000	—
Proceeds from exercise of stock options	80	571
Shares surrendered as payment of tax withholding	—	(271
Net cash used in financing activities	(44,920	) (39,700
Effects of exchange rate changes on cash and cash equivalents	14	(32
Increase (decrease) in cash and cash equivalents	9,991	(5,373
Cash and cash equivalents - beginning of period	19,015	13,334
Cash and cash equivalents - end of period	\$29,006	\$7,961
Interest paid	\$36,524	\$15,790
Income taxes paid	\$656	\$5,844

See accompanying notes.

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

1. Business and Basis of Presentation

Nature of Business

Prestige Brands Holdings, Inc. (referred to herein as the “Company” or “we”, which reference shall, unless the context requires otherwise, be deemed to refer to Prestige Brands Holdings, Inc. and all of its direct and indirect wholly-owned subsidiaries on a consolidated basis) is engaged in the marketing, sales and distribution of Over-The-Counter (“OTC”) Healthcare and Household Cleaning products to mass merchandisers, drug stores, supermarkets and dollar and club stores primarily in the United States and Canada and in 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 9 to the Consolidated Financial Statements.

Basis of Presentation

The unaudited Consolidated Financial Statements presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All significant intercompany transactions and balances have been eliminated in the Consolidated Financial Statements. In the opinion of management, the Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments that are considered necessary for a fair presentation 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 Consolidated Financial Statements or notes to a year (e.g., “2013”) mean our fiscal year ending or ended on March 31st of that year. Operating results for the three and six months ended September 30, 2012 are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2013. This financial information should be read in conjunction with our Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

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 these estimates. As discussed below, our most significant estimates include those made in connection with the valuation of intangible assets, sales returns and allowances, trade promotional allowances and inventory obsolescence.

Cash and Cash Equivalents

We consider all short-term deposits and investments with original maturities of three months or less to be cash equivalents. Substantially all of our cash is held by a large regional bank with headquarters in California. We do not believe that, as a result of this concentration, we are subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships.

Accounts Receivable

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

history and aging of customers' receivables, and (iv) monitor open orders against an individual customer's outstanding receivable balance.

Inventories

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

Property and Equipment

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

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

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

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

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

Goodwill

The excess of the purchase price over the fair market value of assets acquired and liabilities assumed in purchase business combinations is classified as goodwill. Goodwill is not amortized, although the carrying value is tested for impairment at least annually in the fourth fiscal quarter of each year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill is tested for impairment at the reporting unit “brand” level, which is one level below the operating segment level.

Intangible Assets

Intangible assets, which are comprised primarily of trademarks, are stated at cost less accumulated amortization. For intangible assets with finite lives, amortization is computed using the straight-line method over estimated useful lives ranging from 3 to 30 years.

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

Deferred Financing Costs

We have incurred debt origination costs in connection with the issuance of long-term debt. These costs are capitalized as deferred financing costs and amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt.

Revenue Recognition

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

payment terms and estimated product returns at the time of sale based on our historical experience.

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

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

Cost of Sales

Cost of sales includes product costs, warehousing costs, inbound and outbound shipping costs, and handling and storage costs. Shipping, warehousing and handling costs were \$7.3 million and \$15.5 million for the three and six months ended September 30, 2012, respectively, and \$6.9 million and \$13.2 million, respectively for the three and six months ended September 30, 2011.

Advertising and Promotion Costs

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

Stock-based Compensation

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

Income Taxes

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

The Income Taxes topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result, we have applied a more-likely-than-not recognition threshold for all tax uncertainties. The guidance only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the various taxing authorities.

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

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

Earnings Per Share

Basic earnings per share is calculated based on income available to common stockholders and the weighted-average number of shares outstanding during the reporting period. Diluted earnings per share is calculated based on income available to common stockholders and the weighted-average number of common and potential common shares outstanding during the reporting period. Potential common shares, composed of the incremental common shares issuable upon the exercise of outstanding stock options, stock appreciation rights and unvested restricted shares, are included in the earnings per share calculation to the extent that they are dilutive.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current period's presentation of reporting assets held for sale. These assets are comprised of inventory and intangible assets.

Recently Issued Accounting Standards

In July 2012, the FASB issued guidance regarding testing the impairment of indefinite-lived intangible assets other than goodwill. The new guidance is intended to simplify how entities test impairment of indefinite-lived intangible assets other than goodwill. The new guidance permits an entity to first assess qualitative factors to determine whether it is "more-likely-than-not" that the fair value of the asset is less than its carrying amount as a basis for determining whether it is necessary to perform the impairment test described in the ASC Intangibles-Goodwill and Other topic. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The new guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. We do not expect that the adoption of this new guidance will have a material impact on our Consolidated Financial Statements.

In December 2011, the FASB issued guidance regarding disclosures about offsetting assets and liabilities. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. An entity will be required to disclose the following information for assets and liabilities within the scope of the new standard: (i) the gross amounts of those recognized assets and those recognized liabilities; (ii) the amounts offset to determine the net amounts presented in the statement of financial position; (iii) the net amounts presented in the statement of financial position; (iv) the amounts subject to an enforceable master netting arrangement or similar agreement not otherwise included in (ii); and (v) the net amount after deducting the amounts in (iv) from the amounts in (iii). The standard affects all entities with balances presented on a net basis in the financial statements, derivative assets and derivative liabilities, repurchase agreements, and financial assets and financial liabilities executed under a master netting or similar arrangement. This guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. We do not expect the adoption of this new guidance to have a material impact on our Consolidated Financial Statements. However, our arrangement with GlaxoSmithKline plc ("GSK"), as discussed in Note 2 to the Consolidated Financial Statements, provided that, during the term of the arrangement, we would receive a net monthly remittance and, therefore we have reported a net amount due from GSK in our accounts receivable at March 31, 2012 of \$8.4 million. Since the arrangement ended June 30, 2102, we do not have any amounts due from GSK in our accounts receivable at September 30, 2012.

In June 2011, the FASB issued guidance regarding presentation of comprehensive income. Under the ASC Comprehensive Income topic, entities are allowed the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This guidance does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

In December 2011, the FASB issued guidance to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the income statement. Based on this guidance, entities are still required to adopt either the single continuous statement or the two-statement approach required by the new guidance. However, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the requirements in effect before the adoption of the new standard (i.e., by component of other comprehensive income, either by displaying each component on a gross basis on the face of the appropriate financial statement or by displaying each component net of other changes on the face of the appropriate financial statement with the gross change disclosed in the notes). The new guidance and this deferral were effective for the Company beginning with the three months ended June 30, 2012, and full retrospective application is required. The December 2011 deferral of the guidance issued in June 2011, as well as the June 2011 guidance, are effective at the same time. The adoption of this new guidance did not have a material impact on our Consolidated Financial Statements.

In September 2011, the FASB issued guidance regarding testing goodwill for impairment. The new guidance is intended to simplify how entities test goodwill for impairment. The new guidance permits an entity to first assess qualitative factors to determine whether it is "more-likely-than-not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in the ASC Intangibles-Goodwill and Other topic. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this new guidance did not have a material impact on our Consolidated Financial Statements.

Management has reviewed and continues to monitor the actions of the various financial and regulatory reporting agencies and is currently not aware of any other pronouncement that could have a material impact on our consolidated financial position, results of operations or cash flows.

