

# Prestige Consumer HEALTHCARE Second Quarter 2019 Results November 1<sup>st</sup>, 2018



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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 revenue growth, organic revenue growth, online sales revenue, adjusted EPS, and adjusted free cash flow; the market position and consumption trends for the Company’s brands; timing of revenue growth, impact of consumption growth, the Company’s focus on brand-building; the Company’s ability to increase online sales, the timing and impact of the packaging rollout for BC & Goody’s and the impact of the divestiture of the Household Cleaning business. 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, supplier issues, consumer acceptance of new packaging, disruptions to distribution, 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, 2018. 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 schedules or in our November 1, 2018 earnings release in the “About Non-GAAP Financial Measures” section.

# Agenda for Today's Discussion

**I. Performance Highlights**

**II. Financial Overview**

**III. FY 19 Outlook and the Road Ahead**

# 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

eat the foods you love!  
**beano**

**Hydralyte**

**MONISTAT**

**Gaviscon**  
and it's gone

**Debrox**

**FESS**

# Q2 Results: Another Solid Quarter

Revenue of \$239.4, up 1.6%<sup>(1)</sup> versus PY Q2 adjusted for the Household divestiture

Adjusted Gross Margin<sup>(2)</sup> continues to improve post-Household divestiture, up 200 bps sequentially versus Q1 FY19

Adjusted EPS of \$0.65<sup>(2)</sup>, up 6.6% versus PY Q2

\$100 million in debt reduction enables future capital allocation optionality

# Q2 FY 19 Performance Highlights

## Consistent Portfolio Performance

- Q2 Revenue of \$239.4 million, up 1.6%<sup>(1)</sup> versus PY Q2 adjusted for the Household divestiture
  - Solid consumption growth in-line with full-year expectations
  - Strong growth in international segment
  - Revenue continues to be impacted by shipment timing of new BC/Goody's packaging and change in revenue recognition accounting policies

## Strong Earnings and FCF

- Adjusted Gross Margin of 57.4%<sup>(2)</sup> up 200 bps sequentially versus Q1 FY 19 and up 110 bps versus Q2 FY 18
  - Continued progress on improving freight and warehouse costs
  - Improved portfolio margin profile post-Household divestiture
- Adjusted EPS of \$0.65<sup>(2)</sup>, up 6.6% versus PY Q2
- Continued solid Adjusted Free Cash Flow of \$44.1 million<sup>(2)</sup>, resulting in leverage of 5.2x<sup>(4)</sup>

## Capital Allocation

- Total debt paydown of \$100 million in the quarter
  - \$50 million of net proceeds from Household divestiture used to paydown debt
  - Enables future capital allocation optionality

# Strong Financial Performance in First Half FY 19

Revenue of \$493.3 million, up 0.4%<sup>(1)</sup> organically versus 1H FY 18; in-line with expectations

Freight and warehouse costs continue to improve and have largely returned to normalized levels

Adjusted EPS of \$1.33<sup>(2)</sup>, up 4.7% versus 1H FY 18

Reiterating full year outlook for Revenue, Adjusted EPS<sup>(5)</sup> and Adjusted Free Cash Flow<sup>(6)</sup>

