Prestige Brands Holdings, Inc.
Form 10-Q
August 06, 2015
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2015
OR

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

For the transition period from ____ to _____
Commission File Number: 001-32433

PRESTIGE BRANDS HOLDINGS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	20-1297589
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

660 White Plains Road
Tarrytown, New York 10591
(Address of principal executive offices) (Zip Code)

(914) 524-6800
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer x		Accelerated filer o
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 o No x

As of July 31, 2015, there were 52,726,418 shares of common stock outstanding.

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Trademarks and Trade Names
Trademarks and trade names used in this Quarterly Report on Form 10-Q are the property of Prestige Brands Holdings, Inc. or its subsidiaries, as the case may be. We have italicized our trademarks or trade names when they appear in this Quarterly Report on Form 10-Q.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended June 30,	
(In thousands, except per share data)	2015	2014
Revenues		
Net sales	$191,287	$144,541
Other revenues	845	1,161
Total revenues	192,132	145,702
Cost of Sales		
Cost of sales (exclusive of depreciation shown below)	79,896	63,836
Gross profit	112,236	81,866
Operating Expenses		
Advertising and promotion	26,422	19,096
General and administrative	17,589	17,006
Depreciation and amortization	5,720	2,961
Total operating expenses	49,731	39,063
Operating income	62,505	42,803
Other (income) expense		
Interest income	(27)	(32)
Interest expense	21,911	14,685
Loss on extinguishment of debt	451	—
Total other expense	22,335	14,653
Income before income taxes	40,170	28,150
Provision for income taxes	13,997	11,418
Net income	$26,173	$16,732
Earnings per share:		
Basic	$0.50	$0.32
Diluted	$0.49	$0.32
Weighted average shares outstanding:		
Basic	52,548	51,956
Diluted	52,958	52,533
Comprehensive income, net of tax:		
Currency translation adjustments	(405)	2,726
Total other comprehensive income (loss)	(405)	2,726
Comprehensive income	$25,768	$19,458

See accompanying notes.

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

(In thousands)	June 30, 2015	March 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$21,598	$21,318
Accounts receivable, net	85,576	87,858
Inventories	74,077	74,000
Deferred income tax assets	7,918	8,097
Prepaid expenses and other current assets	11,890	10,434
Total current assets	201,059	201,707
Property and equipment, net	13,154	13,744
Goodwill	290,867	290,651
Intangible assets, net	2,129,860	2,134,700
Other long-term assets	1,562	1,165
Total Assets	$2,636,502	$2,641,967
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	$8,525	$—
Accounts payable	47,170	46,115
Accrued interest payable	9,359	11,974
Other accrued liabilities	36,738	40,948
Total current liabilities	101,792	99,037
Long-term debt		
Principal amount	1,540,075	1,593,600
Less unamortized debt costs	(33,534)	(32,327)
Long-term debt, net	1,506,541	1,561,273
Deferred income tax liabilities	362,928	351,569
Other long-term liabilities	2,517	2,464
Total Liabilities	1,973,778	2,014,343
Commitments and Contingencies — Note 16		
Stockholders' Equity		
Preferred stock - $0.01 par value		
Authorized - 5,000 shares		
Issued and outstanding - None	—	—
Common stock - $0.01 par value		
Authorized - 250,000 shares		
Issued - 53,032 shares at June 30, 2015 and 52,562 shares at March 31, 2015	530	525
Additional paid-in capital	437,554	426,584
Treasury stock, at cost - 306 shares at June 30, 2015 and 266 shares at March 31, 2015	(5,121)	(3,478)

Accumulated other comprehensive loss, net of tax	(23,817)	(23,412)
Retained earnings	253,578	227,405
Total Stockholders' Equity	662,724	627,624
Total Liabilities and Stockholders' Equity	$2,636,502	$2,641,967

See accompanying notes.

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

	Three Months Ended June 30,	
(In thousands)	2015	2014
Operating Activities		
Net income	$26,173	$16,732
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,720	2,961
Gain on sale of asset	(36)	—
Deferred income taxes	11,536	7,140
Amortization of debt origination costs	2,138	995
Stock-based compensation costs	3,047	1,858
Loss on extinguishment of debt	451	—
Changes in operating assets and liabilities, net of effects from acquisitions		
Accounts receivable	2,578	6,956
Inventories	(211)	1,540
Prepaid expenses and other current assets	(1,522)	(2,203)
Accounts payable	783	(3,096)
Accrued liabilities	(7,136)	(3,212)
Net cash provided by operating activities	43,521	29,671
Investing Activities		
Purchases of property and equipment	(780)	(496)
Proceeds from the sale of property and equipment	344	—
Acquisition of the Hydralyte brand	—	(77,991)
Net cash used in investing activities	(436)	(78,487)
Financing Activities		
Term loan repayments	(25,000)	—
Borrowings under revolving credit agreement	15,000	65,000
Repayments under revolving credit agreement	(35,000)	(30,000)
Payments of debt origination costs	(4,172)	(74)
Proceeds from exercise of stock options	6,328	1,294
Proceeds from restricted stock exercises	544	57
Excess tax benefits from share-based awards	1,600	950
Fair value of shares surrendered as payment of tax withholding	(2,187)	(1,171)
Net cash (used in) provided by financing activities	(42,887)	36,056
Effects of exchange rate changes on cash and cash equivalents	82	104
Increase (decrease) in cash and cash equivalents	280	(12,656)
Cash and cash equivalents - beginning of period	21,318	28,331
Cash and cash equivalents - end of period	$21,598	$15,675
Interest paid	$22,444	$13,867
Income taxes paid	$1,914	$707

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 100% 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 club, convenience, and dollar stores in North America (the United States and Canada), and in Australia and certain other international markets. Prestige Brands Holdings, Inc. is a holding company with no operations and is also the parent guarantor of the senior credit facility and the senior notes described in Note 9 to these 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 statement of our consolidated financial position, results of operations and cash flows for the interim periods presented. Our fiscal year ends on March 31st of each year. References in these Consolidated Financial Statements or related notes to a year (e.g., "2016") mean our fiscal year ending or ended on March 31st of that year. Operating results for the three months ended June 30, 2015 are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2016. These unaudited Consolidated Financial Statements and related notes should be read in conjunction with our audited Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015.

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 materially from those estimates. As discussed below, our most significant estimates include those made in connection with the valuation of intangible assets, stock-based compensation, fair value of debt, sales returns and allowances, trade promotional allowances, inventory obsolescence, and the recognition of income taxes using an estimated annual effective tax rate.

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. The Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") insure these balances up to $250,000 and $500,000, with a $250,000 limit for cash, respectively. Substantially all of the Company's cash balances at June 30, 2015 are uninsured.

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 and software	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 product group 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, typically ranging from 10 to 30 years.

Indefinite-lived intangible assets are 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. 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.

