

Prestige Consumer HEALTHCARE Third Quarter FY 2020 Results February 6th, 2020



Safe Harbor Disclosure

This presentation contains certain “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements regarding the Company’s expected financial performance, including Revenues, Organic Revenue, Adjusted EPS, and Adjusted Free Cash Flow; the market share, expected growth and consumption trends for the Company’s brands; the expected cost of transition to a new logistics provider; the impact of brand-building and product innovation and the related impact on the Company’s revenues; the Company’s disciplined capital allocation; the Company’s use of cash to pay down debt and expected Leverage Ratio; the Company’s international performance; and the impact and continuation of retailer destocking. Words such as “trend,” “continue,” “will,” “expect,” “project,” “anticipate,” “likely,” “estimate,” “may,” “should,” “could,” “would,” and similar expressions identify forward-looking statements. Such forward-looking statements represent the Company’s expectations and beliefs and involve a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include, among others, general economic and business conditions, regulatory matters, competitive pressures, consumer trends, retail inventory management initiatives, supplier issues, the impact of the transition to a new third party logistics provider, unexpected costs or liabilities, and other risks set forth in Part I, Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the year ended March 31, 2019. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this presentation. Except to the extent required by applicable law, the Company undertakes no obligation to update any forward-looking statement contained in this presentation, whether as a result of new information, future events, or otherwise.

All adjusted GAAP numbers presented are footnoted and reconciled to their closest GAAP measurement in the attached reconciliation schedule or in our February 6, 2020 earnings release in the “About Non-GAAP Financial Measures” section.

Agenda for Today's Discussion

I. Performance Highlights

II. Financial Overview

III. FY 20 Outlook

I. Performance Highlights

Compound W
WART REMOVER

Fleet

Summer's Eve

Dramamine

DenTek

LUDEN'S

**LITTLE
REMEDIES**

Efferdent
ANTI-BACTERIAL DENTURE CLEANSER

**Clear
eyes**

BC

Goody's

Chloraseptic
FAST ACTING

Nix
PERMETHRIN

Hydralyte

**BOUDREAU'S
BUTT PASTE**

MONISTAT

Gaviscon
and it's gone

Debrox

FESS

Solid Financial Performance in Q3 FY 20

Consistent Portfolio Performance

- Q3 Revenue of \$241.6 million, up 0.5% versus prior year on an organic basis⁽¹⁾
 - Strong growth in international segment driven by Australia
- Consumption growth⁽²⁾ of ~2% continues to meaningfully outpace revenue growth

Strong Earnings and FCF

- Adjusted EPS⁽³⁾ of \$0.81, up 11.0% versus prior year
- Adjusted Gross Margin⁽³⁾ of 58.0%, up slightly versus prior year
- Adjusted Free Cash Flow⁽³⁾ of \$56.3 million

Capital Allocation

- Total debt paydown of \$50 million in the quarter, resulting in Leverage Ratio of 4.9x⁽⁴⁾
- Continued focus on de-leveraging enables future capital allocation optionality