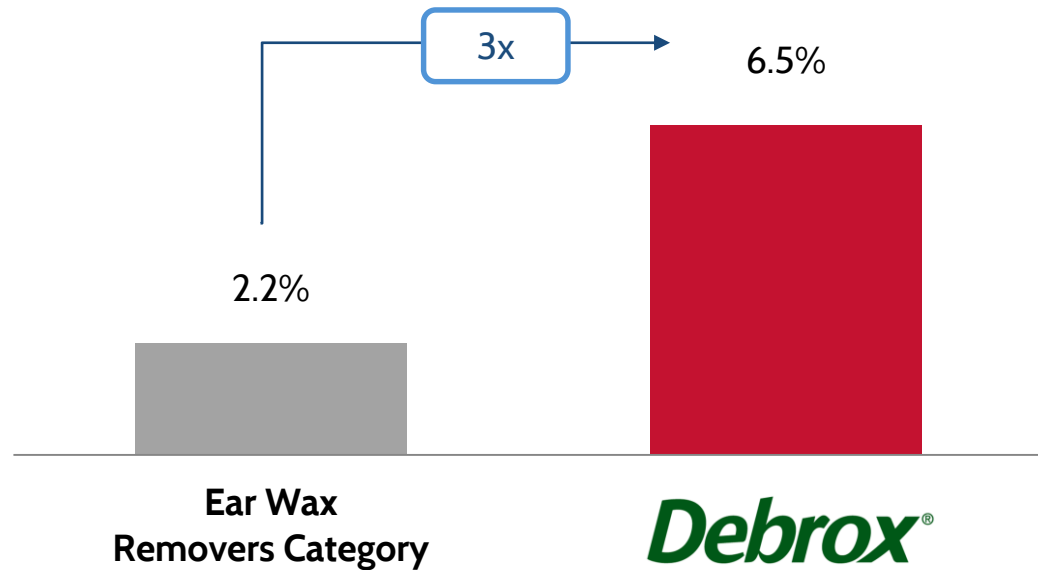


# Debrox: Driving Growth Through Sustained Marketing Investment and Innovation



## Consistently Outpacing the Category<sup>(3)</sup>

FY 2014 - L-52 Consumption CAGR



Professional Marketing

Brand Innovation

Digital Marketing

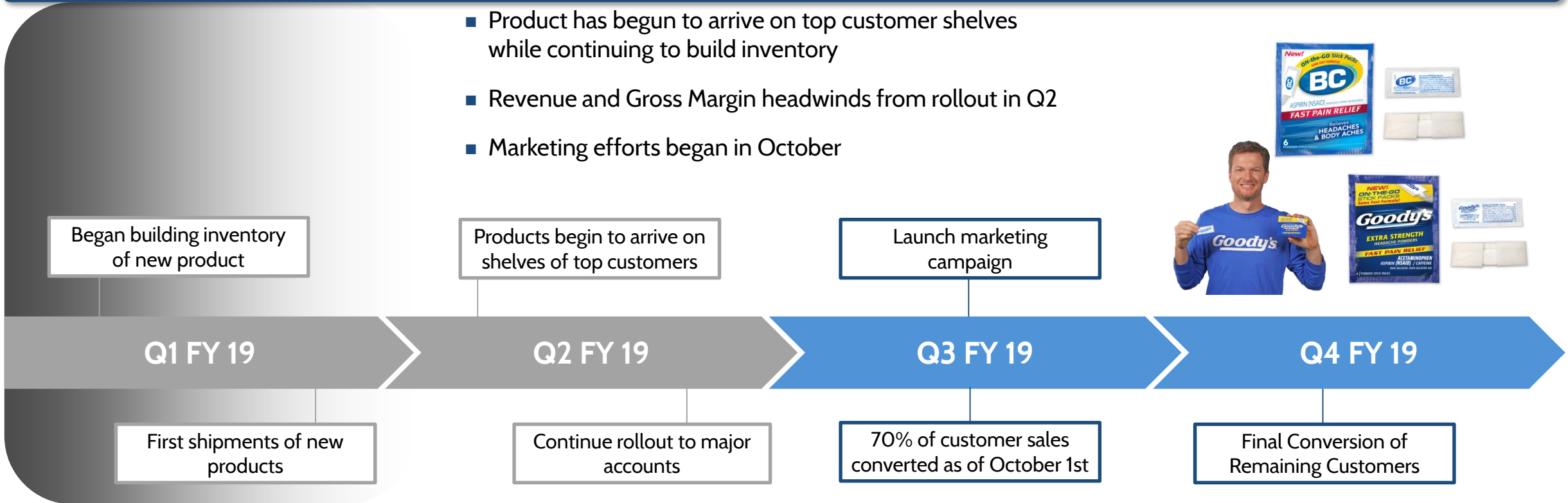




# Launch of New BC & Goody's Packaging on Track

## Continues Brand-Building Efforts

- Product has begun to arrive on top customer shelves while continuing to build inventory
- Revenue and Gross Margin headwinds from rollout in Q2
- Marketing efforts began in October