2. Acquisitions

Acquisition of GlaxoSmithKline OTC Brands

On December 20, 2011, we entered into two separate agreements with GSK to acquire a total of 17 North American OTC healthcare brands (the "GSK Brands") for \$660.0 million in cash (the "GSK Agreement").

On January 31, 2012, we completed, subject to a post-closing inventory and apportionment adjustment, as defined in the GSK Agreement, the acquisition of 15 North American OTC healthcare brands previously owned by GSK and its affiliates (the "GSK Brands I") for \$615.0 million in cash, including the related contracts, trademarks and inventory. The GSK Brands I include, among

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other brands, BC, Goody's and Ecotrin brands of pain relievers; Beano, Gaviscon, Phazyme, Tagamet and Fiber Choice gastrointestinal brands; and the Sominex sleep aid brand. We acquired the GSK Brands I pursuant to the terms of the GSK Agreement.

On March 30, 2012, we completed, subject to a post-closing inventory and apportionment adjustment, as defined in the GSK Agreement, the acquisition of the Debrox and Gly-Oxide brands (the "GSK Brands II") in the United States for \$45.0 million in cash, including the related contracts, trademarks and inventory, subject to a post-closing inventory adjustment.

Both the GSK Brands I and GSK Brands II are complementary to our existing OTC Healthcare portfolio.

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

The purchase price of the GSK Brands I and GSK Brands II was funded by cash provided by the issuance of long-term debt and additional bank borrowings, which are discussed further in Note 9 to the Consolidated Financial Statements. In April 2012, we received the post-closing inventory and apportionment adjustments, which required an additional \$2.8 million to be paid to GSK, and in May 2012 we received a revised post-closing inventory and apportionment adjustment, which required an additional \$0.2 million, for a total of \$3.0 million, to be paid to GSK.

Concurrent with the closing of the GSK Brands I transaction, we entered into a Transitional Services Agreement with GSK (the "TSA"), whereby GSK provided us with various services including: marketing, operations, finance and other services from the GSK Brands I acquisition date primarily through June 30, 2012, with additional finance support through August 31, 2012. As part of the TSA, GSK, among other things, shipped products, invoiced customers, collected from customers and paid certain vendors on our behalf. Our initial costs under the TSA were approximately \$2.5 million per month for the length of the agreement and were reduced during the service period as we removed certain services and transitioned these processes to us. For the three and six months ended September 30, 2012, we incurred \$0.1 million and \$6.9 million, respectively in TSA costs. Pursuant to this arrangement, we received on a monthly basis the amount owed to us for revenues and expenses, net of GSK's TSA fees and inventory that GSK purchased on our behalf.

The allocation of the purchase price to assets acquired is based on a valuation we performed to determine the fair value of such assets as of the acquisition date. We are still finalizing the purchase price allocation. The following table summarizes our preliminary allocation of the \$663.0 million purchase price to the assets we acquired on the GSK Brands I and GSK Brands II (collectively, the "GSK Brands") acquisition dates:

(In thousands)	GSK Brands I (January 31, 2012)	GSK Brands II (March 30, 2012)	Total
Inventory	\$14,820	\$250	\$15,070
Prepaid expenses	3,575	—	3,575
Trade names	542,892	81,257	624,149
Goodwill	17,401	2,831	20,232
Total purchase price	\$578,688	\$84,338	\$663,026

We recorded goodwill based on the amount by which the purchase price exceeded the fair value of assets acquired. The amount of goodwill deductible for tax purposes is \$20.2 million.

The fair value of the trade names is comprised of \$556.9 million of non-amortizable intangible assets and \$67.2 million of amortizable intangible assets. We are amortizing the purchased amortizable intangible assets on a

straight-line basis over an estimated weighted average useful life of 19.3 years. The weighted average remaining life for amortizable intangible assets at September 30, 2012 was 18.5 years.

The operating results of the GSK Brands I have been included in our Consolidated Financial Statements beginning February 1, 2012, while the operating results of the GSK Brands II have been included in our Consolidated Financial Statements beginning April 1, 2012. Revenues of the acquired operations for the three and six months ended September 30, 2012 were \$51.4 million and \$103.0 million, respectively, and net income was \$5.3 million and \$9.7 million, respectively.

The following table provides our unaudited pro forma revenues, net income and net income per basic and diluted common share as if the results of GSK's operations had been included in our operations commencing on April 1, 2011, and based upon available

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information related to GSK's operations. This pro forma information is not necessarily indicative either of the combined results of operations that actually would have been realized by us had the GSK acquisition been consummated at the beginning of the period for which the pro forma information is presented, or of future results.

(In thousands, except per share data)	Three Months Ended September 30, 2011	Six Months Ended September 30, 2011
Revenues	\$ 157,082	\$ 303,916
Net income	\$ 17,724	\$ 37,520
Earnings per share:		
Basic	\$ 0.35	\$ 0.75
Diluted	\$ 0.35	\$ 0.74

3. Accounts Receivable

Accounts receivable consist of the following:

(In thousands)	September 30, 2012	March 31, 2012
Components of Accounts Receivable		
Trade accounts receivable	\$ 88,674	\$ 55,721
Other receivables	1,282	9,368
	89,956	65,089
Less allowances for discounts, returns and uncollectible accounts	(5,189)	(4,861)
Accounts receivable, net	\$ 84,767	\$ 60,228

4. Inventories

Inventories consist of the following:

(In thousands)	September 30, 2012	March 31, 2012
Components of Inventories		
Packaging and raw materials	\$ 2,874	\$ 1,189
Finished goods	50,962	49,672
Inventories	\$ 53,836	\$ 50,861

Inventories, depicted above, are carried at the lower of cost or market, which includes a reduction in inventory values of \$1.1 million and \$1.6 million at September 30, 2012 and March 31, 2012, respectively, related to obsolete and slow-moving inventory.

5. Property and Equipment

Property and equipment consist of the following:

(In thousands)	September 30, 2012	March 31, 2012
Components of Property and Equipment		
Machinery	\$ 1,477	\$ 1,454
Computer equipment	3,346	2,693

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Furniture and fixtures	1,405	241	
Leasehold improvements	3,431	436	
	9,659	4,824	
Accumulated depreciation	(3,531) (3,520)
Property and equipment, net	\$6,128	\$1,304	

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We recorded depreciation expense of \$0.4 million and \$0.2 million for the three months ended September 30, 2012 and September 30, 2011, respectively, and \$0.6 million and \$0.4 million for the six months ended September 30, 2012 and September 30, 2011, respectively. Additionally, during the three months ended September 30, 2012, we wrote-off leasehold improvements with a remaining net book value of less than \$0.1 million due to the relocation of our corporate offices.

6. Goodwill

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

(In thousands)	OTC Healthcare	Household Cleaning	Consolidated
Balance — March 31, 2012			
Goodwill	\$296,483	\$72,549	\$369,032
Accumulated impairment losses	(130,170	) (65,160	) (195,330
	166,313	7,389	173,702
Additions	226	—	226
Balance — September 30, 2012			
Goodwill	296,709	72,549	369,258
Accumulated impairment losses	(130,170	) (65,160	) (195,330
	\$166,539	\$7,389	\$173,928

At March 31, 2012, during our annual test for goodwill impairment, there were no indicators of impairment under the analysis. Accordingly, no impairment charge was recorded in 2011. Additionally, for the six months ended September 30, 2012, no indicators of impairment existed and no impairment charge was recorded.