Strong Financial Performance YTD Q3 FY 20

Revenue of \$711.8 million, flat organically⁽¹⁾ versus prior year, as expected

Consumption continues to meaningfully outpace revenue growth⁽²⁾

Adjusted EPS of \$2.14⁽³⁾, up ~4% versus prior year

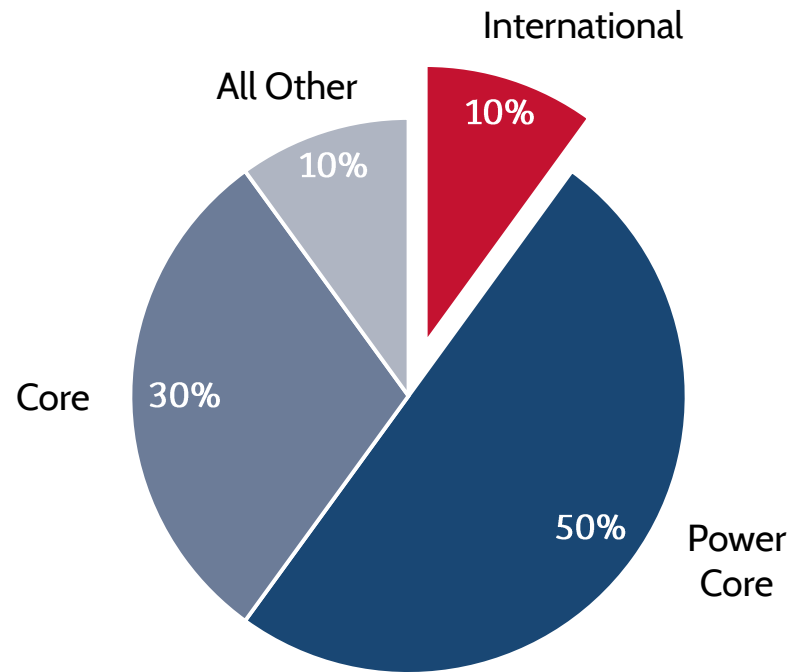
Adjusted Free Cash Flow⁽³⁾ of \$154.3 million enabled efficient capital allocation

Raising FY 20 Adjusted EPS⁽⁵⁾ Guidance














Attractive International Business

Growing International Presence

% of YTD Revenue



Key Brands in Key Geographies

	% Intl. Revenue	Key Brands	YTD Growth
Australia			
	57%	  	17%
Singapore & ROW			
	29%	   	9%
Europe			
	14%	  	(1%)

Sustained Growth

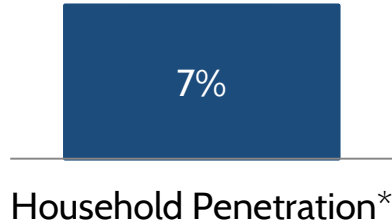


Note: All growth figures exclude the effect of currency fluctuations

Hydralyte: Playbook for Brand Building & Long-Term Growth



Category Defining Brand

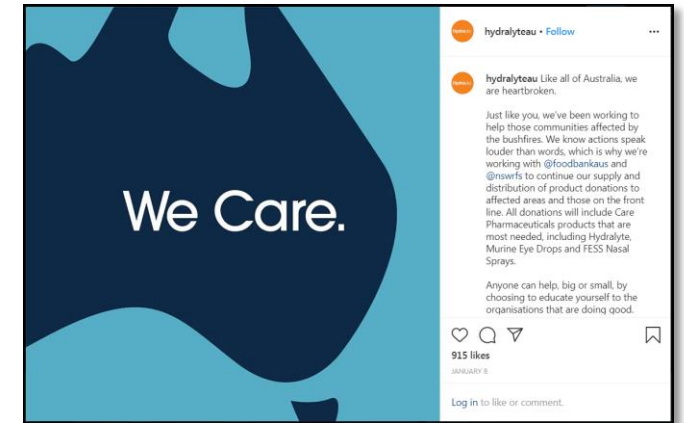


Initiatives to Increase Penetration



- Shifting marketing: traditional to digital
- Consumer purchases driven by flavor and format

Corporate Social Responsibility



- Working with Foodbank Australia and NSW Rural Fireservice to donate product and help in affected areas

*IRI ORS Category MAT 24.11.19

II. Financial Overview

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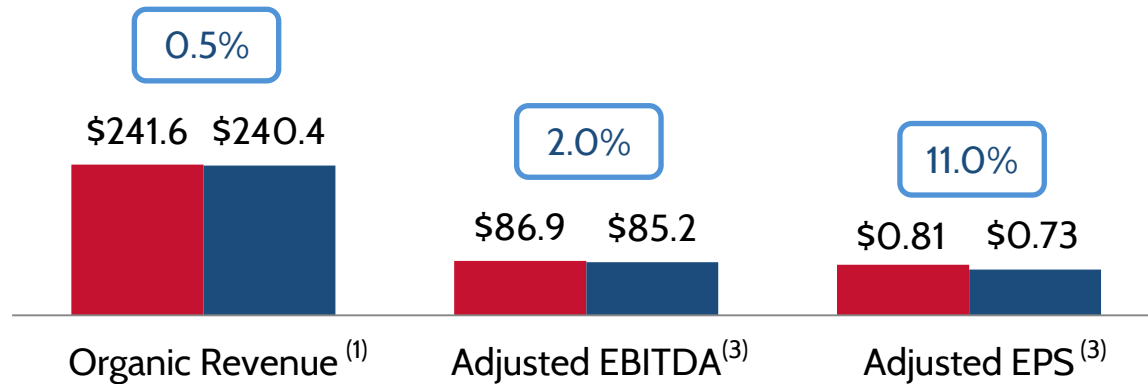
Key Financial Results for Third Quarter & YTD Q3 Performance