**Expect to be Largely Complete with Rollout of New Product by the End of FY 19**

# Prestige is Well-Positioned to Capture Online Growth

## E-Commerce Brand of Choice

- Channel remains an opportunity, not a threat
- Ongoing channel investments
  - Effective digital marketing efforts
- Optimal consumer connection opportunities



*“Hard to find”*

**#6 PBH SKU in E-Commerce**



*“Shy to buy”*

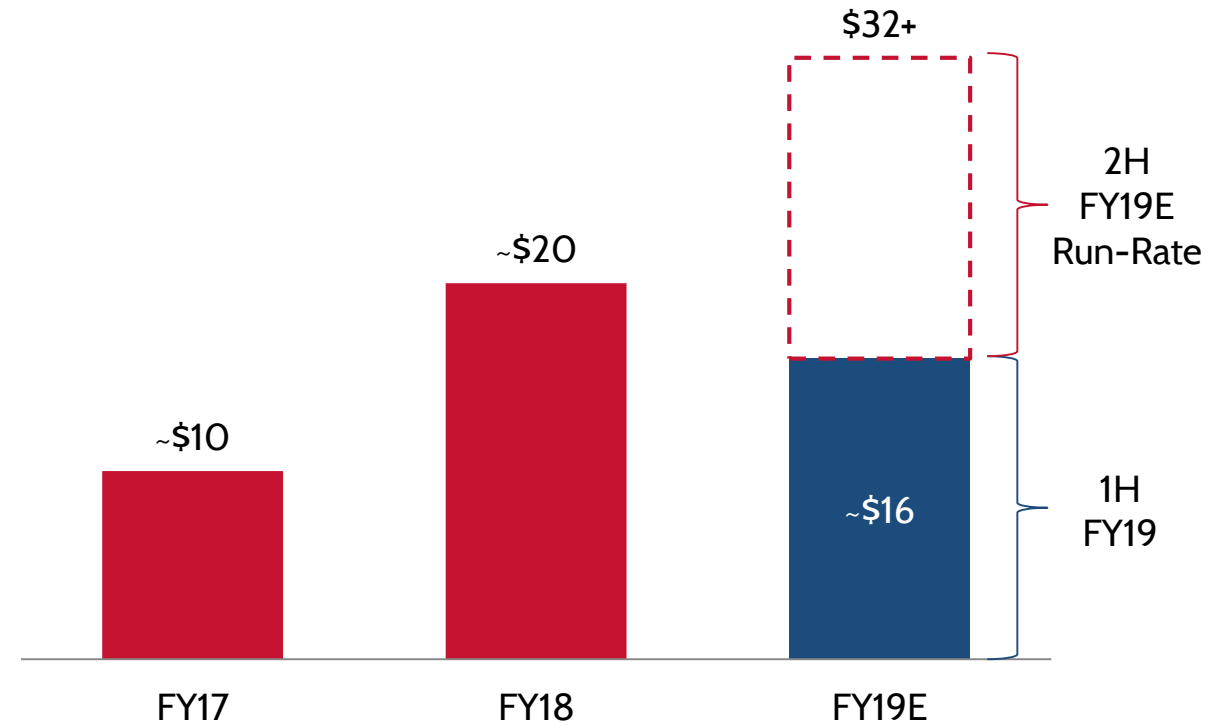
**#3 PBH Brand on E-Commerce**



*“Regimen”*

**#1 PBH Brand on E-Commerce**

## Strong Online Sales Trajectory



Dollar values in millions.

