Prestige Consumer Healthcare

# Barclays Consumer Conference

September 6th, 2018

# 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 revenue growth, adjusted EPS, and adjusted free cash flow; the market position and consumption trends for the Company's brands; the Company's focus on brand-building; 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 August 2, 2018 earnings release in the "About Non-GAAP Financial Measures" section.

# Contents



# Attendees

**Ron Lombardi**
*Chairman & Chief Executive Officer*

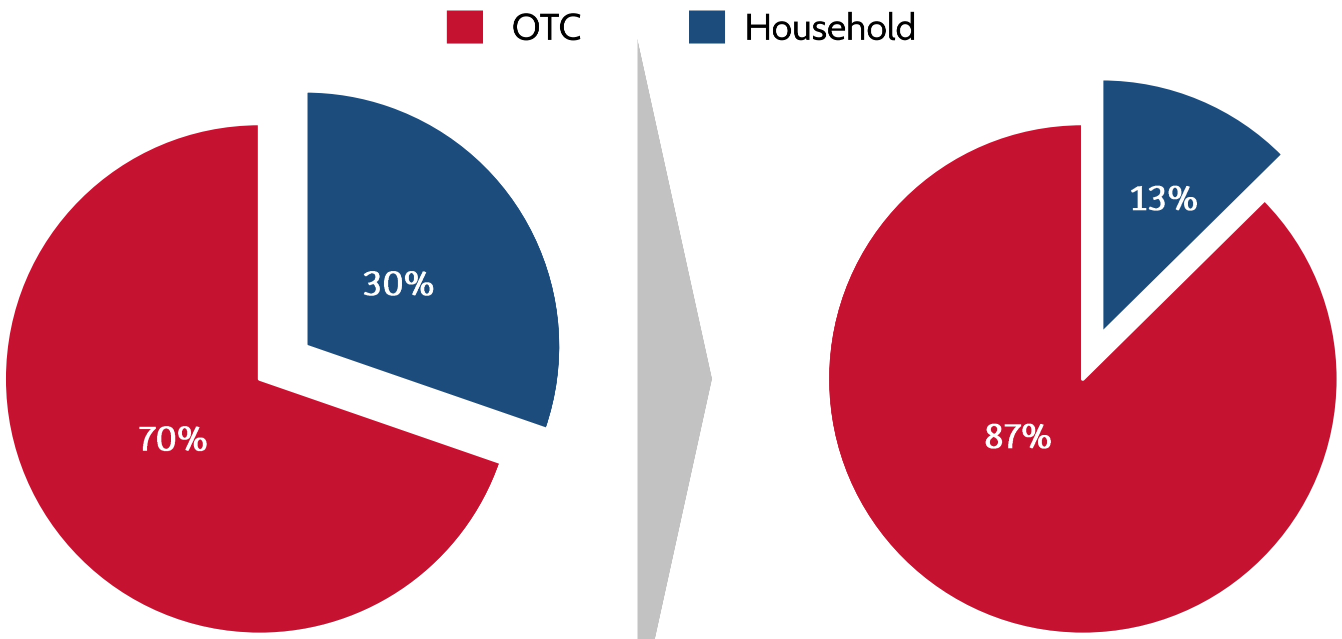
**Christine Sacco**
*Chief Financial Officer*

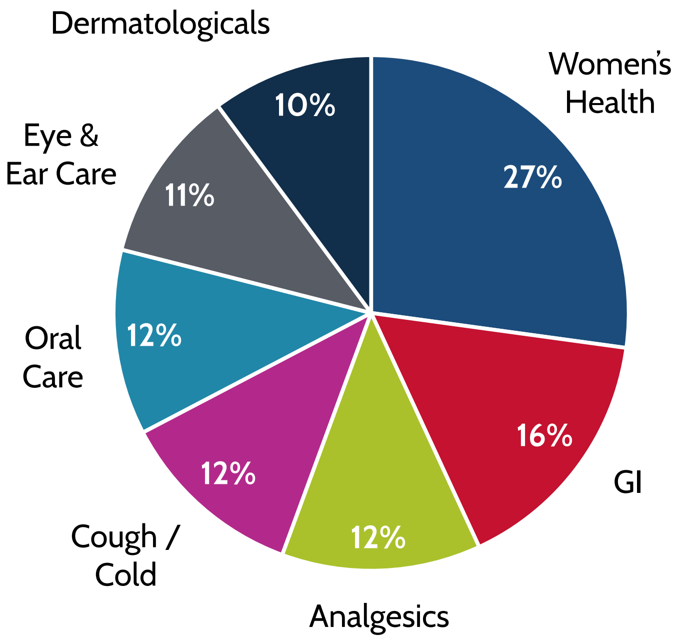
**Phil Terpolilli**
*Director, Investor Relations*