The discounted cash flow methodology is a widely-accepted valuation technique to estimate fair value utilized by market participants in the transaction evaluation process and has been applied consistently. We also considered our market capitalization at March 31, 2012, as compared to the aggregate fair values of our reporting units, to assess the reasonableness of our estimates pursuant to the discounted cash flow methodology. The estimates and assumptions made in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Consequently, changing rates of interest and inflation, declining sales or margins, increases in competition, changing consumer preferences, technical advances, or reductions in advertising and promotion may require impairments in the future.

During the three months ended June 30, 2012, we received a revised post-closing inventory and apportionment adjustment from GSK for an additional amount of \$0.2 million, which resulted in an increase to our recorded goodwill balance.

As discussed in Note 1, in accordance with recent guidance from the FASB, an entity is permitted to first assess qualitative factors in testing goodwill for impairment prior to performing a quantitative assessment. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and became effective for the Company in fiscal year 2013. The adoption of this new guidance did not have a material impact on our Consolidated Financial Statements.

7. Intangible Assets

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

(In thousands)	Indefinite Lived Trademarks	Finite Lived Trademarks	Non Compete Agreement	Totals
Gross Carrying Amounts				
Balance — March 31, 2012	\$ 1,245,414	\$ 203,228	\$ 158	\$ 1,448,800
Additions	—	—	—	—
Balance — September 30, 2012	\$ 1,245,414	\$ 203,228	\$ 158	\$ 1,448,800
Accumulated Amortization				
Balance — March 31, 2012	\$ —	\$ 62,285	\$ 158	\$ 62,443
Additions	—	5,858	—	5,858
Balance — September 30, 2012	\$ —	\$ 68,143	\$ 158	\$ 68,301
Intangible assets, net - September 30, 2012	\$ 1,245,414	\$ 135,085	\$ —	\$ 1,380,499

In a manner similar to goodwill, we completed our test for impairment of our indefinite-lived intangible assets during the three months ended March 31, 2012. We did not record an impairment charge, as facts and circumstances indicated that the fair values of the intangible assets for our operating segments exceeded their carrying values. Additionally, for the indefinite-lived intangible assets, an evaluation of the facts and circumstances as of September 30, 2012 continues to support an indefinite useful life for these assets. Therefore, no impairment charge was recorded for the six months ended September 30, 2012.

The weighted average remaining life for finite-lived intangible assets at September 30, 2012 was approximately 13.5 years and the amortization expense for the three and six months ended September 30, 2012 was \$2.8 million and \$5.9 million, respectively. At September 30, 2012, intangible assets are expected to be amortized over a period of 3 to 30 years as follows:

(In thousands)	Amount
Year Ending March 31,	
2013 (Remaining six months ending March 31, 2013)	\$5,456
2014	10,183
2015	8,849
2016	8,849
2017	8,849
Thereafter	92,899
	\$ 135,085

8. Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In thousands)	September 30, 2012	March 31, 2012
Accrued marketing costs	\$ 19,994	\$ 10,554
Accrued payroll	4,941	7,181
Accrued commissions	606	415
Accrued income taxes	1,830	577

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Accrued professional fees	2,852	3,821
Deferred rent	1,065	9
Accrued severance	206	461
Accrued lease termination costs	1,157	290
	\$32,651	\$23,308

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9. Long-Term Debt

On March 24, 2010, Prestige Brands, Inc. ("the Borrower") issued \$150.0 million of senior unsecured notes, with an interest rate of 8.25% and a maturity date of April 1, 2018 (the "2010 Senior Notes"). On November 1, 2010, the Borrower issued an additional \$100.0 million of the 2010 Senior Notes. The Borrower may earlier redeem some or all of the 2010 Senior Notes at redemption prices set forth in the indenture governing the 2010 Senior Notes. The 2010 Senior Notes issued in March and November 2010 were issued at an aggregate face value of \$150.0 million and \$100.0 million, respectively, with a discount to the initial purchasers of \$2.2 million and a premium of \$0.3 million, respectively, and net proceeds to the Company of \$147.8 million and \$100.3 million, respectively, yielding an 8.5% effective interest rate for the 2010 Senior Notes on a combined basis. The 2010 Senior Notes are unconditionally guaranteed by Prestige Brands Holdings, Inc. and its domestic 100% owned subsidiaries other than the Borrower. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries.

On March 24, 2010, the Borrower entered into a senior secured term loan facility for \$150.0 million, with an interest rate at LIBOR plus 3.25% with a LIBOR floor of 1.5% and a maturity date of March 24, 2016 (the "2010 Senior Term Loan"). The \$150.0 million 2010 Senior Term Loan was entered into with a discount to lenders of \$1.8 million and net proceeds to the Company of \$148.2 million, yielding a 5.0% effective interest rate. On November 1, 2010, we, together with the Borrower and certain of our other subsidiaries, executed an Increase Joinder to the credit agreement governing the 2010 Senior Term Loan (the "Increase Joinder"), pursuant to which the Borrower entered into an incremental term loan in the amount of \$115.0 million. The 2010 Senior Term Loan was scheduled to mature on March 24, 2016 but was repaid in full on January 31, 2012 with the entry into the new senior secured credit facility described below. The 2010 Senior Term Loan was unconditionally guaranteed by Prestige Brands Holdings, Inc. and its domestic 100% owned subsidiaries, other than the Borrower.

Additionally, on March 24, 2010, the Borrower entered into a non-amortizing senior secured revolving credit facility (the "2010 Revolving Credit Facility" and, collectively with the 2010 Senior Term Loan, the "2010 Credit Facility") in an aggregate principal amount of up to \$30.0 million. On November 1, 2010, pursuant to the Increase Joinder, the amount of the 2010 Revolving Credit Facility was increased by \$10.0 million, providing the Borrower with borrowing capacity under the 2010 Revolving Credit Facility in an aggregate principal amount of up to \$40.0 million. On January 31, 2012, in connection with the entry into new senior secured credit facilities as described below, the Borrower terminated the 2010 Credit Facility. There were no material early termination penalties as a result of the termination of the 2010 Credit Facility.

On January 31, 2012, the Borrower issued \$250.0 million of senior unsecured notes at par value, with an interest rate of 8.125% and a maturity date of February 1, 2020 (the "2012 Senior Notes"). The Borrower may earlier redeem some or all of the 2012 Senior Notes at redemption prices set forth in the indenture governing the 2012 Senior Notes. The 2012 Senior Notes are guaranteed by Prestige Brands Holdings, Inc. and certain of its domestic 100% owned subsidiaries. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries. In connection with the 2012 Senior Notes offering, we incurred \$12.6 million of costs which were capitalized as deferred financing costs and are being amortized over the term of the 2012 Senior Notes.