## II. Financial Overview

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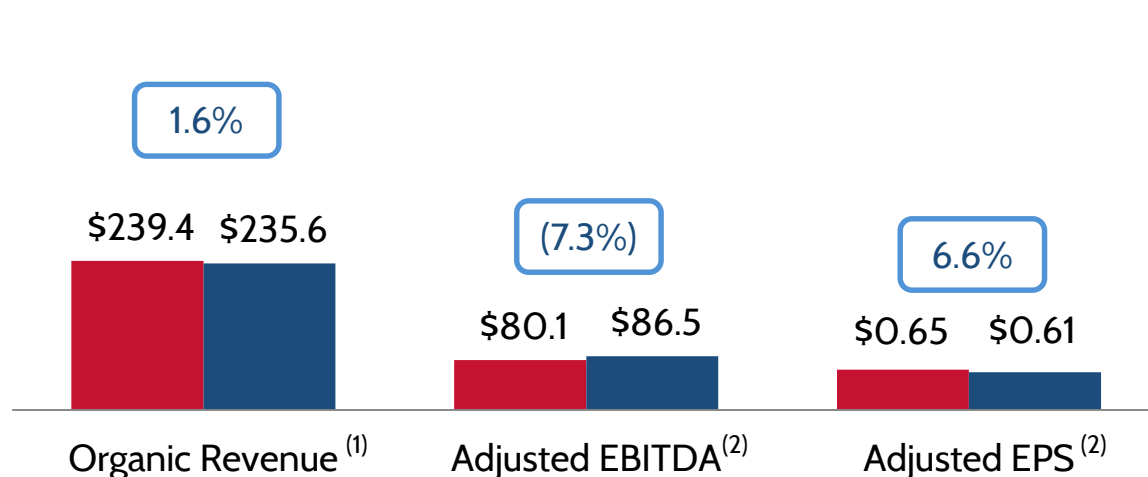
# Key Financial Results for Second Quarter & 1H FY 19 Performance

- Overall financial performance as expected in the quarter:

- Q2 Revenue of \$239.4 million, an organic growth increase of 1.6%<sup>(1)</sup> vs prior year
- Q2 Adjusted EBITDA<sup>(2)</sup> of \$80.1 million, a decrease of (7.3%) vs prior year
- Q2 Adjusted EPS of \$0.65<sup>(2)</sup>, an increase of 6.6% vs prior year, and YTD 2019 Adjusted EPS of \$1.33<sup>(2)</sup>, up 4.7% vs prior year

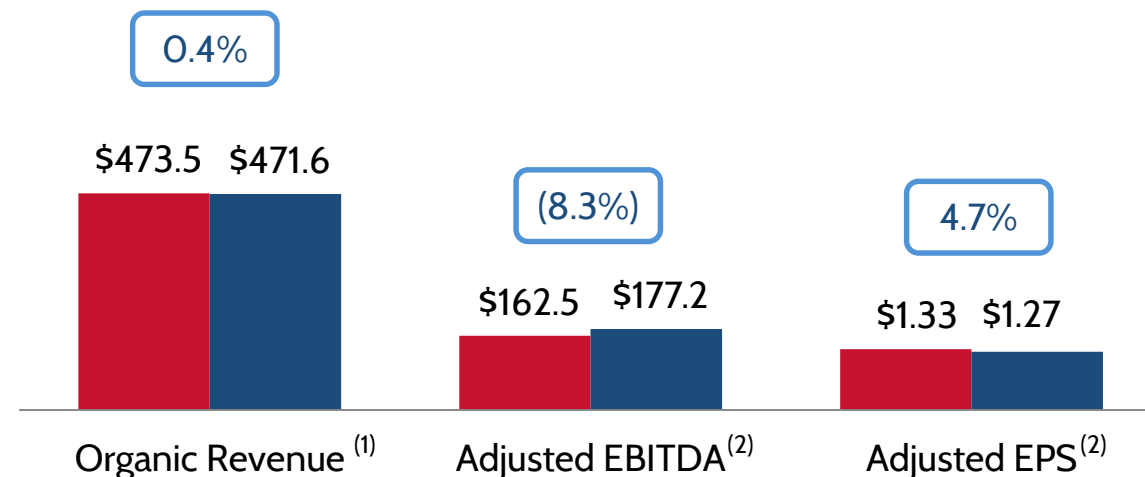
## Q2 FY 19

■ Q2 FY 19 ■ Q2 FY 18



## YTD FY 19

■ YTD FY 19 ■ YTD FY 18



Dollar values in millions, except per share data.