Debt Origination Costs
We have incurred debt origination costs in connection with the issuance of long-term debt. Certain of these costs were recorded as a long-term asset as deferred financing costs and others were recorded as a reduction to our long-term debt. These costs are amortized over the term of the related debt, using the effective interest method for our term loan facility and the straight-line method for our revolving credit facility. During the current period, in accordance with new accounting standards discussed below, we began reporting the costs related to our senior notes and the term loan facility as a reduction of debt. We continue to report the costs associated with our revolving credit facility as a long-term asset.

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 the 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. We recognize the cost of such sales incentives by recording an estimate of such cost as a reduction of revenue, at the later of (a) the date the related revenue is recognized, or (b) the date when a particular sales incentive is offered. 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 $8.7 million for the three months ended June 30, 2015 and $7.7 million for the three months ended June 30, 2014.

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 a grantee 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”) 740 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. 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. As a result, we have applied such guidance in determining our uncertainties.

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.

Recently Issued Accounting Standards

In July 2015, the FASB issued Accounting Standards Update ("ASU") 2015-11, Simplifying the Measurement of Inventory. The amendments in this update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards, under which an entity should measure in scope inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We are evaluating the impact of adopting this prospective guidance on our Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. As permitted by the guidance, we have early adopted these provisions, as of the beginning of our first quarter of 2016. As a result, we reclassified $27.4 million of deferred financing costs as of March 31, 2015 from other long-term assets, which are currently presented as a direct deduction from the long-term debt liability.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis. Update 2015-02 amended the process that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The adoption of ASU 2015-02 is not expected to have a material impact on our Consolidated Financial Statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items. The amendments in this update eliminate the concept of extraordinary items in Subtopic 225-20, which required entities to consider whether an underlying event or transaction is extraordinary. However, the amendments retain the presentation and disclosure guidance for items that are unusual in nature or occur infrequently. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The adoption of ASU 2015-01 is not expected to have a material impact on our Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. This amendment states that in connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). The amendments in this update are effective for the annual reporting period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of ASU 2014-15 is not expected to have a material impact on our Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could Be Achieved after the Requisite Service Period, which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the new guidance does not allow for a performance target that affects vesting to be reflected in estimating the fair value of the award at the grant date. The amendments to this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in this update either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We currently do not have any outstanding share-based payments with a performance target. The adoption of ASU 2014-12 is not expected to have a material impact on our Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers - Topic 606, which supersedes the revenue recognition requirements in FASB ASC 605. The new guidance primarily states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In July 2015, the FASB approved a deferral of the ASU effective date from annual and interim periods beginning after December 15, 2016 to annual and interim periods beginning after December 15, 2017. We are evaluating the impact of adopting this

prospective guidance on our Consolidated Financial Statements.

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The amendments in this update must be applied prospectively to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of ASU 2014-08 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 Insight Pharmaceuticals
On September 3, 2014, the Company completed the acquisition of Insight Pharmaceuticals Corporation ("Insight"), a marketer and distributor of feminine care and other OTC healthcare products, for $753.2 million in cash. The closing followed the Federal Trade Commission’s (“FTC”) approval of the acquisition and was finalized pursuant to the terms of the purchase agreement announced on April 25, 2014. Pursuant to the Insight purchase agreement, the Company acquired 27 OTC brands sold in North America (including related trademarks, contracts and inventory), which extended the Company's portfolio of OTC brands to include a leading feminine care platform in the United States and Canada anchored by Monistat, the leading brand in OTC yeast infection treatment. The acquisition also added brands to the Company's cough & cold, pain relief, ear care and dermatological platforms. In connection with the FTC's approval of the Insight acquisition, we sold one of the competing brands that we acquired from Insight on the same day as the Insight closing. Insight is primarily included in our North American OTC Healthcare segment.

The Insight acquisition was accounted for in accordance with the Business Combinations topic of the FASB ASC 805, 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.

We prepared an analysis of the fair values of the assets acquired and liabilities assumed as of the date of acquisition. During the quarter ended June 30, 2015, we adjusted the fair values of the assets acquired and liabilities assumed for certain immaterial items that came to our attention subsequent to the date of acquisition. The following table summarizes our allocation of the assets acquired and liabilities assumed as of the September 3, 2014 acquisition date.

(In thousands)	September 3, 2014
Cash acquired	$ 3,507
Accounts receivable	26,012
Inventories	23,456
Deferred income tax assets - current	1,032
Prepaids and other current assets	1,341
Property, plant and equipment	2,308
Goodwill	103,560
Intangible assets	724,374
Total assets acquired	885,590
Accounts payable	16,079
Accrued expenses	8,539
Deferred income tax liabilities - long term	107,799
Total liabilities assumed	132,417
Total purchase price	$ 753,173

Based on this analysis, we allocated $599.6 million to indefinite-lived intangible assets and $124.8 million to amortizable intangible assets. We are amortizing the purchased amortizable intangible assets on a straight-line basis over an estimated weighted average useful life of 16.2 years. The weighted average remaining life for amortizable

intangible assets at June 30, 2015 was 15.3 years.

We also recorded goodwill of $103.6 million based on the amount by which the purchase price exceeded the fair value of the net assets acquired. Goodwill is not deductible for income tax purposes.

The operating results of Insight have been included in our Consolidated Financial Statements beginning September 3, 2014. On September 3, 2014, we sold one of the brands we acquired from the Insight acquisition for $18.5 million, for which we had allocated $17.7 million, $0.6 million and $0.2 million to intangible assets, inventory and property, plant and equipment, respectively.

Acquisition of the Hydralyte brand
On April 30, 2014, we completed the acquisition of the Hydralyte brand in Australia and New Zealand from The Hydration Pharmaceuticals Trust of Victoria, Australia, which was funded through a combination of cash on hand and our existing senior secured credit facility.

Hydralyte is the leading OTC brand in oral rehydration in Australia and is marketed and sold through our Care Pharmaceuticals Pty Ltd. subsidiary ("Care Pharma"). Hydralyte is available in pharmacies in multiple forms and is indicated for oral rehydration following diarrhea, vomiting, fever, heat and other ailments. Hydralyte is included in our International OTC Healthcare segment.

The Hydralyte acquisition was accounted for in accordance with the Business Combinations topic of the FASB ASC 805, 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.

We prepared an analysis of the fair values of the assets acquired and liabilities assumed as of the date of acquisition. The following table summarizes our allocation of the assets acquired and liabilities assumed as of the April 30, 2014 acquisition date.

(In thousands)	April 30, 2014
Inventories	$ 1,970
Property, plant and equipment, net	1,267
Goodwill	1,224
Intangible assets, net	73,580
Total assets acquired	78,041
Accrued expenses	38
Other long term liabilities	12
Total liabilities assumed	50
Net assets acquired	$ 77,991

Based on this analysis, we allocated $73.6 million to non-amortizable intangible assets and no allocation was made to amortizable intangible assets.

We also recorded goodwill of $1.2 million based on the amount by which the purchase price exceeded the fair value of the net assets acquired. Goodwill is not deductible for income tax purposes.

The pro forma effect of this acquisition on revenues and earnings was not material.