# I. Introduction to Prestige Consumer Healthcare

# Evolution to a Focused Consumer Healthcare Portfolio

**FY 2011** | **FY 2015** | **FY 2019 PF – 100% OTC***




**~$1 Billion Focused Consumer Healthcare Company***

*Based on FY18 reported revenue figures excluding the Household Cleaning Segment

# Prestige Consumer Healthcare

# Helping Consumers Care for Themselves

**5+ Billion** eye drops per year — Clear eyes

**650 Million** throat drops for every cold season — Luden's, Chloraseptic

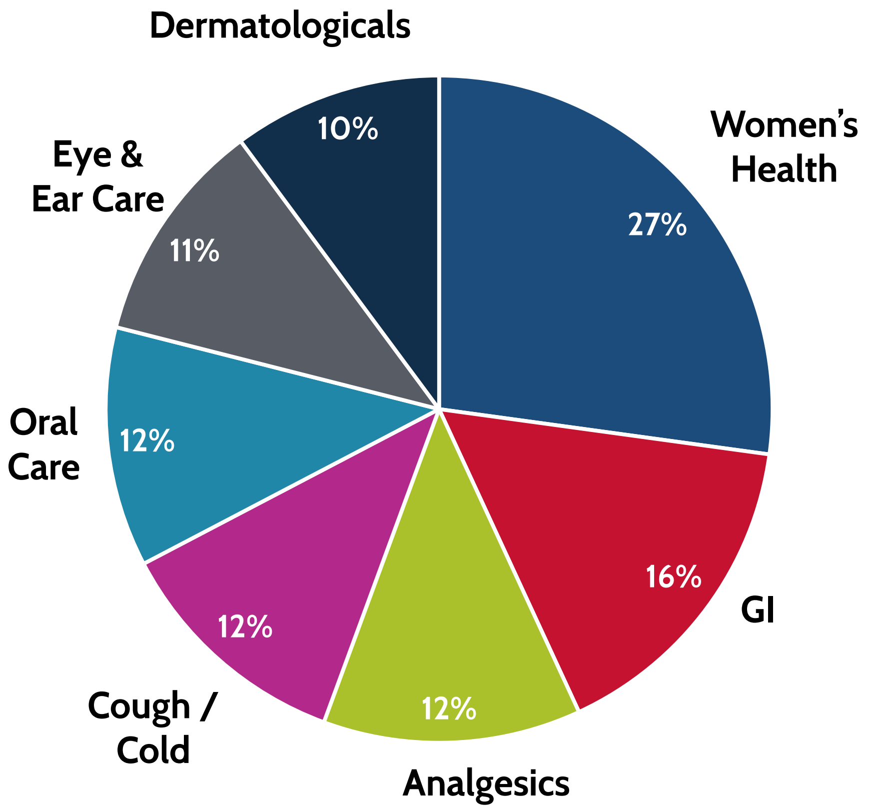
**17 Million** doses of pain relief per week — BC, Goody's

**8 Million** infections treated annually — Monistat

Source: Company records

# Diversified Portfolio of Leading, Trusted Consumer Healthcare Brands

## Total Sales* by Category




* FY'18 Revenues, Excludes Divested Household Cleaning Segment
Note: Excludes other OTC (less than 1%).

## #1 Brands Represent Two-Thirds of Total Sales*

| | |
|---|---|
| #1 Feminine Hygiene<br>#1 Vaginal Anti-Fungal | MONISTAT, Summer's Eve |
| #1 Enemas & Suppositories<br>#1 Motion Sickness | Dramamine, Fleet |
| #1 Powdered Analgesic | BC, Goody's |
| #1 Sore Throat Liquids/Lozenge | Chloraseptic |
| #1 Allergy & Redness Relief Drop | Clear eyes |
| #1 Wart Removal<br>#1 Lice/Parasite Treatments | Compound W, Nix |

# Business Positioned for Long-Term Success

OTC Attributes Structural Tailwind to Portfolio

Leading Brands Across Niche Categories

Solid Financial Profile Generates Durable Cash Flows

History of Market Share Gains & Growth

# II. Value Creation Model

# Proven, Consistent & Repeatable Strategy

**#1** Invest for Growth

- Positioned for long-term 2% to 3% Organic growth
- Brand building to drive long-term success

**#2** Cash Generation

- Industry-leading financial profile
- Consistent and strong FCF generation
- Enables capital allocation opportunities

**#3** Capital Allocation Options

- Completed 5 acquisitions since CY 2013
- Recently completed $50 million stock buyback
- Continue to seek strategic M&A

# Resilient Position in an Evolving Retail Environment

## Category Leading, Trusted Brands

- #1 brands represent large majority of sales
- Leading positions enable focus on long-term category growth

MONISTAT Summer's Eve Hydralyte Fleet BC Goody's Dramamine

## Retail Traffic Driver

- Need-based products sought by consumers
- Retail channel agnostic
- Category growth focus helps buyers