# FY 19 Second Quarter Consolidated Financial Summary

## 3 Months Ended

## 6 Months Ended

## Comments

	Q2 FY 19	Q2 FY 18	% Chg	Q2 FY 19	Q2 FY 18	% Chg
<b>Total Revenue</b>	\$ 239.4	\$ 258.0	(7.2%)	\$ 493.3	\$ 514.6	(4.1%)
<b>Adjusted Gross Margin</b> <sup>(2)</sup>	137.5	145.2	(5.3%)	278.3	291.3	(4.5%)
% Margin	57.4%	56.3%		56.4%	56.6%	
<b>Adjusted A&amp;P</b> <sup>(2)</sup>	37.0	39.4	(6.0%)	74.2	76.3	(2.8%)
% Total Revenue	15.5%	15.3%		15.0%	14.8%	
<b>Adjusted G&amp;A</b> <sup>(2)</sup>	21.2	21.1	0.3%	43.7	40.9	6.8%
% Total Revenue	8.9%	8.2%		8.9%	8.0%	
<b>D&amp;A (ex. COGS D&amp;A)</b>	6.8	7.2	(6.0%)	13.8	14.4	(3.6%)
% Total Revenue	2.8%	2.8%		2.8%	2.8%	
<b>Adjusted Operating Income</b> <sup>(2)</sup>	\$ 72.5	\$ 77.5	(6.5%)	\$ 146.6	\$ 159.7	(8.2%)
% Margin	30.3%	30.0%		29.7%	31.0%	
<b>Adjusted Earnings Per Share</b> <sup>(2)</sup>	\$ 0.65	\$ 0.61	6.6%	\$ 1.33	\$ 1.27	4.7%
<b>Adjusted EBITDA</b> <sup>(2)</sup>	\$ 80.1	\$ 86.5	(7.3%)	\$ 162.5	\$ 177.2	(8.3%)
% Margin	33.5%	33.5%		32.9%	34.4%	

- Organic revenue growth of 1.6%<sup>(1)</sup> in Q2
  - Impacted by shipment timing of new BC/Goody's packaging and change in revenue recognition accounting policies
- Adjusted Gross Margin<sup>(2)</sup> of 57.4% in Q2, up 110 bps vs prior year
  - Continued sequential improvement post-Household divestiture
- Adjusted EBITDA<sup>(2)</sup> percent of sales of 33.5% in Q2 in-line with expectations

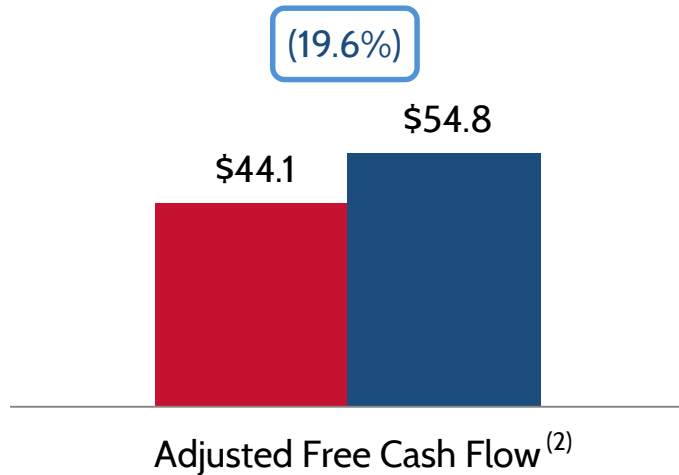
Dollar values in millions, except per share data.