■ Overall financial performance as expected in the quarter:

- Q3 Revenue of \$241.6 million, up 0.5% organically⁽¹⁾ versus prior year
- Q3 Adjusted EBITDA⁽³⁾ of \$86.9 million, up 2.0% versus prior year
- Q3 Adjusted EPS⁽³⁾ of \$0.81, an increase of 11.0% versus prior year, and YTD FY 20 Adjusted EPS⁽³⁾ of \$2.14

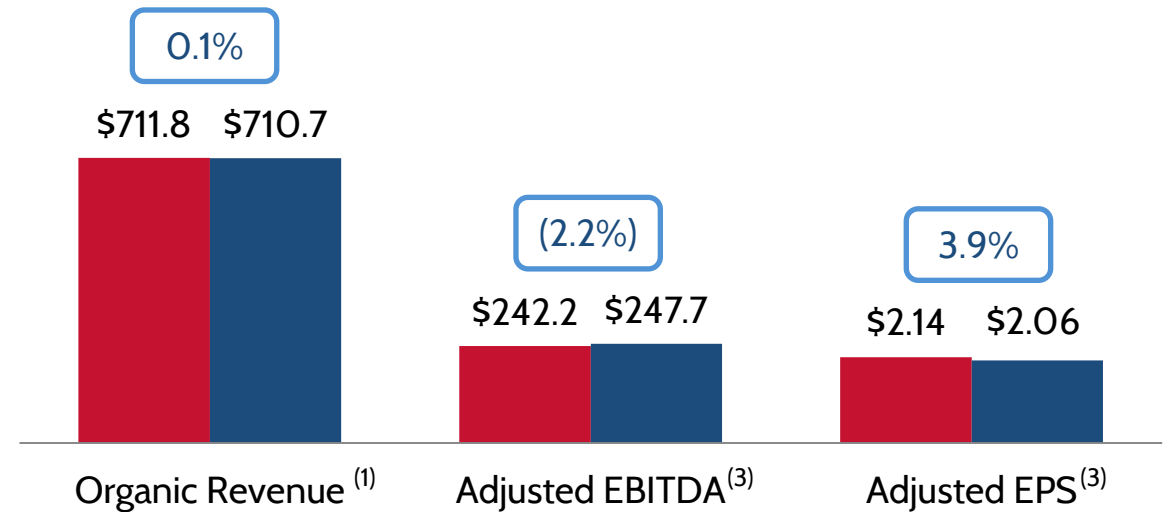
Q3 FY 20

■ Q3 FY 20 ■ Q3 FY 19



YTD Q3 FY 20

■ YTD Q3 FY 20 ■ YTD Q3 FY 19



Dollar values in millions, except per share data.

FY 20 Third Quarter Consolidated Financial Summary

3 Months Ended

9 Months Ended

Comments

	Q3 FY 20	Q3 FY 19	% Chg	Q3 FY 20	Q3 FY 19	% Chg
Total Revenue	\$ 241.6	\$ 241.4	0.1%	\$ 711.8	\$ 734.8	(3.1%)
Adjusted Gross Margin⁽³⁾	140.1	139.2	0.6%	412.3	417.5	(1.3%)
<i>% Margin</i>	58.0%	57.7%		57.9%	56.8%	
A&P	33.6	34.5	(2.7%)	107.0	108.7	(1.5%)
<i>% Total Revenue</i>	13.9%	14.3%		15.0%	14.8%	
Adjusted G&A⁽³⁾	21.3	20.5	4.0%	65.5	64.2	2.1%
<i>% Total Revenue</i>	8.8%	8.5%		9.2%	8.7%	
D&A (ex. COGS D&A)	6.2	6.7	(7.2%)	18.5	20.5	(9.9%)
<i>% Total Revenue</i>	2.6%	2.8%		2.6%	2.8%	
Adjusted Operating Income⁽³⁾	\$ 79.0	\$ 77.5	1.8%	\$ 221.2	\$ 224.1	(1.3%)
<i>% Margin</i>	32.7%	32.1%		31.1%	30.5%	
Adjusted Earnings Per Share⁽³⁾	\$ 0.81	\$ 0.73	11.0%	\$ 2.14	\$ 2.06	3.9%
Adjusted EBITDA⁽³⁾	\$ 86.9	\$ 85.2	2.0%	\$ 242.2	\$ 247.7	(2.2%)
<i>% Margin</i>	36.0%	35.3%		34.0%	33.7%	