## On Trend & Innovative

- Consumer driven innovation
- Aligned with macro- Health & Wellness trends



## E-Commerce Brand of Choice

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

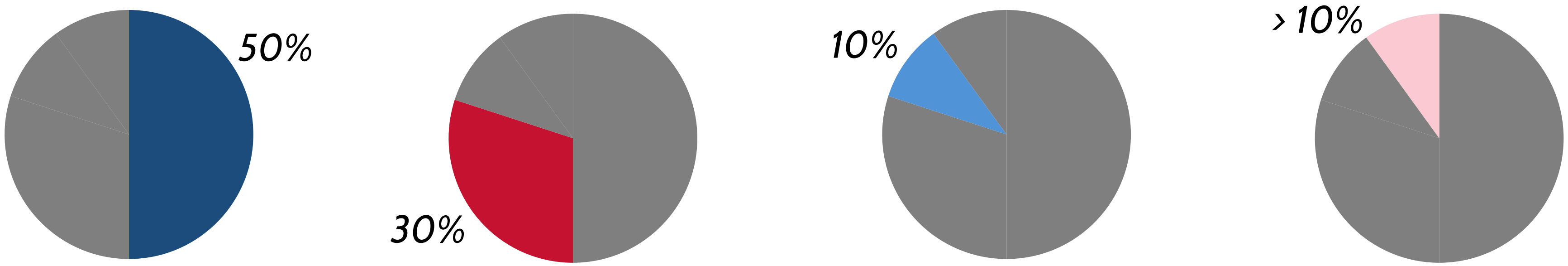

*"Hard to find"*


*"Shy to buy"*


*"Regiment"*

# Investment Across Key Brands Drives Organic Growth

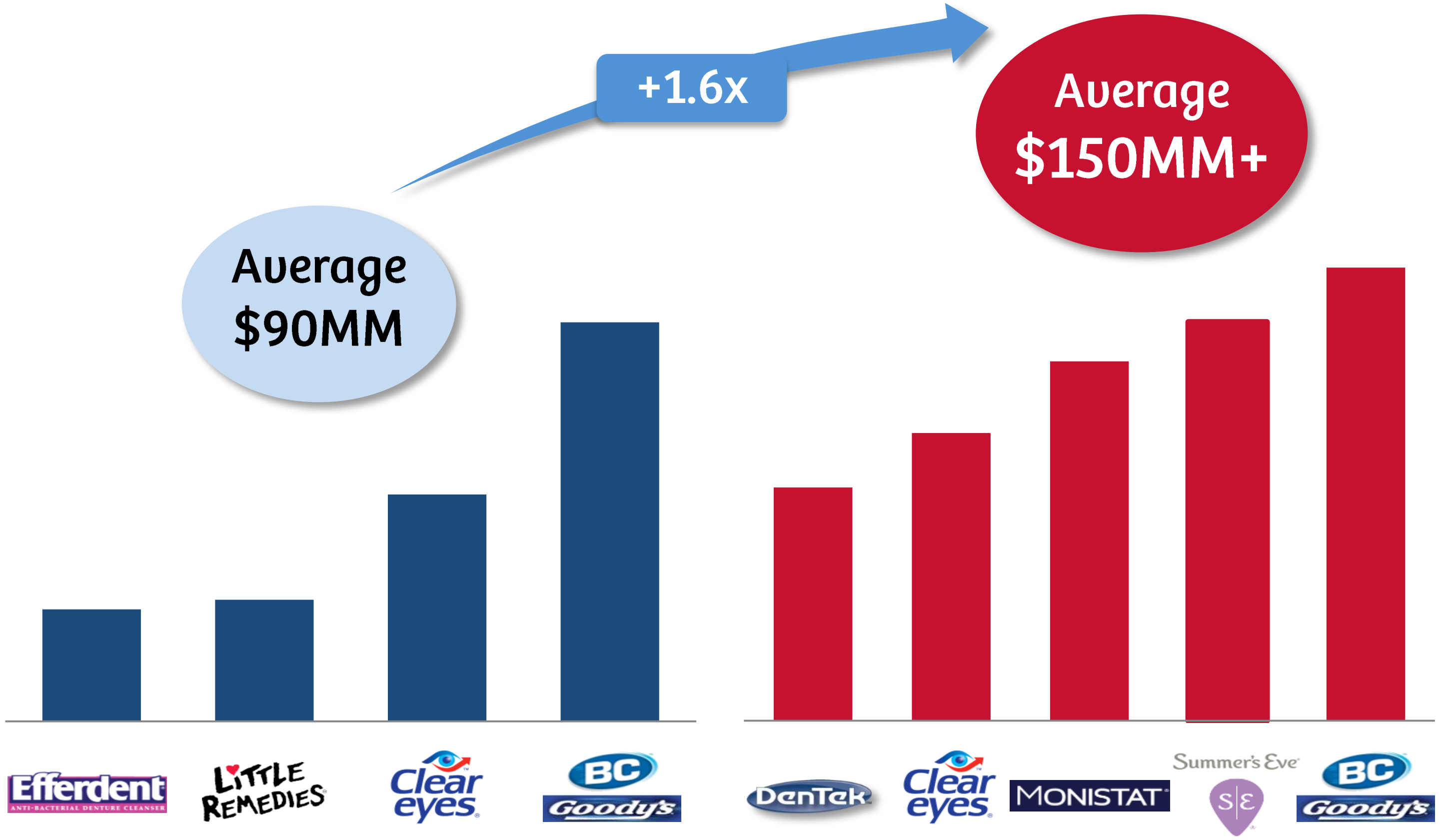
| | Invest for Growth | | | Manage for Cash |
|---|---|---|---|---|
| | Power Core | Core | International | Other OTC |
| Sales Contribution to Portfolio (Approximate %) | 50% | 30% | 10% | > 10% |
| # of Brands | 5 | 12 | 18+ | 40+ |
| Representative Brands | Summer's Eve, Clear eyes, BC, Goody's, DenTek, Monistat | Luden's, Dramamine, Chloraseptic, Compound W, Fleet, Nix | Hydralyte, FESS, Care Pharmaceuticals | Ecotrin, beano |
| **Long-Term Organic Growth Target (approximate):** | 3%+ | 1-3% | 5%+ | -4% to -8% |




**Long-Term 2% to 3% Sales Growth Target**

# Five "Power Core" Brands Now Average Over $150MM at Retail

| FY 13 | Today | Future |
|---|---|---|




35% of PBH Business

50%+ of PBH Business

- Leading brands well-positioned in evolving environment
- Execute brand-building playbook
- Continue to grow our categories and market share

Source: IRI MULO+C-Store (Retail Dollar Sales).