# Industry Leading Free Cash Flow Trends

## Free Cash Flow

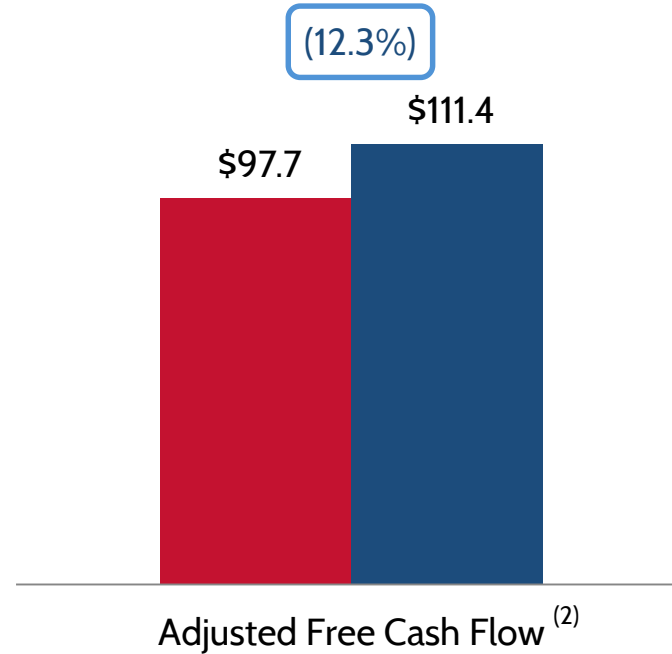
Q2 FY 19

■ Q2 FY 19 ■ Q2 FY 18



1H FY 19

■ 1H FY 19 ■ 1H FY 18



## Comments

- Q2 Adjusted Free Cash Flow<sup>(2)</sup> impacted by BC and Goody's inventory build to support new product launch as well as cadence of profitability
- Net Debt<sup>(2)</sup> at September 30 of \$1,876 million; leverage ratio of 5.2x<sup>(4)</sup> at end of Q2
- Completed \$50 million opportunistic share repurchase program in Q1
- \$100 million debt paydown in Q2

Dollar values in millions.

# III. FY 19 Outlook and the Road Ahead

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# FY 19 Full Year Outlook Unchanged

## Top Line Trends

- Strong momentum across our portfolio; continue to win share versus categories and private label
- Household divestiture enables sole focus on consumer healthcare business
- Continue to gain market share with consumers and grow categories with retailers
- Prestige's portfolio of leading brands continues to be well positioned for long-term growth despite macro headwinds at retail

## Revenue Outlook

- Revenue outlook of \$985 to \$995 million; organic growth of 0.5% to 1.5%
  - Expect consumption growth in excess of shipment growth
  - 2H FY 19 Revenue growth concentrated in Q4

## Adjusted EPS<sup>(5)</sup> Outlook

- Adjusted EPS +10% to +13% (\$2.84 to \$2.92)<sup>(5)</sup>
  - 2H FY 19 EPS growth concentrated in Q4 due to multiple timing factors

## Adjusted Free Cash Flow<sup>(6)</sup> Outlook

- Adjusted Free Cash Flow of \$205 million or more<sup>(6)</sup>

Dollar values in millions, except per share data.

# QeA

# Appendix

- (1) Organic Revenue Growth 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) Adjusted Gross Margin, Adjusted A&P, Adjusted G&A, Adjusted EBITDA, Adjusted Operating Income, Adjusted Net Income, Adjusted EPS, 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.
- (3) Total company consumption is based on domestic IRI multi-outlet + C-Store retail dollar sales for the twelve month period ending 9-9-18 and net revenues as a proxy for consumption for certain untracked channels, and international consumption which includes Canadian consumption for leading retailers, Australia consumption for leading brands, and other international net revenues as a proxy for consumption.
- (4) Leverage ratio reflects net debt / covenant defined EBITDA.
- (5) Adjusted EPS for FY 19 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 less costs associated with acquisitions and divestitures.
- (6) Adjusted Free Cash Flow for FY 19 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 acquisitions and divestitures less tax effect of payments associated with acquisitions and divestitures.

# Reconciliation Schedules

## Organic Revenue Growth

	Three Months Ended Sept. 30,		Six Months Ended Sept. 30,	
	2018	2017	2018	2017
<i>(In Thousands)</i>				
GAAP Total Revenues	\$ 239,357	\$ 258,026	\$ 493,337	\$ 514,599
Revenue Growth	<u>(7.2%)</u>		<u>(4.1%)</u>	
<u>Adjustments:</u>				
Revenue associated with divestiture	-	(21,767)	(19,811)	(41,627)
Allocated costs that remain after divestiture	-	(700)	-	(1,400)
Total Adjustments	\$ -	\$ (22,467)	\$ (19,811)	\$ (43,027)
Non-GAAP Organic Revenues	\$ 239,357	\$ 235,559	\$ 473,526	\$ 471,572
Non-GAAP Organic Revenues Growth	<u>1.6%</u>		<u>0.4%</u>	