3. Accounts Receivable

Accounts receivable consist of the following:

(In thousands)	June 30, 2015	March 31, 2015
Components of Accounts Receivable		
Trade accounts receivable	$ 93,064	$ 95,411
Other receivables	1,956	2,353
	95,020	97,764

Less allowances for discounts, returns and uncollectible accounts	(9,444)	(9,906)
Accounts receivable, net	$85,576	$87,858

4. Inventories

Inventories consist of the following:

(In thousands)	June 30, 2015	March 31, 2015
Components of Inventories		
Packaging and raw materials	$7,748	$7,588
Finished goods	66,329	66,412
Inventories	$74,077	$74,000

Inventories are carried and depicted above at the lower of cost or market, which includes a reduction in inventory values of $3.8 million and $4.1 million at June 30, 2015 and March 31, 2015, respectively, related to obsolete and slow-moving inventory.

5. Property and Equipment

Property and equipment consist of the following:

(In thousands)	June 30, 2015	March 31, 2015
Components of Property and Equipment		
Machinery	$3,943	$4,743
Computer equipment	12,509	11,339
Furniture and fixtures	2,371	2,484
Leasehold improvements	7,296	7,134
	26,119	25,700
Accumulated depreciation	(12,965)	(11,956)
Property and equipment, net	$13,154	$13,744

We recorded depreciation expense of $1.3 million and $0.7 million for the three months ended June 30, 2015 and 2014, respectively.

6. Goodwill

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

(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Balance — March 31, 2015	$263,411	$20,440	$6,800	$290,651
Adjustments	305	—	—	305
Effects of foreign currency exchange rates	—	(89)	—	(89)
Balance — June 30, 2015	$263,716	$20,351	$6,800	$290,867

As discussed in Note 2, we completed two acquisitions during the year ended March 31, 2015. On September 3, 2014, we completed the acquisition of Insight and recorded goodwill of $103.6 million reflecting the amount by which the purchase price exceeded the preliminary estimate of fair value of net assets acquired. During the quarter ended June 30, 2015, we adjusted the fair values of the assets acquired and liabilities assumed by $0.3 million for certain immaterial items that came to our attention subsequent to the date of acquisition. Additionally, on April 30, 2014, we completed the acquisition of the Hydralyte brand and recorded goodwill of $1.2 million, reflecting the amount by

which the purchase price exceeded the preliminary estimate of fair value of the net assets acquired.

Under accounting guidelines, goodwill is not amortized, but must be tested for impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below the carrying amount.

On an annual basis, during the fourth quarter of each fiscal year, or more frequently if conditions indicate that the carrying value of the asset may not be recoverable, management performs a review of the values assigned to goodwill and tests for impairment.

At February 28, 2015, during our annual test for goodwill impairment, there were no indicators of impairment under the analysis. Accordingly, no impairment charge was recorded in fiscal 2015. As of June 30, 2015, there have been no triggering events that would indicate potential impairment of goodwill.

7. Intangible Assets

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

(In thousands)	Indefinite Lived Trademarks	Finite Lived Trademarks	Totals
Gross Carrying Amounts			
Balance — March 31, 2015	$1,873,404	$358,066	$2,231,470
Effects of foreign currency exchange rates	(375)	(6)	(381)
Balance — June 30, 2015	1,873,029	358,060	2,231,089
Accumulated Amortization			
Balance — March 31, 2015	—	96,770	96,770
Additions	—	4,460	4,460
Effects of foreign currency exchange rates	—	(1)	(1)
Balance — June 30, 2015	—	101,229	101,229
Intangible assets, net - June 30, 2015	$1,873,029	$256,831	$2,129,860
Intangible Assets, net by Reportable Segment:			
North American OTC Healthcare	$1,676,991	$231,251	$1,908,242
International OTC Healthcare	85,766	1,594	87,360
Household Cleaning	110,272	23,986	134,258
Intangible assets, net - June 30, 2015	$1,873,029	$256,831	$2,129,860

As discussed in Note 2, we completed two acquisitions during the year ended March 31, 2015. On September 3, 2014, we completed the acquisition of Insight and allocated $724.4 million to intangible assets based on our preliminary analysis. Additionally, on April 30, 2014, we completed the acquisition of the Hydralyte brand and allocated $73.6 million to intangible assets based on our preliminary analysis. Furthermore, on September 3, 2014 we sold one of the brands that we acquired from Insight, for which we had allocated $17.7 million to the intangible assets.

Under accounting guidelines, indefinite-lived assets are not amortized, but must be tested for impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below the carrying amount. Additionally, at each reporting period, an evaluation must be made to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with finite lives are amortized over their respective estimated useful lives and are also tested for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable and exceeds its fair value.

On an annual basis during the fourth fiscal quarter, or more frequently if conditions indicate that the carrying value of the asset may not be recovered, management performs a review of both the values and, if applicable, useful lives assigned to intangible assets and tests for impairment.

We utilize the discounted cash flow method to estimate the fair value of our reporting units as part of the goodwill impairment test and the excess earnings method to estimate the fair value of our individual indefinite-lived intangible assets. We also considered our market capitalization at February 28, 2015, which is the date of our review, as compared to the aggregate fair values of our reporting units, to assess the reasonableness of our estimates pursuant to the discounted cash flow methodology. The estimates and assumptions made in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Consequently, changing rates of interest and inflation, declining sales or margins,

increases in competition, changing consumer preferences, technical advances, or reductions in advertising and promotion may require an impairment charge to be recorded in the future.

As a result of recent declines in revenues in Pediacare and in certain other brands, we continue to monitor whether events or conditions would indicate that the fair value of the intangible asset no longer exceeds the carrying value. Although we continue to believe that the fair values of our brands exceed their carrying values, sustained or significant future declines in revenue, profitability, other adverse changes in expected operating results, and/or unfavorable changes in other economic factors used to estimate fair value of certain brands could indicate that fair value no longer exceeds carrying value, in which case a non-cash impairment charge may be recorded in future periods.

The weighted average remaining life for finite-lived intangible assets at June 30, 2015 was approximately 14.4 years, and the amortization expense for the three months ended June 30, 2015 was $4.5 million. At June 30, 2015, finite-lived intangible assets are being amortized over a period of 10 to 30 years, and the associated amortization expense is expected to be as follows:

(In thousands) Year Ending March 31,	Amount
2016 (Remaining nine months ending March 31, 2016)	$13,401
2017	17,868
2018	17,868
2019	17,868
2020	17,868
Thereafter	171,958
	$256,831

8. Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In thousands)	June 30, 2015	March 31, 2015
Accrued marketing costs	$20,817	$16,903
Accrued compensation costs	3,405	8,840
Accrued broker commissions	741	1,134
Income taxes payable	2,187	2,642
Accrued professional fees	1,958	2,769
Deferred rent	985	1,021
Accrued production costs	4,137	5,610
Accrued lease termination costs	767	669
Other accrued liabilities	1,741	1,360
	$36,738	$40,948

9. Long-Term Debt

2012 Senior Notes:
On January 31, 2012, Prestige Brands, Inc. (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, 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 or to make payments to the Borrower or the Company. 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.