# BC & Goody's: Continuing Our Long-Term Brand Building Playbook

## Brand Success Under Ownership

- Purchased two iconic brands in 2012
- **100+ year heritage** in Southeast
- Expanded brand building investments


- **Only powdered analgesic brands**
- Expanded distribution
- **Brand extensions** into cough/cold with BC Sinus Launch
- **Significant support at retail** by leveraging strategic partnerships

>25% Growth Since Acquisition

## New Packaging Launching in FY 19

**Continued Innovation to Grow the Brand and the Category**


# Investments Broad-based Across "Invest for Growth" Business

## Power Core $100MM+ Brands

- Monistat
- Clear eyes
- Summer's Eve
- BC
- Goody's
- DenTek

## Core

- Dramamine
- Fleet
- Nix
- Debrox
- Chloraseptic
- Luden's
- Little Remedies
- Compound W

## International

- Care Pharmaceuticals
- Hydralyte
- FESS
- Gaviscon
- DenTek
- Summer's Eve

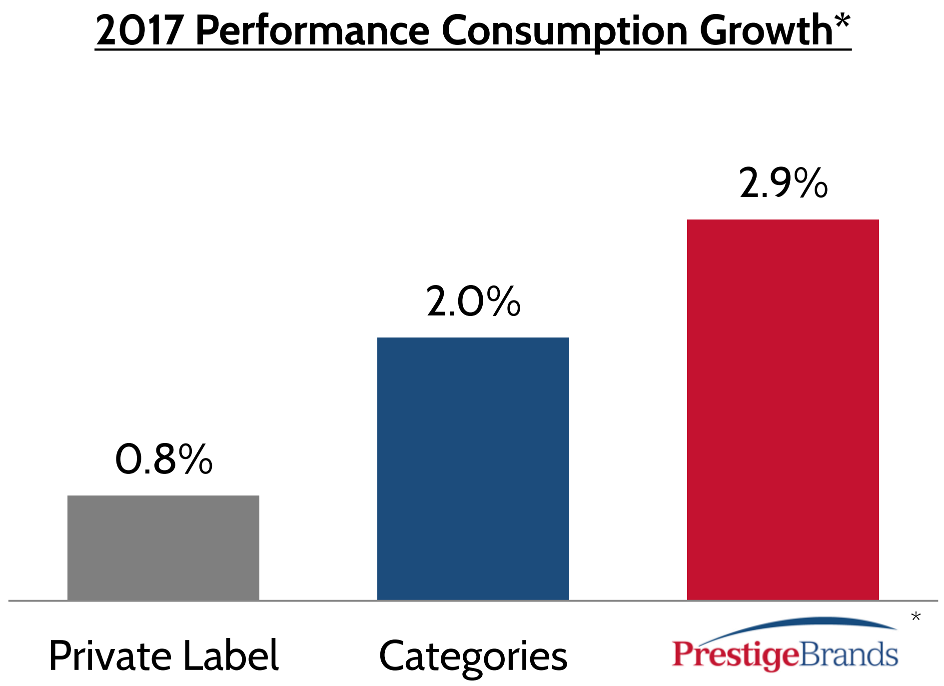
Source: IRI MULO+C-Store period ending March 25, 2018; Retail Dollar Sales

# … and Brand-Building That Drives Category Growth and Share Gains

## Long-Term Brand-Building Toolkit

- Leverage portfolio's **long-standing brand heritage** with **focused digital and content marketing**
- **Develop consumer insights** to refine brand-building efforts
- **Focus new product development on attractive opportunities** that are key to category growth
- Capitalize on **new channel development** opportunities

## Growing the Category and Outpacing Private Label




## Brand-Building Differentiates versus Private Label and Branded Competition

* IRI MULO Data as of calendar year-end 2017; Categories include those pertaining to PBH's power core and core brands

# Proven, Consistent & Repeatable Strategy: Cash Generation

**Cash Generation**

- Industry-leading financial profile
- Consistent and strong FCF generation
- Enables capital allocation opportunities

## Near-term Considerations

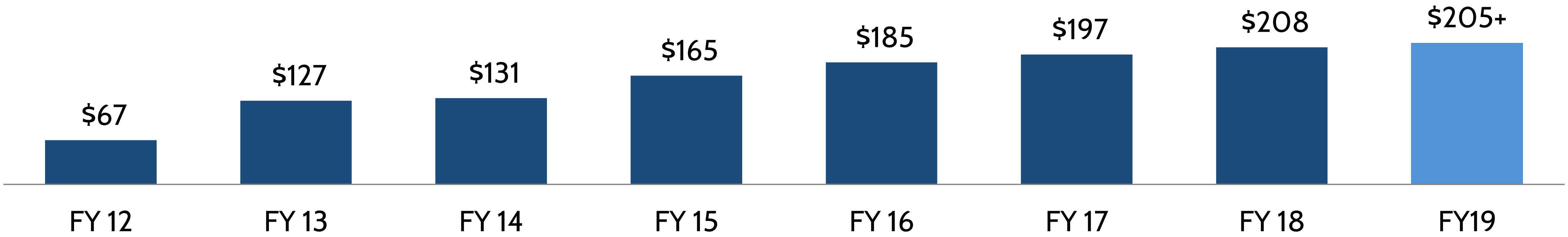
- Net Debt at June 30 of ~$2.0 billion; leverage ratio of 5.4x(4) at end of Q1 19
  - Targeting leverage of ~4.9x by year-end FY 19
- Debt reduction of $209 million in FY 18
- Completed $50 million opportunistic share repurchase program in Q1
- Household Cleaning segment divestiture net proceeds used to reduce debt in Q2