On January 31, 2012, the Borrower also entered into a new senior secured credit facility, which consists of (i) a \$660.0 million term loan facility (the "2012 Term Loan") with a seven-year maturity and (ii) a \$50.0 million asset-based revolving credit facility (the "2012 ABL Revolver") with a five-year maturity. In September 2012, we utilized a portion of our accordion feature to increase the amount of our borrowing capacity under the 2012 ABL Revolver by \$25.0 million to \$75.0 million. The 2012 Term Loan was issued with an original issue discount of 1.5% of the principal amount thereof, resulting in net proceeds to the Company of \$650.1 million. In connection with these loan facilities,

we incurred \$20.6 million of costs which were capitalized as deferred financing costs and are being amortized over the terms of the facilities. The 2012 Term Loan is unconditionally guaranteed by Prestige Brands Holdings, Inc. and its domestic 100% owned subsidiaries, other than the Borrower. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries.

The 2012 Term Loan bears interest at a rate per annum equal to an applicable margin plus, at our option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (d) a floor of 2.25% or (ii) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that LIBOR shall not be lower than 1.25%. For the six months ended September 30, 2012, the average interest rate on the 2012 Term Loan was 5.4%.

Under the 2012 Term Loan, we are required to make quarterly payments each equal to 0.25% of the original principal amount of the term loan made on the closing date, with the balance expected to be due on the seventh anniversary of the closing date. However,

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since we made a \$25.0 million payment in March 2012, and additional payments totaling \$70.0 million during the six months ended September 30, 2012, we will not be required to make a payment until the maturity date of January 31, 2019.

Borrowings under the 2012 ABL Revolver bear interest at a rate per annum equal to an applicable margin, plus, at our option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% or (ii) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for borrowings under the 2012 ABL Revolver is 1.75% with respect to LIBOR borrowings and 0.75% with respect to base-rate borrowings. The applicable margin for borrowings under the 2012 ABL Revolver may be increased to 2.00% or 2.25% for LIBOR borrowings and 1.00% or 1.25% for base-rate borrowings, depending on average excess availability under the 2012 ABL Revolver during the prior fiscal quarter. In addition to paying interest on outstanding principal under the 2012 ABL Revolver, we are required to pay a commitment fee to the lenders under the 2012 ABL Revolver in respect of the unutilized commitments thereunder. The initial commitment fee rate is 0.50% per annum. The commitment fee rate will be reduced to 0.375% per annum at any time when the average daily unused commitments for the prior quarter is less than a percentage of total commitments in an amount set forth in the credit agreement covering the 2012 ABL Revolver. We may voluntarily repay outstanding loans under the 2012 ABL Revolver at any time without a premium or penalty. For the six months ended September 30, 2012, the average interest rate on the 2012 ABL Revolver was 2.1%.

We used the net proceeds from the 2012 Senior Notes offering, together with borrowings under the 2012 Term Loan, to finance the acquisition of the GSK Brands I and GSK Brands II, to repay the 2010 Credit Facility, to pay fees and expenses incurred in connection with these transactions and for general corporate purposes. The acquisition is discussed in Note 2 to the Consolidated Financial Statements.

In connection with the financing activities of March 2010 relating to the 2010 Senior Notes, the 2010 Senior Term Loan and the 2010 Revolving Credit Facility, we incurred \$7.3 million in issuance costs, of which \$6.6 million was capitalized as deferred financing costs and \$0.7 million was expensed. In connection with the financing activities of November 2010 relating to the 2010 Senior Notes and the Increase Joinder, we incurred \$0.6 million in issuance costs, all of which were capitalized as deferred financing costs. In connection with the financing activities of January 2012 relating to the 2012 Senior Notes, the 2012 Term Loan and the 2012 ABL Revolver, we incurred \$12.6 million, \$18.8 million and \$1.8 million, respectively, in issuance costs, which were capitalized as deferred financing costs. The deferred financing costs are being amortized over the terms of the related loan and notes.

The 2010 Senior Notes and 2012 Senior Notes are senior unsecured obligations of the Company and are guaranteed on a senior unsecured basis. The 2010 Senior Notes are effectively junior in right of payment to all existing and future secured obligations of the Company with the exception of the 2012 Senior Notes, equal in right of payment with all existing and future senior unsecured indebtedness of the Company, and senior in right of payment to all future subordinated debt of the Company. The 2012 Senior Notes are effectively subordinated to secured obligations of the Company, including the new Senior Secured Credit Facility and the 2010 Senior Notes, equal in right of payment to all existing and future unsecured obligations of the Company, and senior in right of payment to all existing and future subordinated obligations of the Company.

At any time prior to April 1, 2014, we may redeem the 2010 Senior Notes in whole or in part at a redemption price equal to 100% of the principal amount of the notes redeemed, plus a "make-whole premium" calculated as set forth in the indenture governing the 2010 Senior Notes, together with accrued and unpaid interest, if any, to the date of redemption. We may redeem the 2010 Senior Notes in whole or in part at any time on or after the 12-month period beginning April 1, 2014 at a redemption price of 104.125% of the principal amount thereof, at a redemption price of

102.063% of the principal amount thereof if the redemption occurs during the 12-month period beginning on April 1, 2015, and at a redemption price of 100% of the principal amount thereof if the redemption occurs on and after April 1, 2016, in each case, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to April 1, 2013, with the net cash proceeds from certain equity offerings, we may redeem up to 35% in aggregate principal amount of the 2010 Senior Notes at a redemption price of 108.250% of the principal amount of the 2010 Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date.

At any time prior to February 1, 2016, we may redeem the 2012 Senior Notes in whole or in part at a redemption price equal to 100% of the principal amount of the notes redeemed, plus a "make-whole premium" calculated as set forth in the indenture governing the 2012 Senior Notes, together with accrued and unpaid interest, if any, to the date of redemption. On or after February 1, 2016, we may redeem the 2012 Senior Notes in whole or in part at redemption prices set forth in the indenture governing the 2012 Senior Notes. In addition, at any time prior to February 1, 2015, we may redeem up to 35% of the aggregate principal amount of the 2012 Senior Notes at a redemption price equal to 108.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of certain equity offerings, provided that certain conditions are met. Subject

to certain limitations, in the event of a change of control, as defined in the indenture governing the 2012 Senior Notes, Prestige Brands, Inc. will be required to make an offer to purchase the 2012 Senior Notes at a price equal to 101% of the aggregate principal amount of the 2012 Senior Notes repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The indentures governing the 2010 Senior Notes and 2012 Senior Notes contain provisions that restrict us from undertaking specified corporate actions, such as asset dispositions, acquisitions, dividend payments, repurchases of common shares outstanding, changes of control, incurrences of indebtedness, issuance of equity, creation of liens, making of loans and transactions with affiliates. Additionally, the credit agreement with respect to the new Senior Secured Credit Facility and the indenture governing the 2012 Senior Notes contain cross-default provisions, whereby a default pursuant to the terms and conditions of certain indebtedness will cause a default on the remaining indebtedness under the credit agreement with respect to the new Senior Secured Credit Facility and the indenture governing the 2012 Senior Notes. At September 30, 2012, we were in compliance with the covenants under our long-term indebtedness.

During the six months ended September 30, 2012, we made principal payments of \$70.0 million against the outstanding 2012 Term Loan and borrowed a net amount of \$25.0 million against the 2012 ABL Revolver.