2012 Term Loan and 2012 ABL Revolver:
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 7-year maturity and (ii) a $50.0 million asset-based revolving credit facility (the “2012 ABL Revolver”) with a 5-year maturity. In subsequent years, we have utilized portions of our accordion feature to increase the amount of our borrowing capacity under the 2012 ABL Revolver by $85.0 million to $135.0 million and reduced our borrowing rate on the 2012 ABL Revolver by 0.25%. 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 Borrower 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 certain of 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 or to make payments to the Borrower or the Company.

On February 21, 2013, the Borrower entered into Amendment No. 1 (the "Term Loan Amendment No. 1") to the 2012 Term Loan. Term Loan Amendment No. 1 provided for the refinancing of all of the Borrower's existing Term B Loans with new Term B-1 Loans (the "Term B-1 Loans"). The interest rate on the Term B-1 Loans under the Term Loan Amendment No. 1 was based, at the Borrower's option, on a LIBOR rate plus a margin of 2.75% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin. The new Term B-1 Loans mature on the same date as the Term B Loans' original maturity date. In addition, Term Loan Amendment No. 1 provided the Borrower with certain additional capacity to prepay subordinated debt, the 2012 Senior Notes and certain other unsecured indebtedness permitted to be incurred under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver. In connection with Term Loan Amendment No. 1, during the fourth quarter ended March 31, 2013, we recognized a $1.4 million loss on the extinguishment of debt.
On September 3, 2014, the Borrower entered into Amendment No. 2 ("Term Loan Amendment No. 2") to the 2012 Term Loan. Term Loan Amendment No. 2 provided for (i) the creation of a new class of Term B-2 Loans under the 2012 Term Loan (the "Term B-2 Loans") in an aggregate principal amount of $720.0 million, (ii) increased flexibility under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver, including additional investment, restricted payment and debt incurrence flexibility and financial maintenance covenant relief, and (iii) an interest rate on (x) the Term B-1 Loans that was based, at the Borrower’s option, on a LIBOR rate plus a margin of 3.125% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin, and (y) the Term B-2 Loans that was based, at the Borrower’s option, on a LIBOR rate plus a margin of 3.50% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin (with a margin step-down to 3.25% per annum, based upon achievement of a specified secured net leverage ratio).
On May 8, 2015, the Borrower entered into Amendment No. 3 (the "Term Loan Amendment No. 3") to the 2012 Term Loan. Term Loan Amendment No. 3 provides for (i) the creation of a new class of Term B-3 Loans under the 2012 Term Loan (the "Term B-3 Loans") in an aggregate principal amount of $852.5 million, which combined the current outstanding balances of the Term B-1 Loans of $207.5 million and the Term B-2 Loans of $645.0 million, (ii) increased flexibility under the credit agreement governing the 2012 Term Loan, including additional investment, restricted payment, and debt incurrence flexibility and financial maintenance covenant relief, and (iii) an interest rate on the Term B-3 Loans that is based, at the Borrower’s option, on a LIBOR rate plus a margin of 2.75% per annum, with a LIBOR floor of 0.75%, or an alternate base rate, with a floor of 1.75%, plus a margin. The maturity date of the Term B-3 Loans remains the same as the Term B-2 Loans' original maturity date of September 3, 2021.
The 2012 Term Loan, as amended, bears interest at a rate per annum equal to an applicable margin plus, at the Borrower's 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 2.00% 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, with a floor of 1.00%. For the three months

ended June 30, 2015, the average interest rate on the 2012 Term Loan was 4.8%.
Under the 2012 Term Loan, we were originally required to make quarterly payments each equal to 0.25% of the original principal amount of the 2012 Term Loan, with the balance expected to be due on the seventh anniversary of the closing date. However, since we entered into Term Loan Amendment No. 3, we are required to make quarterly payments each equal to 0.25% of the aggregate principal amount of $852.5 million.

On September 3, 2014, the Borrower entered into Amendment No. 3 (“ABL Amendment No. 3”) to the 2012 ABL Revolver. ABL Amendment No. 3 provided for (i) a $40.0 million increase in revolving commitments under the 2012 ABL Revolver and (ii) increased flexibility under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver, including additional investment, restricted payment and debt incurrence flexibility. Borrowings under the 2012 ABL Revolver, as amended, bear interest at a rate per annum equal to an applicable margin, plus, at the Borrower's 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., or (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 by an amount set forth in the credit agreement covering the 2012 ABL Revolver.

On June 9, 2015, the Borrower entered into Amendment No. 4 (“ABL Amendment No. 4”) to the 2012 ABL Revolver. ABL Amendment No. 4 provides for (i) a $35.0 million increase in the accordion feature under the 2012 ABL Revolver and (ii) increased flexibility under the credit agreement governing the 2012 ABL Revolver, including additional investment, restricted payment, and debt incurrence flexibility and financial maintenance covenant relief and (iii) extended the maturity date to June 9, 2020, which is five years from the effective date. We may voluntarily repay outstanding loans under the 2012 ABL Revolver at any time without a premium or penalty. For the three months ended June 30, 2015, the average interest rate on the amounts borrowed under the 2012 ABL Revolver was 2.3%.

2013 Senior Notes:

On December 17, 2013, the Borrower issued $400.0 million of senior unsecured notes, with an interest rate of 5.375% and a maturity date of December 15, 2021 (the "2013 Senior Notes"). The Borrower may redeem some or all of the 2013 Senior Notes at redemption prices set forth in the indenture governing the 2013 Senior Notes. The 2013 Senior Notes are guaranteed by Prestige Brands Holdings, Inc. and certain of its 100% domestic 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 or to make payments to the Borrower or the Company. In connection with the 2013 Senior Notes offering, we incurred $7.2 million of costs, which were capitalized as deferred financing costs and are being amortized over the term of the 2013 Senior Notes.

Redemptions and Restrictions:

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 could have redeemed 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 thereof, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of certain equity offerings, provided that certain conditions were met. Subject to certain limitations, in the event of a change of control, as defined in the indenture governing the 2012 Senior Notes, the Borrower 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.

At any time prior to December 15, 2016, we may redeem the 2013 Senior Notes in whole or in part at a redemption price equal to 100% of the principal amount of notes redeemed, plus an applicable "make-whole premium" calculated as set forth in the indenture governing the 2013 Senior Notes, together with accrued and unpaid interest, if any, to the date of redemption. On or after December 15, 2016, we may redeem some or all of the 2013 Senior Notes at redemption prices set forth in the indenture governing the 2013 Senior Notes. In addition, at any time prior to

December 15, 2016, we may redeem up to 35% of the aggregate principal amount of the 2013 Senior Notes at a redemption price equal to 105.375% of the principal amount thereof, 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 2013 Senior Notes, the Borrower will be required to make an offer to purchase the 2013 Senior Notes at a price equal to 101% of the aggregate principal amount of the 2013 Senior Notes repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The indentures governing the 2012 Senior Notes and the 2013 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 2012 Term Loan and the 2012 ABL Revolver and the indentures governing the 2012 Senior Notes and the 2013 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 governing the 2012 Term Loan and the 2012 ABL Revolver and the indentures governing the 2012 Senior Notes and the 2013 Senior Notes. At June 30, 2015, we were in compliance with the covenants under our long-term indebtedness.