## Long-Term Positioning

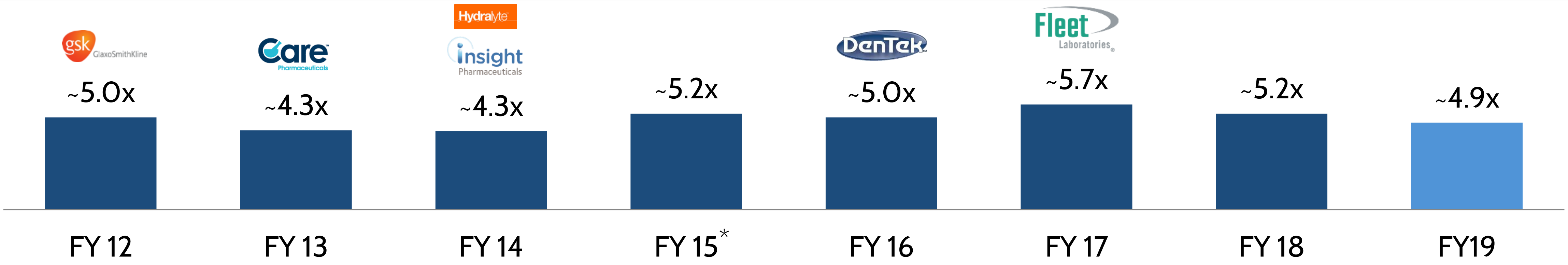
- High Free Cash Flow Generation
  - Portfolio drives high EBITDA margins
  - Strong FCF conversion (minimal capital outlays, low cash tax rate via tax attributes)
- A&P reinvestment to drive top-line growth
- Maintain approximate mid-30s EBITDA margin target

# Strong and Consistent Cash Flow Leads to Rapid De-Levering

## Adjusted Free Cash Flow[2][4]




## Leverage Ratio[3]




Dollar values in millions.

* Peak leverage of 5.75x at close of the Insight Acquisition in September 2014

# Disciplined Capital Allocation Enhances Shareholder Value

## Capital Allocation Priorities

1. Invest in Current Brands to Drive Organic Growth
2. Continued Strategy of De-Leveraging
3. Share Repurchases
4. Pursue M&A that is Accretive to Shareholders

## Timeline of Recent Capital Allocation Decisions

**CY 16**

- Acquisition of DenTek brand for $220 million
- Divestiture of 7 non-core brands for $110 million gross proceeds

**CY 17**

- Acquisition of C.B. Fleet portfolio for $825 million

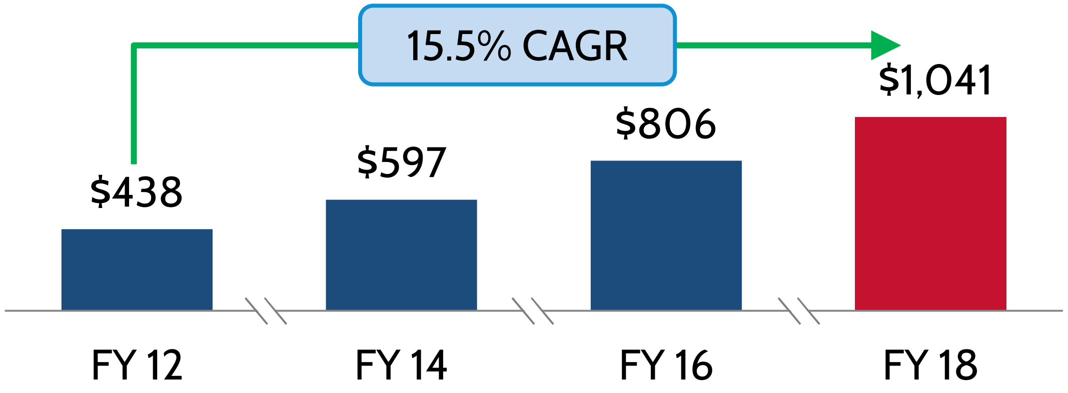
**CY 18**

- Opportunistic $50 million share repurchase
- Divestiture of Household segment for $69 million to enable debt paydown and capital redeployment

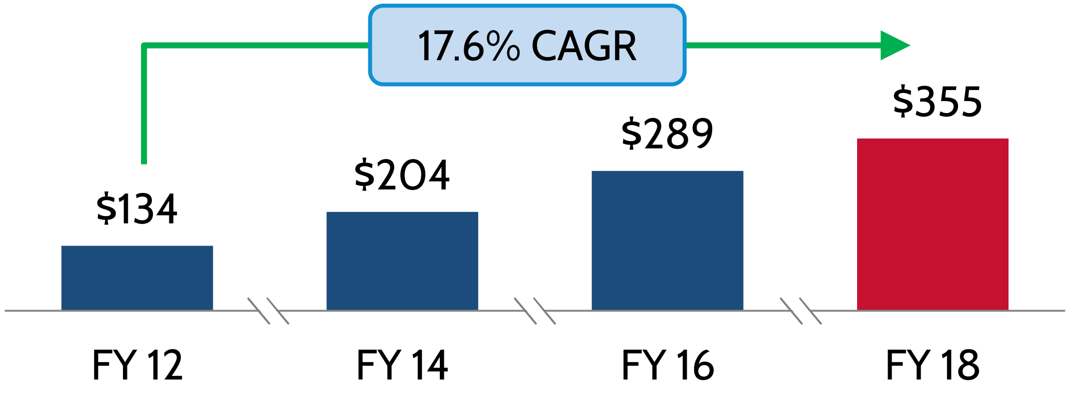
# III. Financial Review and FY 19 Outlook