- Organic Revenue growth approximately flat versus prior year⁽¹⁾
 - Consumption growth continues to meaningfully outpace revenue growth
- Adjusted Gross Margin⁽³⁾ of 58.0% in Q3, flat sequentially and up ~30 bps versus prior year
- A&P was 15.0% of YTD Revenue, lower in second half as expected
- Adjusted EBITDA⁽³⁾ was 34.0% YTD Revenue, in-line with expectations and prior year

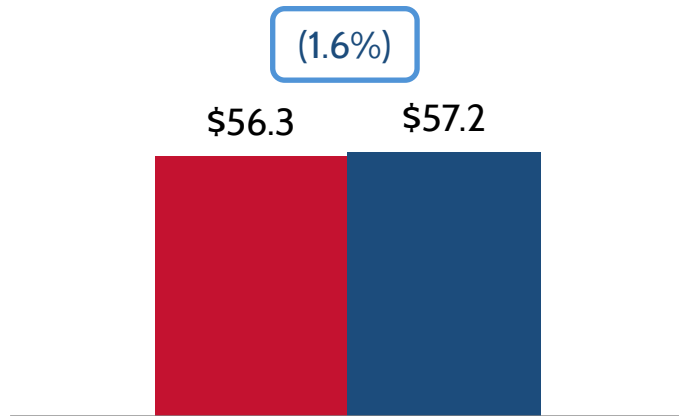
Dollar values in millions, except per share data.

Industry Leading Free Cash Flow Trends

Adjusted Free Cash Flow⁽³⁾

Q3 FY 20

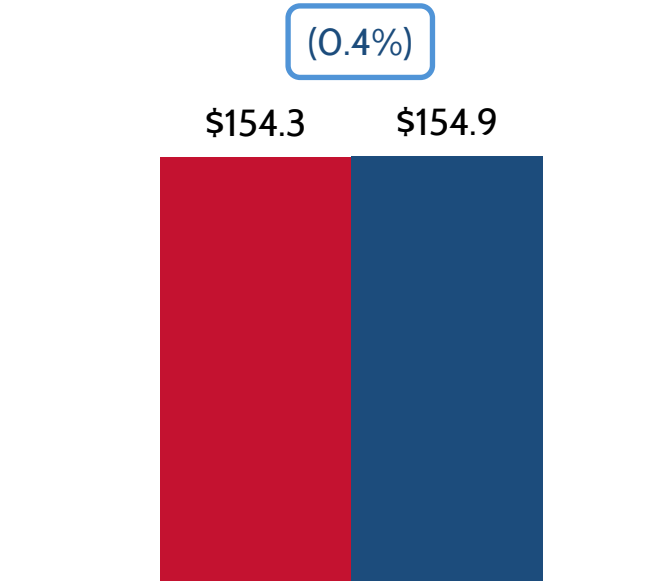
■ Q3 FY 20 ■ Q3 FY 19



Adjusted Free Cash Flow⁽³⁾

YTD Q3 FY 20

■ YTD Q3 FY 20 ■ YTD Q3 FY 19



Adjusted Free Cash Flow⁽³⁾

Comments

- Net Debt⁽³⁾ at December 31 of \$1.7 billion; Leverage Ratio of 4.9x⁽⁴⁾ at end of Q3
 - Successfully repriced and extended maturity for \$400 million Senior Notes
- \$50 million debt paydown in Q3 and ~\$100 million YTD
- Significant progress made in transitioning to new warehouse
 - Still anticipate ~\$10 million in one-time transition costs
- Continue to expect \$200 million+ Adjusted Free Cash Flow⁽⁶⁾ for FY 20

Dollar values in millions.