Effective April 1, 2015, the Company elected to change its method of presentation relating to debt issuance costs in accordance with ASU 2015-03. Prior to 2016, the Company's policy was to present these costs in other-long term assets on the balance sheet, net of accumulated amortization. Beginning in 2016, the Company has presented these fees as a direct deduction to the related long-term debt. As a result, we reclassified $27.4 million of deferred financing costs as of March 31, 2015 from other long-term assets, which are currently presented as a direct deduction from the long-term debt liability.

At June 30, 2015, we had an aggregate $33.5 million of unamortized debt costs, the total of which is comprised of $8.3 million related to the 2012 Senior Notes, $6.0 million related to the 2013 Senior Notes and $19.2 million related to the 2012 Term Loan.

During the three months ended June 30, 2015, we had $46.1 million outstanding on the 2012 ABL Revolver and a borrowing capacity of $63.0 million.

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

(In thousands, except percentages)	June 30, 2015	March 31, 2015
2013 Senior Notes bearing interest at 5.375%, with interest payable on June 15 and December 15 of each year. The 2013 Senior Notes mature on December 15, 2021.	$400,000	$400,000
2012 Senior Notes bearing interest at 8.125%, with interest 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 B-3 Loans bearing interest at the Borrower's option at either a base rate with a floor of 1.75% plus applicable margin or LIBOR with a floor of 0.75% plus applicable margin, due on September 3, 2021.	852,500	877,500
2012 ABL Revolver bearing interest at the Borrower's option at either a base rate plus applicable margin or LIBOR plus applicable margin. Any unpaid balance is due on June 9, 2020.	46,100	66,100
Total long-term debt (including current portion)	1,548,600	1,593,600
Current portion of long-term debt	8,525	—
Long-term debt	1,540,075	1,593,600
Less: unamortized debt costs	(33,534)	(32,327)
Long-term debt, net	$1,506,541	$1,561,273

As of June 30, 2015, aggregate future principal payments required in accordance with the terms of the 2012 Term Loan, 2012 ABL Revolver and the indentures governing the 2013 Senior Notes and the 2012 Senior Notes are as follows:

(In thousands)

Year Ending March 31,	Amount
2016 (remaining nine months ending March 31, 2016)	$6,394
2017	8,525
2018	8,525
2019	8,525
2020	258,525

Thereafter	1,258,106
	$1,548,600

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 820 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 (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 Term B-3 Loans, the 2013 Senior Notes, the 2012 Senior Notes, and the 2012 ABL Revolver are measured in Level 2 of the above hierarchy. At June 30, 2015 and March 31, 2015, we did not have any assets or liabilities measured in Level 1 or 3. During the periods presented, there were no transfers of assets or liabilities between Levels 1, 2 and 3.

At June 30, 2015 and March 31, 2015, the carrying value of our 2013 Senior Notes was $400.0 million. The fair value of our 2013 Senior Notes was $398.5 million and $405.0 million at June 30, 2015 and March 31, 2015, respectively.

At June 30, 2015 and March 31, 2015, the carrying value of our 2012 Senior Notes was $250.0 million. The fair value of our 2012 Senior Notes was $266.9 million and $268.1 million at June 30, 2015 and March 31, 2015, respectively.

At June 30, 2015 and March 31, 2015, the carrying value of the Term B-3 Loans was $852.5 million and $877.5 million, respectively. The fair value of the Term B-3 Loans was $851.4 million and $880.5 million at June 30, 2015 and March 31, 2015, respectively.

At June 30, 2015 and March 31, 2015, the carrying value of the 2012 ABL Revolver was $46.1 million and $66.1 million, respectively. The fair value of the 2012 ABL revolver was $45.9 million and $65.7 million at June 30, 2015 and March 31, 2015, 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 outstanding stock having priority rights as to dividends. No dividends have been declared or paid on the Company's common stock through June 30, 2015.

During the three months ended June 30, 2015 and 2014, we repurchased 39,429 shares and 33,740 shares, respectively, of restricted common stock from our employees pursuant to the provisions of various employee restricted stock awards. The repurchases for the three months ended June 30, 2015 and 2014 were at an average price of $41.66 and $33.03, respectively. All of the repurchased shares have been recorded as treasury stock.

12. Accumulated Other Comprehensive Loss

The table below presents accumulated other comprehensive loss (“AOCI”), which affects 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 June 30, 2015 and March 31, 2015:

(In thousands)	June 30, 2015	March 31, 2015
Components of Accumulated Other Comprehensive Loss		
Cumulative translation adjustment	$(23,817)	$(23,412)
Accumulated other comprehensive loss, net of tax	$(23,817)	$(23,412)

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:

	Three Months Ended June 30,	
(In thousands, except per share data)	2015	2014
Numerator		
Net income	$26,173	$16,732
Denominator		
Denominator for basic earnings per share — weighted average shares outstanding	52,548	51,956
Dilutive effect of unvested restricted common stock (including restricted stock units) and options issued to employees and directors	410	577
Denominator for diluted earnings per share	52,958	52,533
Earnings per Common Share:		
Basic net earnings per share	$0.50	$0.32
Diluted net earnings per share	$0.49	$0.32

For the three months ended June 30, 2015 and 2014, there were 0.2 million and 0.3 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 grants up to a maximum of 5.0 million shares of restricted stock, stock options, restricted stock units and other equity-based awards. In June 2014, the Board of Directors approved, and in July 2014, the stockholders ratified, an increase of an additional 1.8 million shares of our common stock, for issuance under the Plan and increased the maximum number of shares subject to stock options that may be awarded to any one participant under the Plan during any 12-month period from 1.0 million to 2.5 million shares and extended the term of the Plan by ten years, to February 2025. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing services for the Company, are eligible for grants under the Plan.

During the three months ended June 30, 2015 and 2014, pre-tax share-based compensation costs charged against income were $3.0 million and $1.9 million, respectively, and the related income tax benefit recognized was $1.1 million and $0.7 million, respectively.

On April 22, 2015, we announced that Matthew M. Mannelly, our President and Chief Executive Officer and member of the Board of Directors, would retire effective June 1, 2015. In conjunction with his retirement, the Board of Directors accelerated the vesting of his previously unvested restricted stock units and stock options, and we recorded additional compensation expense of approximately $0.8 million associated with this acceleration. Following his retirement, and effective June 1, 2015, the Board of Directors appointed Ron Lombardi, our then current Chief Financial Officer, to succeed Mr. Mannelly as President and Chief Executive Officer and as a member of the Board of

Directors. In connection with his appointment, Mr. Lombardi was granted 57,924 restricted stock units on April 22, 2015.

On May 11, 2015, the Compensation Committee of our Board of Directors granted 185,904 restricted stock units and stock options to acquire 186,302 shares of our common stock to certain executive officers and employees under the Plan. Of those grants, 163,404 restricted stock units vest in their entirety on the three-year anniversary of the date of grant and 22,500 restricted stock

units vest 33.3% per year over three years. Upon vesting, the units will be settled in shares of our common stock. 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. These stock options were granted at an exercise price of $41.44 per share, which is equal to the closing price of our common stock on the date of grant.