# Strategy Has Delivered Consistently Strong Financial Performance

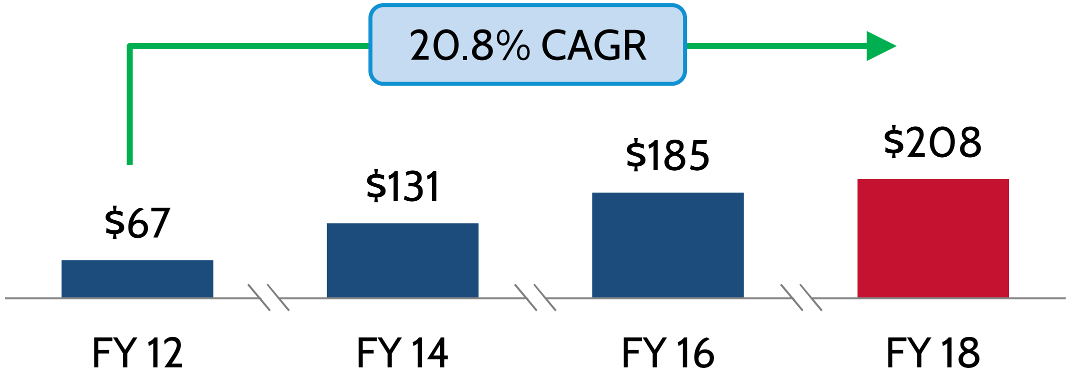
## Net Sales



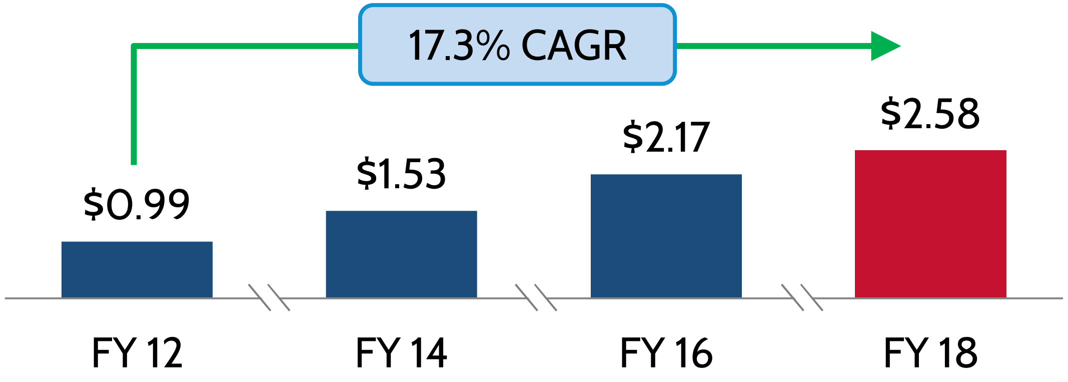

## Adjusted EBITDA[3]




## Adjusted Free Cash Flow[3]




## Adjusted EPS[3]




Dollar values in millions, except Adjusted EPS.

# First Quarter FY 19: Solid Start to the Year, In-Line with Expectation

Revenue of $254.0 in-line with expectations, consumption continues to outpace revenue growth

Adjusted EPS of $0.68[2], up 3.0% versus Q1 FY 18

Adjusted Free Cash Flow of $53.6 million[2]; repurchased $50 million of shares during the quarter

Completed divestiture of Household Cleaning Segment to become a focused Consumer Healthcare company

# FY 19 Full Year Outlook: Staying the Strategic Course to Create Value

| | |
|---|---|
| **Top Line Trends** | ■ Strong momentum across our portfolio; continue to win share versus categories and private label<br>■ Household divestiture provides further focus on consumer healthcare business<br>■ Continue to gain market share with consumers and grow categories with retailers<br>■ Prestige's portfolio of need-based 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%<br>– Expect consumption growth in excess of shipment growth<br>– Revenue growth concentrated in 2H FY 19 |
| **Adjusted EPS(2) Outlook** | ■ Adjusted EPS +10% to +13% ($2.84 to $2.92)(2)<br>– EPS growth concentrated in 2H FY 19 due to multiple timing factors |
| **Adjusted Free Cash Flow(4) Outlook** | ■ Adjusted Free Cash Flow of $205 million or more(4) |

Dollar values in millions, except per share data.

# Continuing Our Long-Term Value Creation Strategy

Long-Term Topline Organic Growth of 2.0% to 3.0%

+

Strong and Consistent Free Cash Flow Generation

Efficient and Value-Maximizing Capital Allocation

Share Repurchases

Accretive M&A

**Long-Term E.P.S. Growth**

+

**Upside Potential**

**Shareholder Value Enhancement**

# Appendix

(1) Organic Revenue Growth is a Non-GAAP financial measures and is reconciled to the most closely related GAAP financial measure in the attached Reconciliation Schedules and / or our August 2, 2018 earnings release in the "About Non-GAAP Financial Measures" section.

(2) Adjusted EBITDA, 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 August 2, 2018 earnings release in the "About Non-GAAP Financial Measures" section.

(3) Leverage ratio reflects net debt / covenant defined EBITDA.

(4) 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 August 2, 2018 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 less tax effect of payments associated with acquisitions.