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

(In thousands, except percentages)	September 30, 2012	March 31, 2012
2012 Senior Notes bearing interest at 8.125%, with interest only payable on February 1 and August 1 of each year. The 2012 Senior Notes mature on February 1, 2020.	\$250,000	\$250,000
2012 Term Loan bearing interest at the Company's option at either a base rate plus applicable margin with a floor of 2.25% or LIBOR with a floor of 1.25%, due on January 31, 2019.	565,000	635,000
2012 ABL Revolver bearing interest at the Company's option at either a base rate plus applicable margin or LIBOR plus applicable margin. Any unpaid balance is due on January 31, 2017.	25,000	—
2010 Senior Notes bearing interest at 8.25%, with interest only payable on April 1 and October 1 of each year. The 2010 Senior Notes mature on April 1, 2018.	250,000	250,000
	1,090,000	1,135,000
Current portion of long-term debt	—	—
	1,090,000	1,135,000
Less: unamortized discount	(10,280)	(11,092)
Long-term debt, net of unamortized discount	\$1,079,720	\$1,123,908

Aggregate future principal payments required in accordance with the terms of the 2012 Term Loan, the 2012 ABL Revolver and the indentures governing the 2010 Senior Notes and the 2012 Senior Notes are as follows:

(In thousands)

Year Ending March 31,	Amount
2013 (remaining six months ending March 31, 2013)	\$—
2014	—
2015	—
2016	—
2017	25,000
Thereafter	1,065,000
	\$1,090,000

10. Fair Value Measurements

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

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

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

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

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

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

The market values have been determined based on market values for similar instruments adjusted for certain factors. As such, the 2012 Term Loan, the 2012 Senior Notes, the 2010 Senior Notes and the 2012 ABL Revolver are measured in Level 2 of the above hierarchy. At September 30, 2012 and March 31, 2012, we did not have any assets or liabilities measured in Level 1 or 3. During any of the periods presented, there were no transfers of assets or liabilities between Levels 1, 2 and 3.

At September 30, 2012 and March 31, 2012, the carrying value of our 2012 Senior Notes was \$250.0 million and \$250.0 million, respectively. The market value of our 2012 Senior Notes was \$276.9 million and \$270.6 million, respectively, at September 30, 2012 and March 31, 2012.

At September 30, 2012 and March 31, 2012, the carrying value of the 2012 Term Loan was \$565.0 million and \$635.0 million, respectively. The market value of the 2012 Term Loan was \$566.4 million and \$639.0 million, respectively, at September 30, 2012 and March 31, 2012.

At September 30, 2012 and March 31, 2012, the carrying value of our 2010 Senior Notes was \$250.0 million and \$250.0 million, respectively. The market value of our 2010 Senior Notes was approximately \$273.7 million and \$272.5 million at September 30, 2012 and March 31, 2012, respectively.

At September 30, 2012, the carrying value and the market value of the 2012 ABL Revolver was \$25.0 million and \$25.0 million, respectively.

11. Stockholders' Equity

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

Each share of common stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid on the Company's common stock through September 30, 2012.

Pursuant to the provisions of the various employee restricted stock awards, we repurchased no shares of restricted common stock from our employees during the three and six months ended September 30, 2012. During the three and six months ended September 30, 2011, we repurchased zero and 20,999 shares, respectively, of restricted common stock from our employees pursuant to the provisions of the various employee restricted stock awards. The repurchases were at an average price of \$12.86. All of the repurchased shares have been recorded as treasury stock.

12. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) (“AOCI”) is comprised of various items that affect equity and results from recognized transactions and other economic events, other than transactions with owners in their capacity as owners.

AOCI consisted of the following at September 30, 2012 and March 31, 2012:

(In thousands)	September 30, 2012	March 31, 2012	
Components of Accumulated Other Comprehensive Income (Loss)			
Cumulative translation adjustment	\$11	\$(13)
Total accumulated other comprehensive loss	\$11	\$(13)

13. Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of shares of common stock outstanding plus the effect of potentially dilutive common shares outstanding during the period using the treasury stock method, which includes stock options, restricted stock awards and restricted stock units. The following table sets forth the computation of basic and diluted earnings per share:

(In thousands, except per share data)	Three Months Ended September 30,		Six Months Ended September 30,	
	2012	2011	2012	2011
Numerator				
Net income	\$19,244	\$12,949	\$33,899	\$27,717
Denominator				
Denominator for basic earnings per share — weighted average shares outstanding	50,364	50,278	50,353	50,231
Dilutive effect of unvested restricted common stock (including restricted stock units) and options issued to employees and directors	861	393	813	428
Denominator for diluted earnings per share	51,225	50,671	51,166	50,659
Earnings per Common Share:				
Basic net earnings per share	\$0.38	\$0.26	\$0.67	\$0.55
Diluted net earnings per share	\$0.38	\$0.26	\$0.66	\$0.55

For the three months ended September 30, 2012 and 2011, there were 0.3 million and 0.6 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. For the six months ended September 30, 2012 and 2011, there were 0.4 million and 0.5 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.

14. 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 the grant of up to a maximum of 5.0 million shares of restricted stock, stock

options, restricted stock units and other equity-based awards. 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 and six months ended September 30, 2012, pre-tax share-based compensation costs charged against income were \$1.1 million and \$2.0 million, respectively, and the related income tax benefit recognized was \$0.3 million and \$0.6 million, respectively. During the three and six months ended September 30, 2011, pre-tax share-based compensation costs charged against

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income were \$0.8 million and \$1.7 million, respectively, and the related income tax benefit recognized was \$0.2 million and \$0.4 million, respectively.

Restricted Shares

Restricted shares granted to employees under the Plan generally vest in 3 to 5 years, primarily upon the attainment of certain time vesting thresholds and may also be contingent on the attainment of certain performance goals by the Company, including revenue and earnings before income taxes, depreciation and amortization targets. The restricted share awards provide for accelerated vesting if there is a change of control, as defined in the Plan. On May 9, 2012, the Compensation Committee of our Board of Directors granted 111,152 shares of restricted common stock units to certain executive officers and employees under the Plan. On June 29, 2012, the Compensation Committee of our Board of Directors granted 12,652 shares of restricted common stock units to the independent members of the Board of Directors under the Plan. On August 6, 2012, the Compensation Committee of the Board of Directors granted 5,109 shares of restricted common stock units to Matthew M. Mannelly.

The restricted common stock units granted to Directors will vest in their entirety one year after the date of grant so long as the membership on the Board of Directors continues through the vesting date, with the settlement in common stock to occur on the earliest of the director's death, disability or six month anniversary of the date on which the director's Board membership ceases for reasons other than death or disability. The restricted common stock units granted to employees generally vest in their entirety on the 3-year anniversary of the date of the grant. Upon vesting, the units will be settled in shares of our common stock. The fair value of the restricted common stock units is determined using the closing price of our common stock on the day of grant. The weighted-average grant-date fair value of restricted shares granted during the six months ended September 30, 2012 and 2011 was \$13.59 and \$11.35, respectively.