Restricted Shares

Restricted shares granted to employees under the Plan generally vest in three to five years, primarily upon the attainment of certain time vesting thresholds, and may also be contingent on the attainment of certain performance goals of the Company, including revenue and earnings before income taxes, depreciation and amortization targets. The restricted share awards provide for accelerated vesting if there is a change of control, as defined in the Plan. The restricted stock units granted to employees generally vest in their entirety on the three-year anniversary of the date of the grant. Termination of employment prior to vesting will result in forfeiture of the restricted stock units, unless otherwise accelerated by the Compensation Committee of the Board of Directors. The restricted 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. Upon vesting, the units will be settled in shares of our common stock.

The fair value of the restricted stock units is determined using the closing price of our common stock on the date of the grant. The weighted-average grant-date fair value during the three months ended June 30, 2015 and 2014 was $41.85 and $33.50, 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
Three months ended June 30, 2014		
Vested and nonvested at March 31, 2014	437.5	$16.76
Granted	96.6	33.50
Vested and issued	(93.7)	15.12
Forfeited	(14.4)	20.78
Vested and nonvested at June 30, 2014	426.0	20.78
Vested at June 30, 2014	69.6	9.34
Three months ended June 30, 2015		
Vested and nonvested at March 31, 2015	362.3	$22.74
Granted	243.8	41.85
Vested and issued	(138.9)	19.35
Forfeited	(1.4)	33.50
Vested and nonvested at June 30, 2015	465.8	33.72
Vested at June 30, 2015	76.6	11.62

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 ten years from the date of grant and vest in accordance with a schedule determined at the time the option is granted, generally three to five years. The option awards provide for accelerated vesting in the event of a change in control, as

defined in the Plan. Termination of employment prior to vesting will result in forfeiture of the unvested stock options. Vested stock options will remain exercisable by the employee after termination, subject to the terms of in the Plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Pricing Model that uses the assumptions noted in the table below. Expected volatilities are based on the historical volatility of our common stock and other factors, including the historical volatilities of comparable companies. We use appropriate historical data, as well as current data, to estimate option exercise and employee termination behaviors. Employees that are expected to exhibit similar exercise or termination behaviors are grouped together for the purposes of valuation. The expected terms of the options granted are derived from our historical experience, management's estimates, and consideration of information derived from the public filings of

companies similar to us, and represent the period of time that options granted are expected to be outstanding. The risk-free rate represents the yield on U.S. Treasury bonds with a maturity equal to the expected term of the granted options.

The weighted-average grant-date fair values of the options granted during the three months ended June 30, 2015 and 2014 was $16.95 and $15.93, respectively.

	Three Months Ended June 30,			
	2015		2014	
Expected volatility	40.2	%	47.3	%
Expected dividends	$—		$—	
Expected term in years	6.0		6.0	
Risk-free rate	1.7	%	2.2	%

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

Options	Shares (in thousands)		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Three months ended June 30, 2014:					
Outstanding at March 31, 2014	994.9		$15.24		
Granted	307.5		33.50		
Exercised	(93.8	)	13.80		
Forfeited or expired	(31.6	)	25.49		
Outstanding at June 30, 2014	1,177.0		19.85	7.8	$16,527
Exercisable at June 30, 2014	375.1		15.23	7.3	6,998
Three months ended June 30, 2015:					
Outstanding at March 31, 2015	871.2		$23.40		
Granted	186.3		41.44		
Exercised	(330.4	)	19.15		
Forfeited or expired	(0.9	)	33.50		
Outstanding at June 30, 2015	726.2		29.95	8.3	$11,830
Exercisable at June 30, 2015	322.5		21.54	7.2	7,966

The aggregate intrinsic value of options exercised in the three months ended June 30, 2015 was $8.1 million.

At June 30, 2015, there were $14.5 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 1.3 years. The total fair value of options and restricted shares vested during the three months ended June 30, 2015 and 2014 was $6.2 million and $4.7 million, respectively. For the three months ended June 30, 2015 and 2014, cash received from the exercise of stock options was $6.3 million and $1.3 million, respectively, and we realized $1.0 million and $1.0 million, respectively, in tax benefits from the tax deductions resulting from these option exercises. At June 30, 2015, there were 2.6 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 rates used in the calculation of income taxes were 34.8% and 40.6% for the three months ended June 30, 2015 and June 30, 2014, respectively. The decrease in the effective tax rate for the three months ended June 30, 2015 was primarily due to the impact of certain non-deductible items related to acquisitions in the prior year period and to favorable tax deductions related to stock options and equity awards that were realized in the current year period.

At June 30, 2015, wholly-owned subsidiaries of the Company had net operating loss carryforwards of approximately $53.0 million, which may be used to offset future taxable income of the consolidated group and which begin to expire in 2020. The net operating loss carryforwards are subject to an annual limitation as to usage of approximately $33.6 million pursuant to Internal Revenue Code Section 382. The Company expects to utilize all of the net operating loss carryforwards before they expire.

The balance in our uncertain tax liability was $3.4 million at June 30, 2015 and March 31, 2015. 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.

16. Commitments and Contingencies

We are involved from time to time in legal matters and other claims incidental to our business. We review outstanding claims and proceedings internally and with external counsel as necessary to assess the probability and amount of a potential loss. These assessments are re-evaluated at each reporting period and as new information becomes available to determine whether a reserve should be established or if any existing reserve should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded reserve. In addition, because it is not permissible under GAAP to establish a litigation reserve until the loss is both probable and estimable, in some cases there may be insufficient time to establish a reserve prior to the actual incurrence of the loss (upon verdict and judgment at trial, for example, or in the case of a quickly negotiated settlement). We believe the resolution of routine legal matters and other claims incidental to our business, taking our reserves into account, will not have a material adverse effect on our financial condition or results of operations.

Lease Commitments

We have operating leases for office facilities and equipment in New York, Wyoming, and other locations, which expire at various dates through fiscal 2021. These amounts have been included in the table below.

The following summarizes future minimum lease payments for our operating leases as of June 30, 2015 [(a)]:

(In thousands)

Year Ending March 31,	Facilities	Equipment	Total
2016 (Remaining nine months ending March 31, 2016)	$1,312	$228	$1,540
2017	1,861	77	1,938
2018	1,871	—	1,871
2019	1,864	—	1,864
2020	1,695	—	1,695
Thereafter	770	—	770
	$9,373	$305	$9,678

(a) Minimum lease payments have not been reduced by minimum sublease rentals of $1.3 million due in the future under noncancelable subleases.

The following schedule shows the composition of total minimum lease payments that have been reduced by minimum sublease rentals:

(In thousands)	June 30, 2015	March 31, 2015
Minimum lease payments	$9,678	$9,957
Less: Sublease rentals	(1,342)	(1,401)
	$8,336	$8,556

Rent expense for the three months ended June 30, 2015 and 2014 was $0.4 million and $0.4 million, respectively.