III. FY 20 Outlook

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Raising FY 20 Full Year EPS Outlook

Top Line Trends

- Continuing to gain market share with consumers and grow categories for retailers
- Portfolio of need-based brands continues to be well positioned for long-term growth, offsetting inventory reductions at retail
- Expect no change to retailer de-stocking trends in medium term, particularly in the drug channel

Revenue

- Reported Revenue of \$947 to \$957 million, Organic Revenue⁽¹⁾ expected to be approximately flat
 - Expect full-year consumption growth in excess of shipment growth
 - Expect continued strong international performance

EPS

- Increasing FY 20 Adjusted EPS⁽⁵⁾ guidance to \$2.85-\$2.87 from \$2.76-\$2.83 previously

Free Cash Flow & Allocation

- Adjusted Free Cash Flow⁽⁶⁾ of \$200 million or more
- Continue to execute disciplined capital allocation strategy
- Target Leverage Ratio⁽⁴⁾ of approximately 4.7x by fiscal year end

QeA

Appendix

- (1) Organic Revenue is a Non-GAAP financial measure and is reconciled to the most closely related GAAP financial measure in the attached Reconciliation Schedules and / or our earnings release in the “About Non-GAAP Financial Measures” section.
- (2) Total company consumption is based on domestic IRI multi-outlet + C-Store retail sales for the period ending 12-29-19, direct point of sale consumption for certain untracked channels in North America for leading retailers, Australia consumption based on IMS data, and other international net revenues as a proxy for consumption.
- (3) Adjusted Gross Margin, Adjusted G&A, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Income, Adjusted Net Income, Adjusted EPS, Free Cash Flow, Adjusted Free Cash Flow and Net Debt are Non-GAAP financial measures and are reconciled to their most closely related GAAP financial measures in the attached Reconciliation Schedules and / or in our earnings release in the “About Non-GAAP Financial Measures” section.
- (4) Leverage Ratio reflects net debt / covenant defined EBITDA.
- (5) Adjusted EPS for FY 20 is a projected Non-GAAP financial measure, is reconciled to projected GAAP EPS in the attached Reconciliation Schedules and / or in our earnings release in the “About Non-GAAP Financial Measures” section and is calculated based on projected GAAP EPS plus adjustments relating to the integration of our new logistics provider and loss on extinguishment of debt.
- (6) Adjusted Free Cash Flow for FY 20 is a projected Non-GAAP financial measure, is reconciled to projected GAAP Net Cash Provided by Operating Activities in the attached Reconciliation Schedules and / or in our earnings release in the “About Non-GAAP Financial Measures” section and is calculated based on projected Net Cash Provided by Operating Activities less projected capital expenditures plus payments associated with the integration of our new logistics provider.

Reconciliation Schedules

Organic Revenue Growth

	Three Months Ended Dec. 31,		Nine Months Ended Dec. 31,	
	2019	2018	2019	2018
<i>(In Thousands)</i>				
GAAP Total Revenues	\$ 241,552	\$ 241,414	\$ 711,775	\$ 734,751
Revenue Growth	0.1%		(3.1%)	
<u>Adjustments:</u>				
Revenue associated with divestiture	-	-	-	(19,811)
Allocated costs that remain after divestiture	-	-	-	(659)
Impact of foreign currency exchange rates	-	(977)	-	(3,534)
Total Adjustments	\$ -	\$ (977)	\$ -	\$ (24,004)
Non-GAAP Organic Revenues	\$ 241,552	\$ 240,437	\$ 711,775	\$ 710,747
Non-GAAP Organic Revenues Growth	0.5%		0.1%	

Reconciliation Schedules (Continued)