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

Restricted Shares	Shares (in thousands)	Weighted- Average Grant-Date Fair Value
Six months ended September 30, 2011:		
Outstanding at March 31, 2011	275.4	\$8.46
Granted	122.5	11.35
Vested and issued	(103.4	) 9.93
Forfeited	(15.2	) 10.72
Outstanding at September 30, 2011	279.3	9.06
Vested at September 30, 2011	54.0	7.40
Six months ended September 30, 2012:		
Outstanding at March 31, 2012	363.4	\$9.92
Granted	128.9	13.59
Vested and issued	(27.0	) 7.16
Forfeited	(4.3	) 11.06
Outstanding at September 30, 2012	461.0	11.10
Vested at September 30, 2012	70.4	8.52

Options

The Plan provides that the exercise price of options granted shall be no less than the fair market value of the Company's common stock on the date the options are granted. Options granted have a term of no greater than 10

years from the date of grant and vest in accordance with a schedule determined at the time the option is granted, generally 3 to 5 years. The option awards provide for accelerated vesting if there is a change in control, as defined 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 management's estimates and consideration of information derived from the public filings of companies similar to us and

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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 option. On May 9, 2012, the Compensation Committee of our Board of Directors granted stock options to acquire 422,962 shares of our common stock to certain executive officers and employees under the Plan. These stock options were granted at an exercise price of \$13.24 per share, which is equal to the closing price for our common stock on the day of the grant. On August 6, 2012, the Compensation Committee of the Board of Directors granted stock options to acquire 21,978 shares of our common stock to Matthew M. Mannelly. These stock options were granted at an exercise price of \$15.66 per share, which is equal to the closing price for our common stock on the date of grant. The stock options will vest 33.3% per year over three years and are exercisable for up to ten years from the date of grant.

The weighted-average grant-date fair value of the options granted during the six months ended September 30, 2012 and 2011 was \$6.03 and \$5.83, respectively.

	Six Months Ended September 30,			
	2012	2011		
Expected volatility	44.0	%	53.0	%
Expected dividends	\$—		\$—	
Expected term in years	6.5		6.5	
Risk-free rate	1.2	%	2.4	%

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

Options	Shares (in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Six months ended September 30, 2011:				
Outstanding at March 31, 2011	1,621.5	\$8.19		
Granted	308.1	11.27		
Exercised	(54.2)	) 10.54		
Forfeited or expired	(39.3)	) 10.99		
Outstanding at September 30, 2011	1,836.1	8.58	8.0	\$2,129
Exercisable at September 30, 2011	711.2	8.65	7.2	851
Six months ended September 30, 2012:				
Outstanding at March 31, 2012	1,745.4	\$8.44		
Granted	444.9	13.36		
Exercised	(6.8)	) 11.84		
Forfeited or expired	(11.7)	) 10.99		
Outstanding at September 30, 2012	2,171.8	9.43	7.6	\$16,602
Exercisable at September 30, 2012	1,027.7	8.39	6.9	7,132

The aggregate intrinsic value of options exercised in the six months ended September 30, 2012 was less than \$0.1 million. The aggregate intrinsic value at September 30, 2012 for options granted during the six months ended September 30, 2012 was \$1.1 million.

At September 30, 2012, there were \$5.0 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 1.0 years. The total fair value of options and restricted shares vested during the six months ended September 30, 2012 and 2011 was \$2.0 million and \$2.7

million, respectively. For the six months ended September 30, 2012 and 2011, cash received from the exercise of stock options was less than \$0.1 million and \$0.7 million, respectively, and we realized less than \$0.1 million and \$0.1 million, respectively, in tax benefits for the tax deductions resulting from these option exercises. At September 30, 2012, there were 1.9 million shares available for issuance under the Plan.

15. Income Taxes

Income taxes are recorded in our quarterly financial statements based on our estimated annual effective income tax rate, subject to adjustments for discrete events, should they occur. The effective tax rate used in the calculation of income taxes was 38.9% and 38.7%, respectively, for the three months ended September 30, 2012 and September 30, 2011. The effective tax rate used in the calculation of income taxes was 38.9% and 38.2%, respectively, for the six months ended September 30, 2012 and September 30, 2011. The increase in the effective tax rate for the three months ended September 30, 2012 is primarily due to higher state income taxes and non-deductible compensation.

At September 30, 2012, a wholly-owned subsidiary had a net operating loss carryforward of approximately \$1.3 million which may be used to offset future taxable income of the consolidated group and which begins to expire in 2020. The net operating loss carryforward is subject to an annual limitation as to usage of approximately \$0.2 million pursuant to Internal Revenue Code Section 382.

We did not have any activity in our uncertain tax liability during the six months ended September 30, 2012. Therefore, the balance in our uncertain tax liability was \$0.3 million at September 30, 2012 and \$0.3 million at March 31, 2012. 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. We do not anticipate any significant events or circumstances that would cause a material change to these uncertainties during the ensuing year.

16. Commitments and Contingencies

We are involved from time to time in routine 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 matters and other incidental claims, taking our reserves into account, will not have a material adverse effect on our business, financial condition, cash flows or results from operations.

Lease Commitments

We have operating leases for office facilities and equipment in New York and Wyoming, which expire at various dates through 2018. Due to the recent acquisition of the GSK Brands, we required additional office space and entered into a 5.5 year lease for a new office facility in New York, which began - in the third quarter of fiscal 2013. In May 2012, we entered into a 3 year office lease in Rogers, Arkansas. These amounts have been included in the schedule below.

The following summarizes future minimum lease payments for our operating leases as of September 30, 2012: (In thousands)

Year Ending March 31,	Facilities	Equipment	Total
2013 (Remaining six months ending March 31, 2013)	\$580	\$71	\$651
2014	1,613	141	1,754
2015	1,018	136	1,154
2016	991	135	1,126
2017	1,023	68	1,091

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Thereafter	1,044	—	1,044
	\$6,269	\$551	\$6,820

Rent expense for the three months ended September 30, 2012 and 2011 was \$0.3 million and \$0.2 million, respectively, while rent expense for the six months ended September 30, 2012 and 2011 was \$0.6 million and \$0.4 million, respectively.

Purchase Commitments

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

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the course of the agreement. Additionally, we entered into a short-term supply arrangement with one of our Canadian suppliers to provide a certain amount of product through January 2013. As such, we have included \$3.3 million of purchase commitments in the remaining six months ended March 31, 2013.

(In thousands)

Year Ending March 31,	Amount
2013 (Remaining six months ending March 31, 2013)	\$3,894
2014	1,136
2015	1,105
2016	1,074
2017	1,044
Thereafter	2,555
	\$10,808

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, food and drug stores, and dollar and club stores. During the three and six months ended September 30, 2012, approximately 40.3% and 41.3%, respectively, of our total revenues were derived from our five top selling brands. During the three and six months ended September 30, 2011, approximately 55.5% and 56.9%, respectively, of our total revenues were derived from our five top selling brands. One customer, Walmart, accounted for more than 10% of our gross revenues for each of the periods presented. Such customer accounted for approximately 16.3% and 18.1%, respectively, of our gross revenues for the three and six months ended September 30, 2012, and 17.0% and 18.2%, respectively, of our gross revenues for the three and six months ended September 30, 2011. At September 30, 2012, approximately 20.3% of accounts receivable were owed by the same customer.

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

At September 30, 2012, we had relationships with 61 third-party manufacturers. Of those, we had long-term contracts with 28 manufacturers that produced items that accounted for approximately 84.9% of gross sales for the six months ended September 30, 2012. At September 30, 2011, we had relationships with 51 third-party manufacturers. Of those, we had long-term contracts with 14 manufacturers that produced items that accounted for approximately 64.4% of gross sales for the six months ended September 30, 2011. The fact that we do not have long-term contracts with certain manufacturers means they could cease producing 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, financial condition, cash flows and results from operations.