Purchase Commitments
Effective November 1, 2009, we entered into a ten 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 10% of the estimated purchases that we expect to make during the course of the agreement.

(In thousands)

Year Ending March 31,	Amount
2016 (Remaining nine months ending March 31, 2016)	803
2017	1,044
2018	1,013
2019	982
2020	560
Thereafter	—
	$4,402

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 convenience, dollar and club stores. During the three months ended June 30, 2015, approximately 43.9% of our total revenues were derived from our five top selling brands. During the three months ended June 30, 2014, approximately 42.0% 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. Walmart accounted for approximately 19.9% of our gross revenues for the three months ended June 30, 2015, and approximately 19.2% of our gross revenues for the three months ended June 30, 2014. Our next largest customer accounted for approximately 9.4% of gross revenues for the three months ended June 30, 2015. At June 30, 2015, approximately 21.8% of accounts receivable were owed by Walmart.

We manage product distribution in the continental United States through a third-party distribution center in St. Louis, Missouri. A serious disruption, such as 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 and inventory levels. As a result, any such disruption could have a material adverse effect on our business, sales and profitability.

At June 30, 2015, we had relationships with 98 third-party manufacturers. Of those, we had long-term contracts with 47 manufacturers that produced items that accounted for approximately 83.9% of gross sales for the three months ended June 30, 2015. At June 30, 2014, we had relationships with 61 third-party manufacturers. Of those, we had long-term contracts with 27 manufacturers that produced items that accounted for approximately 84.5% of gross sales

for the three months ended June 30, 2014. The fact that we do not have long-term contracts with certain manufacturers means that they could cease manufacturing our products at any time and for any reason or initiate arbitrary and costly price increases, which could have a material adverse effect on our business and results from operations. Although we are in the process of negotiating long-term contracts with certain key manufacturers, we may not be able to reach agreement which could have a material adverse effect on our business.

18. Business Segments

Segment information has been prepared in accordance with the Segment Reporting topic of the FASB ASC 280. Our current reportable segments consist of (i) North American OTC Healthcare, (ii) International OTC Healthcare and (iii) Household Cleaning. We evaluate the performance of our operating segments and allocate resources to these segments based primarily on contribution margin, which we define as gross profit less advertising and promotional expenses.

The tables below summarize information about our reportable segments.

	Three Months Ended June 30, 2015			
(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Gross segment revenues	$156,339	$14,209	$21,467	$192,015
Elimination of intersegment revenues	(728)	—	—	(728)
Third-party segment revenues	155,611	14,209	21,467	191,287
Other revenues	40	—	805	845
Total segment revenues	155,651	14,209	22,272	192,132
Cost of sales	58,126	5,290	16,480	79,896
Gross profit	97,525	8,919	5,792	112,236
Advertising and promotion	23,195	2,723	504	26,422
Contribution margin	$74,330	$6,196	$5,288	85,814
Other operating expenses				23,309
Operating income				62,505
Other expense				22,335
Income before income taxes				40,170
Provision for income taxes				13,997
Net income				$26,173

	Three Months Ended June 30, 2014			
(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Gross segment revenues	$110,973	$13,692	$20,593	$145,258
Elimination of intersegment revenues	(717)	—	—	(717)
Third-party segment revenues	110,256	13,692	20,593	144,541
Other revenues	177	35	949	1,161
Total segment revenues	110,433	13,727	21,542	145,702
Cost of sales	42,340	5,078	16,418	63,836
Gross profit	68,093	8,649	5,124	81,866
Advertising and promotion	16,353	2,339	404	19,096
Contribution margin	$51,740	$6,310	$4,720	62,770
Other operating expenses				19,967
Operating income				42,803
Other expense				14,653
Income before income taxes				28,150
Provision for income taxes				11,418
Net income				$16,732

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

	Three Months Ended June 30, 2015			
(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Analgesics	$26,848	$530	$—	$27,378
Cough & Cold	19,759	4,506	—	24,265
Women's Health	32,908	700	—	33,608
Gastrointestinal	20,320	3,808	—	24,128
Eye & Ear Care	24,332	3,930	—	28,262
Dermatologicals	20,095	534	—	20,629
Oral Care	9,977	194	—	10,171
Other OTC	1,412	7	—	1,419
Household Cleaning	—	—	22,272	22,272
Total segment revenues	$155,651	$14,209	$22,272	$192,132

	Three Months Ended June 30, 2014			
(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Analgesics	$25,031	$665	$—	$25,696
Cough & Cold	20,043	4,798	—	24,841
Women's Health	368	518	—	886
Gastrointestinal	20,638	2,497	—	23,135
Eye & Ear Care	20,725	4,642	—	25,367
Dermatologicals	12,260	542	—	12,802
Oral Care	10,187	62	—	10,249
Other OTC	1,181	3	—	1,184
Household Cleaning	—	—	21,542	21,542
Total segment revenues	$110,433	$13,727	$21,542	$145,702

During the three months ended June 30, 2015 and June 30, 2014, approximately 87.3% and 84.5%, respectively, of our total segment revenues were from customers in the United States. Other than the United States, no individual geographical area accounted for more than 10% of net sales in any of the periods presented. During the three months ended June 30, 2015, our Canada and Australia sales accounted for approximately 5.1% and 5.7%, respectively, of our total segment revenues, while during the three months ended June 30, 2014, approximately 5.6% and 5.2%, respectively, of our total segment revenues was attributable to sales to Canada and Australia.

At June 30, 2015, approximately 95.6% of our consolidated goodwill and intangible assets were located in the United States and approximately 4.4% were located in Australia. These consolidated goodwill and intangible assets have been allocated to the reportable segments as follows:

(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Goodwill	$263,716	$20,351	$6,800	$290,867
Intangible assets				

Indefinite-lived	1,676,991	85,766	110,272	1,873,029
Finite-lived	231,251	1,594	23,986	256,831
Intangible assets, net	1,908,242	87,360	134,258	2,129,860
Total	$2,171,958	$107,711	$141,058	$2,420,727

19. Condensed Consolidating Financial Statements

As described in Note 9, Prestige Brands Holdings, Inc., together with certain of our 100% owned subsidiaries, has fully and unconditionally guaranteed, on a joint and several basis, the obligations of Prestige Brands, Inc. (a 100% owned subsidiary of the Company) set forth in the indentures governing the 2013 Senior Notes and the 2012 Senior Notes, including the obligation to pay principal and interest with respect to the 2013 Senior Notes and the 2012 Senior Notes. The 100% owned subsidiaries of the Company that have guaranteed the 2013 Senior Notes and the 2012 Senior Notes are as follows: Prestige Services Corp., Prestige Brands Holdings, Inc. (a Virginia corporation), Prestige Brands International, Inc., Medtech Holdings, Inc., Medtech Products Inc., The Cutex Company, The Spic and Span Company, Blacksmith Brands, Inc., Insight Pharmaceuticals Corporation, Insight Pharmaceuticals, LLC and Practical Health Products, 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 2013 Senior Notes and the 2012 Senior Notes. Although holders of the 2013 Senior Notes and the 2012 Senior Notes will be direct creditors of the guarantors of the 2013 Senior Notes and the 2012 Senior Notes by virtue of the guarantees, we have indirect subsidiaries located primarily in the United Kingdom, the Netherlands and Australia (collectively, the "Non-Guarantor Subsidiaries") that have not guaranteed the 2013 Senior Notes or the 2012 Senior Notes, and such subsidiaries will not be obligated with respect to the 2013 Senior Notes or the 2012 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 2013 Senior Notes and the 2012 Senior Notes.