# Reconciliation Schedules (Continued)

## Adjusted Gross Margin

	Three Months Ended Sept. 30,		Six Months Ended Sept. 30,	
	2018	2017	2018	2017
<i>(In Thousands)</i>				
GAAP Total Revenues	\$ 239,357	\$ 258,026	\$ 493,337	\$ 514,599
GAAP Gross Profit	\$ 137,472	\$ 144,098	\$ 278,095	\$ 287,574
GAAP Gross Profit as a Percentage of GAAP Total Revenue	57.4%	55.8%	56.4%	55.9%
<u>Adjustments:</u>				
Integration, transition and other costs associated with divestiture and acquisition	-	1,143	170	3,719
Total adjustments	-	1,143	170	3,719
Non-GAAP Adjusted Gross Margin	\$ 137,472	\$ 145,241	\$ 278,265	\$ 291,293
Non-GAAP Adjusted Gross Margin as a Percentage of GAAP Total Revenues	57.4%	56.3%	56.4%	56.6%

# Reconciliation Schedules (Continued)

## Adjusted Advertising & Promotion Expense

	Three Months Ended Sept. 30,		Six Months Ended Sept. 30,	
	2018	2017	2018	2017
<i>(In Thousands)</i>				
GAAP Advertising and Promotion Expense	\$ 37,042	\$ 39,188	\$ 74,153	\$ 76,132
GAAP Advertising and Promotion Expense as a Percentage of GAAP Total Revenue	15.5%	15.2%	15.0%	14.8%
<b>Adjustments:</b>				
Integration, transition and other costs associated with acquisition	-	(231)	-	(192)
Total adjustments	-	(231)	-	(192)
Non-GAAP Adjusted Advertising and Promotion Expense	\$ 37,042	\$ 39,419	\$ 74,153	\$ 76,324
Non-GAAP Adjusted Advertising and Promotion Expense as a Percentage of GAAP Total Revenues	15.5%	15.3%	15.0%	14.8%

# Reconciliation Schedules (Continued)

## Adjusted GeA

	Three Months Ended Sept. 30,		Six Months Ended Sept. 30,	
	2018	2017	2018	2017
<i>(In Thousands)</i>				
GAAP General and Administrative Expense	\$ 24,034	\$ 21,999	\$ 47,975	\$ 42,409
GAAP General and Administrative Expense as a Percentage of GAAP Total Revenue	10.0%	8.5%	9.7%	8.2%
<u>Adjustments:</u>				
Integration, transition and other costs associated with divestiture and acquisition	2,850	888	4,272	1,472
Total adjustments	2,850	888	4,272	1,472
Non-GAAP Adjusted General and Administrative Expense	\$ 21,184	\$ 21,111	\$ 43,703	\$ 40,937
Non-GAAP Adjusted General and Administrative Expense Percentage as a Percentage of GAAP Total Revenues	8.9%	8.2%	8.9%	8.0%



# Reconciliation Schedules (Continued)

## Adjusted EBITDA

	Three Months Ended Sept. 30,		Six Months Ended Sept. 30,	
	2018	2017	2018	2017
<i>(In Thousands)</i>				
GAAP Net Income	\$ 30,841	\$ 30,705	\$ 65,307	\$ 64,464
Interest expense, net	27,070	26,836	53,010	53,177
Provision for income taxes	12,678	18,616	24,672	37,545
Depreciation and amortization	7,994	8,534	16,366	17,041
Non-GAAP EBITDA	78,583	84,691	159,355	172,227
Non-GAAP EBITDA Margin	32.8%	32.8%	32.3%	33.5%
<b>Adjustments:</b>				
Integration, transition and other costs associated with divestiture and acquisition in Cost of Goods Sold	-	1,143	170	3,719
Integration, transition and other costs associated with acquisition in Advertising and Promotion Expense	-	(231)	-	(192)
Integration, transition and other costs associated with divestiture and acquisition in General and Administrative Expense	2,850	888	4,272	1,472
Gain on divestiture	(1,284)	-	(1,284)	-
Total adjustments	1,566	1,800	3,158	4,999
Non-GAAP Adjusted EBITDA	\$ 80,149	\$ 86,491	\$ 162,513	\$ 177,226
Non-GAAP Adjusted EBITDA Margin	33.5%	33.5%	32.9%	34.4%