18. Business Segments

Segment information has been prepared in accordance with the Segment Reporting topic of the FASB ASC. Our current operating and reportable segments consist of (i) OTC Healthcare and (ii) Household Cleaning. There were no inter-segment sales or transfers during any of the periods presented. We evaluate the performance of our operating segments and allocate resources to them based primarily on contribution margin.

The tables below summarize information about our operating and reportable segments.

(In thousands)	Three Months Ended September 30, 2012			Six Months Ended September 30, 2012		
	OTC Healthcare	Household Cleaning	Consolidated	OTC Healthcare	Household Cleaning	Consolidated
Net sales	\$137,771	\$23,552	\$161,323	\$263,775	\$43,468	\$307,243
Other revenues	164	368	532	345	1,264	1,609
Total revenues	137,935	23,920	161,855	264,120	44,732	308,852
Cost of sales	53,469	17,841	71,310	100,868	33,835	134,703
Gross profit	84,466	6,079	90,545	163,252	10,897	174,149
Advertising and promotion	22,046	1,462	23,508	39,899	3,934	43,833
Contribution margin	\$62,420	\$4,617	67,037	\$123,353	\$6,963	130,316
Other operating expenses			15,881			35,327
Operating income			51,156			94,989
Other expense			19,660			39,508
Income before income taxes			31,496			55,481
Provision for income taxes			12,252			21,582
Net income			\$19,244			\$33,899

(In thousands)	Three Months Ended September 30, 2011			Six Months Ended September 30, 2011		
	OTC Healthcare	Household Cleaning	Consolidated	OTC Healthcare	Household Cleaning	Consolidated
Net sales	\$78,998	\$25,574	\$104,572	\$150,001	\$48,878	\$198,879
Other revenues	158	814	972	357	1,603	1,960
Total revenues	79,156	26,388	105,544	150,358	50,481	200,839
Cost of sales	33,085	18,553	51,638	61,869	35,196	97,065
Gross profit	46,071	7,835	53,906	88,489	15,285	103,774
Advertising and promotion	12,155	918	13,073	20,576	2,730	23,306
Contribution margin	\$33,916	\$6,917	40,833	\$67,913	\$12,555	80,468
Other operating expenses			11,431			23,831
Operating income			29,402			56,637
Other expense			8,279			11,794
Income before income taxes			21,123			44,843
Provision for income taxes			8,174			17,126
Net income			\$12,949			\$27,717

The table below summarizes information about our revenues from similar product groups.

(In thousands)	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Analgesics	26,106	737	53,781	1,358
Cough & Cold	32,969	28,574	56,773	49,237
Gastrointestinal	25,329	5,080	49,533	10,444
Eye & Ear Care	21,700	19,180	43,407	36,849
Dermatologicals	15,600	13,564	30,082	28,480
Oral Care	12,549	11,324	23,079	22,211
Other OTC	3,682	697	7,465	1,779
Total OTC Healthcare Segment	137,935	79,156	264,120	150,358
Household Cleaning Segment	23,920	26,388	44,732	50,481
Consolidated Total Revenues	161,855	105,544	308,852	200,839

During the three and six months ended September 30, 2012, approximately 97.3% and 97.5%, respectively, of our sales were made to customers in the United States and Canada, while during the three and six months ended September 30, 2011, approximately 96.3% and 96.4%, respectively, of our sales were made to customers in the United States and Canada. Other than the United States, no individual geographical area accounted for more than 10% of net sales in any of the periods presented.

At September 30, 2012, substantially all of our long-term assets were located in the United States and have been allocated to the operating segments as follows:

(In thousands)	OTC Healthcare	Household Cleaning	Consolidated
Goodwill	\$166,539	\$7,389	\$173,928
Intangible assets			
Indefinite-lived	1,125,594	119,820	1,245,414
Finite-lived	106,302	28,783	135,085
	1,231,896	148,603	1,380,499
	\$1,398,435	\$155,992	\$1,554,427

19. Gain on Settlement

On June 15, 2011, we received a settlement payment of \$8.0 million in the resolution of pending litigation, which Prestige Brands, Inc. had initiated for legal malpractice, breach of contract and breach of fiduciary duty against a law firm and two individual lawyers who had previously provided legal representation to Prestige Brands, Inc.

Because the result of the litigation could only have resulted in a potential gain and the amount could not be determined prior to the settlement, the settlement payment was not disclosed prior to the actual receipt of the settlement. Additionally, the costs netted against the gain during the period ended June 30, 2011 were legal fees paid solely on a contingent basis and other immaterial legal fees incurred in the period ended June 30, 2011. All other costs and legal fees that were incurred prior to the period ended June 30, 2011 were immaterial and expensed as incurred.

We incurred costs of \$2.9 million in pursuing this matter. Therefore, we recorded a pre-tax gain on settlement of \$5.1 million net of costs incurred and \$3.2 million after income tax effects for the six months ended September 30, 2011. The \$5.1 million pre-tax gain is included in other (income) expense, as this gain did not relate to our ongoing

operations.

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20. Condensed Consolidating Financial Statements

As described in Note 9, we, together with certain of our wholly-owned subsidiaries, have fully and unconditionally guaranteed, on a joint and several basis, the obligations of Prestige Brands, Inc. (a wholly-owned subsidiary of the Company) set forth in the indentures governing the 2012 Senior Notes and the 2010 Senior Notes, including, without limitation, the obligation to pay principal and interest with respect to the 2012 Senior Notes and the 2010 Senior Notes. The wholly-owned subsidiaries of the Company that have guaranteed the 2012 Senior Notes and the 2010 Senior Notes are as follows: Prestige Personal Care Holdings, Inc., Prestige Personal Care, Inc., Prestige Services Corp., Prestige Brands Holdings, Inc. (a Virginia corporation), Prestige Brands International, Inc., Medtech Holdings, Inc., Medtech Products Inc., The Cutex Company, The Denorex Company, The Spic and Span Company, and Blacksmith Brands, Inc. (collectively, the "Subsidiary Guarantors"). A significant portion of our operating income and cash flow is generated by our subsidiaries. As a result, funds necessary to meet Prestige Brands, Inc.'s debt service obligations are provided in part by distributions or advances from our subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of our subsidiaries, could limit Prestige Brands, Inc.'s ability to obtain cash from our subsidiaries for the purpose of meeting our debt service obligations, including the payment of principal and interest on the 2012 Senior Notes and the 2010 Senior Notes. Although holders of the 2012 Senior Notes and the 2010 Senior Notes will be direct creditors of the guarantors of the 2012 Senior Notes and the 2010 Senior Notes by virtue of the guarantees, we have indirect subsidiaries located primarily in the United Kingdom and in the Netherlands (collectively, the "Non-Guarantor Subsidiaries") that have not guaranteed the 2012 Senior Notes or the 2010 Senior Notes, and such subsidiaries will not be obligated with respect to the 2012 Senior Notes or the 2010 Senior Notes. As a result, the claims of creditors of the Non-Guarantor Subsidiaries will effectively have priority with respect to the assets and earnings of such companies over the claims of the holders of the 2012 Senior Notes and the 2010 Senior Notes.