Presented below are supplemental Condensed Consolidating Balance Sheets as of June 30, 2015 and March 31, 2015, Condensed Consolidating Statements of Income and Comprehensive Income for the three months ended June 30, 2015 and 2014, and Condensed Consolidating Statements of Cash Flows for the three months ended June 30, 2015 and 2014. Such consolidating information includes separate columns for:

a) Prestige Brands Holdings, Inc., the parent,
b) Prestige Brands, Inc., the Issuer or the Borrower,
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 our 100% 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.

Condensed Consolidating Statements of Income and Comprehensive Income
Three Months Ended June 30, 2015

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	$—	$27,883	$152,524	$11,608	$(728)	$191,287
Other revenues	—	96	819	498	(568)	845
Total revenues	—	27,979	153,343	12,106	(1,296)	192,132
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	10,441	66,378	4,408	(1,331)	79,896
Gross profit	—	17,538	86,965	7,698	35	112,236
Operating Expenses						
Advertising and promotion	—	2,517	21,228	2,677	—	26,422
General and administrative	1,315	2,555	11,951	1,768	—	17,589
Depreciation and amortization	989	146	4,445	140	—	5,720
Total operating expenses	2,304	5,218	37,624	4,585	—	49,731
Operating income (loss)	(2,304)	12,320	49,341	3,113	35	62,505
Other (income) expense						
Interest income	(12,049)	(21,408)	(1,220)	(112)	34,762	(27)
Interest expense	8,490	21,908	25,055	1,220	(34,762)	21,911
Loss on extinguishment of debt	—	451	—	—	—	451
Equity in (income) loss of subsidiaries	(25,306)	(16,955)	(1,450)	—	43,711	—
Total other (income) expense	(28,865)	(16,004)	22,385	1,108	43,711	22,335
Income (loss) before income taxes	26,561	28,324	26,956	2,005	(43,676)	40,170
Provision for income taxes	388	4,025	9,029	555	—	13,997
Net income (loss)	$26,173	$24,299	$17,927	$1,450	$(43,676)	$26,173
Comprehensive income, net of tax:						
Currency translation adjustments	(405)	(405)	(405)	(405)	1,215	(405)
Total other comprehensive income (loss)	(405)	(405)	(405)	(405)	1,215	(405)
Comprehensive income (loss)	$25,768	$23,894	$17,522	$1,045	$(42,461)	$25,768

Condensed Consolidating Statements of Income and Comprehensive Income
Three Months Ended June 30, 2014

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	$—	$25,410	$108,898	$10,951	$(718)	$144,541
Other revenues	—	130	1,099	402	(470)	1,161
Total revenues	—	25,540	109,997	11,353	(1,188)	145,702
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	9,448	50,515	4,023	(150)	63,836
Gross profit	—	16,092	59,482	7,330	(1,038)	81,866
Operating Expenses						
Advertising and promotion	—	2,689	14,066	2,341	—	19,096
General and administrative	1,145	2,473	8,990	4,398	—	17,006
Depreciation and amortization	642	145	2,089	85	—	2,961
Total operating expenses	1,787	5,307	25,145	6,824	—	39,063
Operating income (loss)	(1,787)	10,785	34,337	506	(1,038)	42,803
Other (income) expense						
Interest income	(12,133)	(14,225)	(762)	(29)	27,117	(32)
Interest expense	8,548	14,685	17,805	764	(27,117)	14,685
Equity in (income) loss of subsidiaries	(15,679)	(10,898)	959	—	25,618	—
Total other (income) expense	(19,264)	(10,438)	18,002	735	25,618	14,653
Income (loss) before income taxes	17,477	21,223	16,335	(229)	(26,656)	28,150
Provision for income taxes	745	3,717	6,226	730	—	11,418
Net income (loss)	$16,732	$17,506	$10,109	$(959)	$(26,656)	$16,732
Comprehensive income, net of tax:						
Currency translation adjustments	2,726	2,726	2,726	2,726	(8,178)	2,726
Total other comprehensive income (loss)	2,726	2,726	2,726	2,726	(8,178)	2,726
Comprehensive income (loss)	$19,458	$20,232	$12,835	$1,767	$(34,834)	$19,458

Condensed Consolidating Balance Sheet
June 30, 2015

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets						
Cash and cash equivalents	$10,832	$—	$—	$10,766	$—	$21,598
Accounts receivable, net	—	11,368	66,016	8,192	—	85,576
Inventories	—	7,492	61,651	6,045	(1,111)	74,077
Deferred income tax assets	311	705	6,567	335	—	7,918
Prepaid expenses and other current assets	7,883	243	3,016	748	—	11,890
Total current assets	19,026	19,808	137,250	26,086	(1,111)	201,059
Property and equipment, net	10,301	163	2,291	399	—	13,154
Goodwill	—	66,007	204,510	20,350	—	290,867
Intangible assets, net	—	192,191	1,850,501	87,168	—	2,129,860
Other long-term assets	—	1,562	—	—	—	1,562
Intercompany receivables	1,215,771	2,572,637	695,741	9,174	(4,493,323)	—
Investment in subsidiary	1,569,115	1,245,085	67,970	—	(2,882,170)	—
Total Assets	$2,814,213	$4,097,453	$2,958,263	$143,177	$(7,376,604)	$2,636,502
Liabilities and Stockholders' Equity						
Current liabilities						
Current portion of long-term debt	$—	$8,525	$—	$—	$—	$8,525
Accounts payable	2,846	6,504	33,871	3,949	—	47,170
Accrued interest payable	—	9,359	—	—	—	9,359
Other accrued liabilities	4,710	1,400	27,116	3,512	—	36,738
Total current liabilities	7,556	25,788	60,987	7,461	—	101,792
Long-term debt						
Principal amount	—	1,540,075	—	—	—	1,540,075
Less unamortized debt costs	—	(33,534)	—	—	—	(33,534)
Long-term debt, net	—	1,506,541	—	—	—	1,506,541
Deferred income tax liabilities	—	59,464	303,440	24	—	362,928
Other long-term liabilities	—	—	2,333	184	—	2,517
Intercompany payables	2,143,933	1,003,970	1,275,240	70,180	(4,493,323)	—
Total Liabilities	2,151,489	2,595,763	1,642,000	77,849	(4,493,323)	1,973,778
Stockholders' Equity						
Common stock	530	—	—	—	—	530
Additional paid-in capital	437,554	1,280,948	1,131,578	74,031	(2,486,557)	437,554

Treasury stock, at cost	(5,121	) —	—	—	—	(5,121	)
Accumulated other comprehensive income (loss), net of tax	(23,817	) (23,817				