# Reconciliation Schedules (Continued)

## Adjusted Net Income and Adjusted EPS

	Three Months Ended Sept. 30,				Six Months Ended Sept. 30,			
	2018		2017		2018		2017	
	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
<i>(In Thousands, except per share data)</i>								
GAAP Net Income	\$ 30,841	\$ 0.59	\$ 30,705	\$ 0.57	\$ 65,307	\$ 1.24	\$ 64,464	\$ 1.20
<b>Adjustments:</b>								
Integration, transition and other costs associated with divestitures and acquisitions in Cost of Goods Sold	-	-	1,143	0.02	170	-	3,719	0.07
Integration, transition and other costs associated with acquisitions in Advertising and Promotion Expense	-	-	(231)	-	-	-	(192)	-
Integration, transition and other costs associated with divestitures and acquisitions in General and Administrative Expense	2,850	0.05	888	0.02	4,272	0.08	1,472	0.03
Gain on divestiture	(1,284)	(0.02)	-	-	(1,284)	(0.02)	-	-
Accelerated amortization of debt origination costs	706	0.01	-	-	706	0.01	-	-
Tax impact of adjustments	824	0.02	(658)	(0.01)	420	0.01	(1,825)	(0.03)
Normalized tax rate adjustment	222	-	614	0.01	415	0.01	312	-
Total Adjustments	<b>3,318</b>	<b>0.06</b>	<b>1,756</b>	<b>0.04</b>	<b>4,699</b>	<b>0.09</b>	<b>3,486</b>	<b>0.07</b>
Non-GAAP Adjusted Net Income and Adjusted EPS	<b>\$ 34,159</b>	<b>\$ 0.65</b>	<b>\$ 32,461</b>	<b>\$ 0.61</b>	<b>\$ 70,006</b>	<b>\$ 1.33</b>	<b>\$ 67,950</b>	<b>\$ 1.27</b>

# Reconciliation Schedules (Continued)

## Adjusted Free Cash Flow

	Three Months Ended Sept. 30,		Six Months Ended Sept. 30,	
	2018	2017	2018	2017
<i>(In Thousands)</i>				
GAAP Net Income	\$ 30,841	\$ 30,705	\$ 65,307	\$ 64,464
<u>Adjustments:</u>				
Adjustments to reconcile net income to net cash provided by operating activities as shown in the Statement of Cash Flows	5,349	21,530	23,054	43,513
Changes in operating assets and liabilities as shown in the Statement of Cash Flows	3,065	2,184	6,746	563
Total Adjustments	8,414	23,714	29,800	44,076
GAAP Net cash provided by operating activities	39,255	54,419	95,107	108,540
Purchase of property and equipment	(2,605)	(2,231)	(5,074)	(4,785)
Non-GAAP Free Cash Flow	36,650	52,188	90,033	103,755
Integration, transition and other payments associated with divestiture and acquisition	7,429	2,654	7,618	7,602
Non-GAAP Adjusted Free Cash Flow	\$ 44,079	\$ 54,842	\$ 97,651	\$ 111,357

# Reconciliation Schedules (Continued)

## Projected EPS

	2019 Projected EPS	
	Low	High
Projected FY'19 GAAP EPS	\$ 2.75	\$ 2.83
<i>Adjustments:</i>		
Sale of Household Cleaning Business	0.07	0.07
Tax Adjustment	0.02	0.02
Total Adjustments	0.09	0.09
Projected Non-GAAP Adjusted EPS	\$ 2.84	\$ 2.92

## Projected Free Cash Flow

	2019 Projected Free Cash Flow
<i>(In millions)</i>	
Projected FY'19 GAAP Net Cash provided by operating activities	\$ 195
Additions to property and equipment for cash	(13)
Projected Non-GAAP Free Cash Flow	182
Payments associated with divestiture	23
Projected Non-GAAP Adjusted Free Cash Flow	\$ 205