# Reconciliation Schedules Cont'd

## Adjusted Net Income and Adjusted EPS

| | Three Months Ended Jun. 30, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Net Income | EPS | Net Income | EPS |
| ***(In Thousands, except per share data)*** | | | | |
| GAAP Net Income | $ 34,466 | $ 0.65 | $ 33,759 | $ 0.63 |
| Adjustments: | | | | |
| Integration, transition and other costs associated with assets held for sale and acquisitions in Cost of Goods Sold | 170 | - | 2,576 | 0.05 |
| Integration, transition and other costs associated with acquisitions in Advertising and Promotion Expense | - | - | 39 | - |
| Integration, transition and other costs associated with assets held for sale and acquisitions in General and Administrative Expense | 1,422 | 0.03 | 584 | 0.01 |
| Tax impact of adjustments | (404) | - | (1,167) | (0.02) |
| Normalized tax rate adjustment | 193 | - | (302) | (0.01) |
| Total Adjustments | 1,381 | 0.03 | 1,730 | 0.03 |
| Non-GAAP Adjusted Net Income and Adjusted EPS | $ 35,847 | $ 0.68 | $ 35,489 | $ 0.66 |

## Adjusted Free Cash Flow

| | Three Months Ended Jun. 30, | |
|---|---|---|
| | 2018 | 2017 |
| ***(In Thousands)*** | | |
| GAAP Net Income | $ 34,466 | $ 33,759 |
| Adjustments: | | |
| Adjustments to reconcile net income to net cash provided by operating activities as shown in the Statement of Cash Flows | 17,705 | 21,983 |
| Changes in operating assets and liabilities as shown in the Statement of Cash Flows | 3,681 | (1,621) |
| Total Adjustments | 21,386 | 20,362 |
| GAAP Net cash provided by operating activities | 55,852 | 54,121 |
| Purchase of property and equipment | (2,469) | (2,554) |
| Non-GAAP Free Cash Flow | 53,383 | 51,567 |
| Integration, transition and other payments associated with assets held for sale and acquisitions | 189 | 4,948 |
| Non-GAAP Adjusted Free Cash Flow | $ 53,572 | $ 56,515 |

# Reconciliation Schedules Cont'd

## Projected EPS

| | 2019 Projected EPS | |
|---|---|---|
| | Low | High |
| Projected FY'19 GAAP EPS | $ 2.80 | $ 2.88 |
| Adjustments: | | |
| Sale of Household Cleaning business | 0.02 | 0.02 |
| Tax adjustment | 0.02 | 0.02 |
| Total Adjustments | 0.04 | 0.04 |
| Projected Non-GAAP Adjusted EPS | $ 2.84 | $ 2.92 |

## Projected Free Cash Flow

| *(In millions)* | 2019 Projected Free Cash Flow |
|---|---|
| Projected FY'19 GAAP Net Cash provided by operating activities | $ 202 |
| Additions to property and equipment for cash | (13) |
| Projected Non-GAAP Free Cash Flow | 189 |
| Payments associated with divestitures | 16 |
| Projected Non-GAAP Adjusted Free Cash Flow | $ 205 |

# Reconciliation Schedules Cont'd

## Adjusted Free Cash Flow

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| GAAP Net Income | $ 37,212 | $ 65,505 | $ 72,615 | $ 78,260 | $ 99,907 | $ 69,395 | $ 339,570 |
| Adjustments | | | | | | | |
| Adjustments to reconcile net income to net cash provided by operating activities as shown in the statement of cash flows | 35,674 | 59,497 | 52,562 | 65,998 | 98,181 | 92,613 | (113,698) |
| Changes in operating assets and liabilities, net of effects from acquisitions as shown in the statement of cash flows | (5,434) | 12,603 | (11,945) | 13,327 | (21,778) | (13,336) | (15,762) |
| Total adjustments | 30,240 | 72,100 | 40,617 | 79,325 | 76,403 | 79,277 | (129,460) |
| **GAAP Net cash provided by operating activities** | **67,452** | **137,605** | **113,232** | **157,585** | **176,310** | **148,672** | **210,110** |
| Purchases of property and equipment | (606) | (10,268) | (2,764) | (6,101) | (3,568) | (2,977) | (12,532) |
| **Non-GAAP Free Cash Flow** | **66,846** | **127,337** | **110,468** | **151,484** | **172,742** | **145,695** | **197,578** |
| Premium payment on 2010 Senior Notes | - | - | 15,527 | - | - | - | - |
| Premium payment on extinguishment of 2012 Senior Notes | - | - | - | - | 10,158 | - | - |
| Accelerated payments due to debt refinancing | - | - | 4,675 | - | - | 9,184 | 182 |
| Integration, transition and other payments associated with acquisitions | - | - | 512 | 13,563 | 2,461 | 10,448 | 10,358 |
| Pension contribution | - | - | - | - | - | 6,000 | - |
| Additional income tax payments associated with divestitures | - | - | - | - | - | 25,545 | - |
| Total adjustments | - | - | 20,714 | 13,563 | 12,619 | 51,177 | 10,540 |
| **Non-GAAP Adjusted Free Cash Flow** | **$ 66,846** | **$ 127,337** | **$ 131,182** | **$165,047** | **$ 185,361** | **$ 196,872** | **$ 208,118** |

Dollar values in thousands.