Adjusted Gross Margin

	Three Months Ended Dec. 31,		Nine Months Ended Dec. 31,	
	2019	2018	2019	2018
<i>(In Thousands)</i>				
GAAP Total Revenues	\$ 241,552	\$ 241,414	\$ 711,775	\$ 734,751
GAAP Gross Profit	\$ 137,495	\$ 139,235	\$ 408,313	\$ 417,330
GAAP Gross Profit as a Percentage of GAAP Total Revenue	56.9%	57.7%	57.4%	56.8%
Adjustments:				
Transition and other costs associated with new warehouse and divestiture ^(a)	2,555	-	3,962	170
Total adjustments	2,555	-	3,962	170
Non-GAAP Adjusted Gross Margin	\$ 140,050	\$ 139,235	\$ 412,275	\$ 417,500
Non-GAAP Adjusted Gross Margin as a Percentage of GAAP Total Revenues	58.0%	57.7%	57.9%	56.8%

- a) Items related to new warehouse represent costs to transition to the new warehouse and duplicate costs incurred during the transition. Items related to divestiture represent costs related to divesting of assets sold.

Adjusted GeA

	Three Months Ended Dec. 31,		Nine Months Ended Dec. 31,	
	2019	2018	2019	2018
<i>(In Thousands)</i>				
GAAP General and Administrative Expense	\$ 21,308	\$ 20,485	\$ 65,528	\$ 68,460
GAAP General and Administrative Expense as a Percentage of GAAP Total Revenue	8.8%	8.5%	9.2%	9.3%
Adjustments:				
Transition and other costs associated with divestiture ^(a)	-	-	-	4,272
Total adjustments	-	-	-	4,272
Non-GAAP Adjusted General and Administrative Expense	\$ 21,308	\$ 20,485	\$ 65,528	\$ 64,188
Non-GAAP Adjusted General and Administrative Expense Percentage as a Percentage of GAAP Total Revenues	8.8%	8.5%	9.2%	8.7%

- a) Items related to divestiture represent costs related to divesting of assets sold including (but not limited to), costs to exit or convert contractual obligations, severance and consulting costs; and certain costs related to the consummation of the divestiture process such as insurance costs, legal and other related professional fees.

Reconciliation Schedules (Continued)

Adjusted EBITDA

	Three Months Ended Dec. 31,		Nine Months Ended Dec. 31,	
	2019	2018	2019	2018
<i>(In Thousands)</i>				
GAAP Net Income	\$ 38,058	\$ 38,167	\$ 105,235	\$ 103,474
Interest expense, net	24,275	26,327	73,772	79,337
Provision for income taxes	12,496	12,829	35,381	37,501
Depreciation and amortization	7,381	7,887	21,664	24,253
Non-GAAP EBITDA	82,210	85,210	236,052	244,565
Non-GAAP EBITDA Margin	34.0%	35.3%	33.2%	33.3%
<u>Adjustments:</u>				
Transition and other costs associated with new warehouse and divestiture in Cost of Goods Sold ^(a)	2,555	-	3,962	170
Transition and other costs associated with divestiture in General and Administrative Expense ^(b)	-	-	-	4,272
Loss on extinguishment of debt	2,155	-	2,155	-
Gain on divestiture	-	-	-	(1,284)
Total adjustments	4,710	-	6,117	3,158
Non-GAAP Adjusted EBITDA	\$ 86,920	\$ 85,210	\$ 242,169	\$ 247,723
Non-GAAP Adjusted EBITDA Margin	36.0%	35.3%	34.0%	33.7%

- a) Items related to new warehouse represent costs to transition to the new warehouse and duplicate costs incurred during the transition. Items related to divestiture represent costs related to divesting of assets sold.
- b) Items related to divestiture represent costs related to divesting of assets sold including (but not limited to), costs to exit or convert contractual obligations, severance and consulting costs; and certain costs related to the consummation of the divestiture process such as insurance costs, legal and other related professional fees.