Presented below are supplemental Condensed Consolidating Balance Sheets as of September 30, 2012 and March 31, 2012, Condensed Consolidating Income and Comprehensive Income Statements for the three and six months ended September 30, 2012 and 2011, and Condensed Consolidating Statements of Cash Flows for the six months ended September 30, 2012 and 2011. Such consolidating information includes separate columns for:

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

The Condensed Consolidating Financial Statements are presented using the equity method of accounting for investments in wholly-owned subsidiaries. Under the equity method, the investments in subsidiaries are recorded at cost and adjusted for our share of the subsidiaries' cumulative results of operations, capital contributions, distributions and other equity changes. The elimination entries principally eliminate investments in subsidiaries and intercompany balances and transactions. The financial information in this note should be read in conjunction with the Consolidated Financial Statements presented and other notes related thereto contained in this Quarterly Report on Form 10-Q for the period ended September 30, 2012.

Condensed Consolidating Statements of Income and Comprehensive Income
Three Months Ended September 30, 2012

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	\$—	\$26,727	\$133,277	\$1,319	\$—	\$161,323
Other revenues	—	74	524	519	(585)	532
Total revenues	—	26,801	133,801	1,838	(585)	161,855
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	10,175	61,175	545	(585)	71,310
Gross profit	—	16,626	72,626	1,293	—	90,545
Advertising and promotion						
General and administrative	895	1,707	9,977	6	—	12,585
Depreciation and amortization	137	139	3,004	16	—	3,296
Total operating expenses	1,032	4,623	33,391	343	—	39,389
Operating income (loss)	(1,032)	12,003	39,235	950	—	51,156
Other (income) expense						
Interest income	(12,242)	(11,061)	—	(54)	23,354	(3)
Interest expense	8,746	28,410	5,861	—	(23,354)	19,663
Equity in income of subsidiaries	(17,738)	(20,995)	(780)	—	39,513	—
Total other (income) expense	(21,234)	(3,646)	5,081	(54)	39,513	19,660
Income before income taxes	20,202	15,649	34,154	1,004	(39,513)	31,496
Provision (benefit) for income taxes	958	(2,080)	12,983	391	—	12,252
Net income (loss)	\$19,244	\$17,729	\$21,171	\$613	\$(39,513)	\$19,244
Comprehensive income, net of tax:						
Currency translation adjustments	66	—	—	66	(66)	66
Total other comprehensive income (loss)	66	—	—	66	(66)	66
Comprehensive income (loss)	\$19,310	\$17,729	\$21,171	\$679	\$(39,579)	\$19,310

Condensed Consolidating Statements of Income and Comprehensive Income
Six Months Ended September 30, 2012

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	\$—	\$49,949	\$254,934	\$2,360	\$—	\$ 307,243
Other revenues	—	141	1,586	994	(1,112)	1,609
Total revenues	—	50,090	256,520	3,354	(1,112)	308,852
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	18,616	116,210	989	(1,112)	134,703
Gross profit	—	31,474	140,310	2,365	—	174,149
Advertising and promotion						
General and administrative	2,724	3,436	22,067	509	—	28,736
Depreciation and amortization	269	280	6,009	33	—	6,591
Total operating expenses	2,993	9,600	65,406	1,161	—	79,160
Operating income (loss)	(2,993)	21,874	74,904	1,204	—	94,989
Other (income) expense						
Interest income	(24,370)	(22,021)	—	(101)	46,487	(5)
Interest expense	17,412	56,926	11,662	—	(46,487)	39,513
Equity in income of subsidiaries	(31,476)	(40,873)	(913)	—	73,262	—
Total other (income) expense	(38,434)	(5,968)	10,749	(101)	73,262	39,508
Income before income taxes	35,441	27,842	64,155	1,305	(73,262)	55,481
Provision (benefit) for income taxes	1,542	(5,069)	24,601	508	—	21,582
Net income (loss)	\$33,899	\$32,911	\$39,554	\$797	\$(73,262)	\$ 33,899
Comprehensive income, net of tax:						
Currency translation adjustments	24	—	—	24	(24)	24
Total other comprehensive income (loss)	24	—	—	24	(24)	24
Comprehensive income (loss)	\$33,923	\$32,911	\$39,554	\$821	\$(73,286)	\$ 33,923

Condensed Consolidating Statements of Income and Comprehensive Income
Three Months Ended September 30, 2011

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	\$—	\$25,793	\$77,669	\$1,110	\$—	\$ 104,572
Other revenues	—	62	966	400	(456)	972
Total revenues	—	25,855	78,635	1,510	(456)	105,544
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	9,413	42,222	459	(456)	51,638
Gross profit	—	16,442	36,413	1,051	—	53,906
Advertising and promotion	—	3,348	9,441	284	—	13,073
General and administrative	378	2,400	5,599	484	—	8,861
Depreciation and amortization	140	142	2,271	17	—	2,570
Total operating expenses	518	5,890	17,311	785	—	24,504
Operating income (loss)	(518)	10,552	19,102	266	—	29,402
Other (income) expense						
Interest income	(13,006)	(11,899)	—	(59)	24,963	(1)
Interest expense	8,806	17,086	7,351	—	(24,963)	8,280
Equity in income of subsidiaries	(10,715)	(7,480)	(145)	—	18,340	—
Total other (income) expense	(14,915)	(2,293)	7,206	(59)	18,340	8,279
Income (loss) before income taxes	14,397	12,845	11,896	325	(18,340)	21,123
Provision (benefit) for income taxes	1,448	2,054	4,544	128	—	8,174
Net income (loss)	12,949	10,791	7,352	197	(18,340)	12,949
Comprehensive income, net of tax:						
Currency translation adjustments	(42)	—	—	(42)	42	(42)
Total other comprehensive income (loss)	(42)	—	—	(42)	42	(42)
Comprehensive income (loss)	\$12,907	\$10,791	\$7,352	\$155	\$(18,298)	\$12,907

Condensed Consolidating Statements of Income and Comprehensive Income
 Six Months Ended September 30, 2011

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	\$—	\$47,415	\$149,551	\$1,913	\$—	\$198,879
Other revenues	—	121	1,935	904	(1,000)	1,960
Total revenues	—	47,536	151,486	2,817	(1,000)	200,839
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	17,407	79,878	780	(1,000)	97,065
Gross profit	—	30,129	71,608	2,037	—	103,774
Advertising and promotion	—	5,910	16,917	479	—	23,306
General and administrative	196	5,180	12,854	481	—	18,711
Depreciation and amortization	277	285	4,522	36	—	5,120
Total operating expenses	473	11,375	34,293	996	—	47,137
Operating income (loss)	(473)	18,754	37,315	1,041	—	56,637
Other (income) expense						
Interest income	(25,894)	(22,173)	—	(113)	48,177	(3)
Interest expense	17,532	34,392	13,113	—	(48,177)	16,860
Gain on settlement	(5,063)	—	—	—	—	(5,063)
Equity in income of subsidiaries	(19,712)	(15,832)	(784)	—	36,328	—
Total other (income) expense	(33,137)	(3,613)	12,329	(113)	36,328	11,794
Income (loss) before income taxes	32,664	22,367	24,986	1,154	(36,328)	