# Reconciliation Schedules Cont'd

## Adjusted Net Income and Adjusted EPS

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Income | EPS | Net Income | EPS | Net Income | EPS | Net Income | EPS | Net Income | EPS | Net Income | EPS | Net Income | EPS |
| **GAAP Net Income** | **$ 37,212** | **$0.73** | **$ 65,505** | **$ 1.27** | **$ 72,615** | **$ 1.39** | **$ 78,260** | **$ 1.49** | **$ 99,907** | **$ 1.88** | **$ 69,395** | **$ 1.30** | **$ 339,570** | **$ 6.34** |
| Adjustments | | | | | | | | | | | | | | |
| Additional expense as a result of Term Loan debt refinancing | - | - | - | - | - | - | - | - | - | - | 9,184 | 0.17 | 270 | - |
| Sales costs related to acquisitions | - | - | 411 | 0.01 | - | - | - | - | - | - | - | - | - | - |
| Inventory step up | 1,795 | 0.04 | 23 | - | 577 | 0.01 | 2,225 | 0.04 | 1,387 | 0.03 | 1,664 | 0.03 | - | - |
| Inventory related acquisition costs | - | - | 220 | - | 407 | 0.01 | - | - | - | - | - | - | - | - |
| Add'l supplier costs | - | - | 5,426 | 0.11 | - | - | - | - | - | - | - | - | - | - |
| Costs associated with CEO transition | - | - | - | - | - | - | - | - | 1,406 | 0.02 | - | - | - | - |
| Integration, Transition, and other Acquisition/Divestiture costs | 17,395 | 0.34 | 5,909 | 0.11 | 1,111 | 0.02 | 21,507 | 0.41 | 2,401 | 0.05 | 19,624 | 0.37 | 5,528 | 0.11 |
| Stamp Duty | - | - | - | - | - | - | 2,940 | 0.05 | - | - | - | - | - | - |
| Unsolicited proposal costs | 1,737 | 0.03 | 534 | 0.01 | - | - | - | - | - | - | - | - | - | - |
| Loss on extinguishment of debt | 5,409 | 0.11 | 1,443 | 0.03 | 18,286 | 0.35 | - | - | 17,970 | 0.34 | 1,420 | 0.03 | 2,901 | 0.05 |
| Gain on settlement | (5,063) | (0.10) | - | - | - | - | - | - | - | - | - | - | - | - |
| (Gain) loss on divestitures | - | - | - | - | - | - | (1,133) | (0.02) | - | - | 51,820 | 0.97 | - | - |
| Accelerated amortization of debt discounts and debt issue costs | - | - | 7,746 | 0.15 | 5,477 | 0.10 | 218 | - | - | - | 1,706 | 0.03 | 392 | 0.01 |
| Tradename impairment | - | - | - | - | - | - | - | - | - | - | - | - | 99,924 | 1.87 |
| Tax adj. associated with acquisition in G&A expense | - | - | - | - | - | - | - | - | - | - | - | - | 704 | 0.01 |
| Tax impact on adjustments | (8,091) | (0.16) | (8,329) | (0.16) | (9,100) | (0.17) | (5,968) | (0.11) | (7,608) | (0.15) | (28,024) | (0.52) | (38,804) | (0.72) |
| Normalized tax rate adjustment | (237) | - | (1,741) | (0.03) | (9,465) | (0.18) | - | - | - | - | (199) | - | (272,201) | (5.09) |
| **Total adjustments** | **12,945** | **0.26** | **11,642** | **0.23** | **7,293** | **0.14** | **19,789** | **0.37** | **15,556** | **0.29** | **57,195** | **1.07** | **(201,286)** | **(3.76)** |
| **Non-GAAP Adjusted Net Income and Non-GAAP Adjusted EPS** | **$50,157** | **$0.99** | **$ 77,147** | **$1.50** | **$79,908** | **$ 1.53** | **$98,049** | **$ 1.86** | **$115,463** | **$ 2.17** | **$126,590** | **$ 2.37** | **$138,284** | **$2.58** |

Dollar values in thousands, except per share data
Note: Reported GAAP is calculated using diluted shares outstanding. Diluted shares outstanding for the three months ended March 31, 2018 are 53,512

# Reconciliation Schedules Cont'd

## Adjusted EBITDA

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| GAAP Net Income (Loss) | $ 37,212 | $ 65,505 | $ 72,615 | $ 78,260 | $ 99,907 | $ 69,395 | $ 339,570 |
| Interest Expense, net | 41,320 | 84,407 | 68,582 | 81,234 | 85,160 | 93,343 | 105,879 |
| Provision (benefit) for income taxes | 23,945 | 40,529 | 29,133 | 49,198 | 57,278 | 41,455 | (232,484) |
| Depreciation and amortization | 10,734 | 13,235 | 13,486 | 17,740 | 23,676 | 25,792 | 33,426 |
| **Non-GAAP EBITDA** | **113,211** | **203,676** | **183,816** | **226,432** | **266,021** | **229,985** | **246,391** |
| | | | | | | | |
| Sales costs related to acquisitions | - | 411 | - | - | - | - | - |
| Inventory step up | 1,795 | 23 | 577 | 2,225 | 1,387 | 1,664 | - |
| Inventory related acquisition costs | - | 220 | 407 | - | - | - | - |
| Add'l supplier costs | - | 5,426 | - | - | - | - | - |
| Costs associated with CEO transition | - | - | - | - | 1,406 | | |
| Integration, transition, and other Acquisition/Divestiture costs | 17,395 | 5,909 | 1,111 | 21,507 | 2,401 | 19,624 | 5,528 |
| Stamp Duty | - | - | - | 2,940 | - | - | - |
| Unsolicited proposal costs | 1,737 | 534 | - | - | - | - | - |
| Loss on extinguishment of debt | 5,409 | 1,443 | 18,286 | - | 17,970 | 1,420 | 2,901 |
| Tradename impairment | - | - | - | - | - | - | 99,924 |
| Gain on settlement | (5,063) | - | - | - | - | - | - |
| (Gain) Loss on divestitures | - | - | - | (1,133) | - | 51,820 | - |
| Tax adjustment associated with acquisitions | - | - | - | - | - | - | 704 |
| **Adjustments to EBITDA** | **21,273** | **13,966** | **20,381** | **25,539** | **23,164** | **74,528** | **109,057** |
| **Non-GAAP Adjusted EBITDA** | **$134,484** | **$ 217,642** | **$204,197** | **$ 251,971** | **$ 289,185** | **$304,513** | **$ 355,448** |

Dollar values in thousands.