Reconciliation Schedules (Continued)

Adjusted Net Income and Adjusted EPS

	Three Months Ended Dec. 31,				Nine Months Ended Dec. 31,			
	2019		2018		2019		2018	
	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
<i>(In Thousands, except per share data)</i>								
GAAP Net Income	\$ 38,058	\$ 0.75	\$ 38,167	\$ 0.73	\$ 105,235	\$ 2.05	\$ 103,474	\$ 1.97
Adjustments:								
Transition and other costs associated with new warehouse and divestiture in Cost of Goods Sold ^(a)	2,555	0.05	-	-	3,962	0.08	170	-
Transition and other costs associated with divestiture in General and Administrative Expense ^(b)	-	-	-	-	-	-	4,272	0.08
Loss on extinguishment of debt	2,155	0.04	-	-	2,155	0.04	-	-
Gain on divestiture	-	-	-	-	-	-	(1,284)	(0.02)
Accelerated amortization of debt origination costs	-	-	-	-	-	-	706	0.01
Tax impact of adjustments ^(c)	(1,196)	(0.02)	-	-	(1,554)	(0.03)	420	0.01
Normalized tax rate adjustment ^(d)	(345)	(0.01)	-	-	(335)	(0.01)	415	0.01
Total Adjustments	3,169	0.06	-	-	4,228	0.08	4,699	0.09
Non-GAAP Adjusted Net Income and Adjusted EPS	\$ 41,227	\$ 0.81	\$ 38,167	\$ 0.73	\$ 109,463	\$ 2.14	\$ 108,173	\$ 2.06

Note: Amounts may not add due to rounding.

- a) Items related to new warehouse represent costs to transition to the new warehouse and duplicate costs incurred during the transition. Items related to divestiture represent costs related to divesting of assets sold.
- b) Items related to divestiture represent costs related to divesting of assets sold including (but not limited to), costs to exit or convert contractual obligations, severance and consulting costs; and certain costs related to the consummation of the divestiture process such as insurance costs, legal and other related professional fees.
- c) The income tax adjustments are determined using applicable rates in the taxing jurisdictions in which the above adjustments relate and includes both current and deferred income tax expense (benefit) based on the specific nature of the specific Non-GAAP performance measure.
- d) Income tax adjustment to adjust for discrete income tax items.

Reconciliation Schedules (Continued)

Adjusted Free Cash Flow

	Three Months Ended Dec. 31,		Nine Months Ended Dec. 31,	
	2019	2018	2019	2018
<i>(In Thousands)</i>				
GAAP Net Income	\$ 38,058	\$ 38,167	\$ 105,235	\$ 103,474
Adjustments:				
Adjustments to reconcile net income to net cash provided by operating activities as shown in the Statement of Cash Flows	17,089	14,371	45,985	37,425
Changes in operating assets and liabilities as shown in the Statement of Cash Flows	2,851	(9,208)	9,778	(2,462)
Total Adjustments	19,940	5,163	55,763	34,963
GAAP Net cash provided by operating activities	57,998	43,330	160,998	138,437
Purchase of property and equipment	(3,233)	(2,065)	(9,055)	(7,139)
Non-GAAP Free Cash Flow	54,765	41,265	151,943	131,298
Transition and other payments associated with new warehouse and divestiture ^(a)	1,517	3,284	2,327	10,902
Additional income tax payments associated with divestiture	-	12,656	-	12,656
Non-GAAP Adjusted Free Cash Flow	\$ 56,282	\$ 57,205	\$ 154,270	\$ 154,856

- a) Payments related to new warehouse represent costs to transition to the new warehouse and duplicate costs incurred during the transition. Payments related to divestiture represent costs related to divesting of assets sold, including (but not limited to) costs to exit or convert contractual obligations, severance and consulting costs; and certain costs related to the consummation of the divestiture process such as legal and other related professional fees.

Reconciliation Schedules (Continued)

Projected EPS

	2020 Projected EPS	
	Low	High
Projected FY'20 GAAP EPS	\$ 2.67	\$ 2.69
<u>Adjustments:</u>		
Integration of new logistics provider ^(a)	0.15	0.15
Loss on extinguishment of debt	0.03	0.03
Total Adjustments	0.18	0.18
Projected Non-GAAP Adjusted EPS	\$ 2.85	\$ 2.87

a) Represents costs to integrate our new logistics provider into our operations.

Projected Free Cash Flow

	2020 Projected Free Cash Flow
<i>(In millions)</i>	
Projected FY'20 GAAP Net Cash provided by operating activities	\$ 205
Additions to property and equipment for cash	(15)
Projected Non-GAAP Free Cash Flow	190
Payments associated with integration of new logistics provider	10
Projected Non-GAAP Adjusted Free Cash Flow	\$ 200