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Prestige Brands Holdings, Inc.
Form 10-Q
November 07, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2013

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 No

As of November 1, 2013, there were 51,714,249 shares of common stock outstanding.

Prestige Brands Holdings, Inc.
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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)

(In thousands, except per share data)	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
Net sales	\$ 167,004	\$ 161,323	\$ 309,105	\$ 307,243
Other revenues	1,438	532	2,308	1,609
Total revenues	168,442	161,855	311,413	308,852
Cost of Sales				
Cost of sales (exclusive of depreciation shown below)	73,723	71,310	133,211	134,703
Gross profit	94,719	90,545	178,202	174,149
Operating Expenses				
Advertising and promotion	26,044	23,508	45,184	43,833
General and administrative	11,619	12,585	23,253	28,736
Depreciation and amortization	3,294	3,296	6,562	6,591
Total operating expenses	40,957	39,389	74,999	79,160
Operating income	53,762	51,156	103,203	94,989
Other (income) expense				
Interest income	(25)	(3)	(28)	(5)
Interest expense	16,464	19,663	32,372	39,513
Total other expense	16,439	19,660	32,344	39,508
Income before income taxes	37,323	31,496	70,859	55,481
Provision for income taxes	4,531	12,252	17,375	21,582
Net income	\$ 32,792	\$ 19,244	\$ 53,484	\$ 33,899
Earnings per share:				
Basic	\$ 0.64	\$ 0.38	\$ 1.04	\$ 0.67
Diluted	\$ 0.63	\$ 0.38	\$ 1.03	\$ 0.66
Weighted average shares outstanding:				
Basic	51,463	50,364	51,343	50,353
Diluted	52,219	51,225	52,130	51,166
Comprehensive income, net of tax:				
Currency translation adjustments	1,122	66	1,123	24
Total other comprehensive income	1,122	66	1,123	24
Comprehensive income	\$ 33,914	\$ 19,310	\$ 54,607	\$ 33,923

See accompanying notes.

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

(In thousands)	September 30, 2013	March 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$26,833	\$15,670
Accounts receivable, net	80,534	73,053
Inventories	61,935	60,201
Deferred income tax assets	6,427	6,349
Prepaid expenses and other current assets	6,929	8,900
Total current assets	182,658	164,173
Property and equipment, net	11,256	9,896
Goodwill	191,058	167,546
Intangible assets, net	1,399,860	1,373,240
Other long-term assets	23,244	24,944
Total Assets	\$1,808,076	\$1,739,799
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$51,857	\$51,376
Accrued interest payable	13,951	13,894
Other accrued liabilities	23,301	31,398
Total current liabilities	89,109	96,668
Long-term debt		
Principal amount	985,000	978,000
Less unamortized discount	(6,302)	(7,100)
Long-term debt, net of unamortized discount	978,698	970,900
Deferred income tax liabilities	198,721	194,288
Other long-term liabilities	296	—
Total Liabilities	1,266,824	1,261,856
Commitments and Contingencies — Note 17		
Stockholders' Equity		
Preferred stock - \$0.01 par value		
Authorized - 5,000 shares		
Issued and outstanding - None	—	—
Preferred share rights	283	283
Common stock - \$0.01 par value		
Authorized - 250,000 shares		
Issued - 51,905 shares at September 30, 2013 and 51,311 shares at March 31, 2013	520	513
Additional paid-in capital	410,664	401,691
Treasury stock, at cost - 191 shares at September 30, 2013 and 181 shares March 31, 2013	(965)	(687)

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Accumulated other comprehensive income (loss), net of tax	1,019	(104)
Retained earnings	129,731	76,247	
Total Stockholders' Equity	541,252	477,943	
Total Liabilities and Stockholders' Equity	\$1,808,076	\$1,739,799	
See accompanying notes.			

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

(In thousands)	Six Months Ended September 30,	
	2013	2012
Operating Activities		
Net income	\$53,484	\$33,899
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,562	6,591
Deferred income taxes	4,355	12,391
Amortization of deferred financing costs	1,975	2,060
Stock-based compensation costs	2,487	1,973
Amortization of debt discount	798	812
Lease termination costs	—	975
(Gain) loss on sale or disposal of equipment	(3	) 51
Changes in operating assets and liabilities, net of effects from acquisitions		
Accounts receivable	(5,712	) (24,530
Inventories	821	(2,904
Prepaid expenses and other current assets	2,619	5,556
Accounts payable	(1,125	) 15,150
Accrued liabilities	(10,663	) 8,350
Net cash provided by operating activities	55,598	60,374
Investing Activities		
Purchases of property and equipment	(2,319	) (5,266
Proceeds from the sale of property and equipment	3	15
Acquisition of brands from GSK purchase price adjustments	—	(226
Acquisition of Care Pharmaceuticals, less cash acquired	(55,215) —
Net cash used in investing activities	(57,531	) (5,477
Financing Activities		
Repayments of long-term debt	(7,500	) (70,000
Repayments under revolving credit agreement	(35,500	) (8,000
Borrowings under revolving credit agreement	50,000	33,000
Payment of deferred financing costs	(275) —
Proceeds from exercise of stock options	5,143	80
Excess tax benefits from share-based awards	1,350	—
Fair value of shares surrendered as payment of tax withholding	(278) —
Net cash provided by (used in) financing activities	12,940	(44,920
Effects of exchange rate changes on cash and cash equivalents		
	156	14
Increase in cash and cash equivalents	11,163	9,991
Cash and cash equivalents - beginning of period	15,670	19,015
Cash and cash equivalents - end of period	\$26,833	\$29,006
Interest paid		
	\$29,516	\$36,524
Income taxes paid		
	\$8,468	\$656

See accompanying notes.

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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, club, convenience, and dollar stores in the United States and Canada and in certain other international markets. Prestige Brands Holdings, Inc. is a holding company with no operations and is also the parent guarantor of the senior credit facility and the senior notes described in Note 10 to the Consolidated Financial Statements.

Basis of Presentation

The unaudited Consolidated Financial Statements presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All significant intercompany transactions and balances have been eliminated in the Consolidated Financial Statements. In the opinion of management, the Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments that are considered necessary for a fair 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 notes to a year (e.g., “2014”) mean our fiscal year ending or ended on March 31st of that year. Operating results for the three and six months ended September 30, 2013 are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2014. This financial information should be read in conjunction with our Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2013.

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 these estimates. As discussed below, our most significant estimates include those made in connection with the valuation of intangible assets, sales returns and allowances, trade promotional allowances, 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 September 30, 2013 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.

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Property and Equipment

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

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

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

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

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

Goodwill

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

Intangible Assets

Intangible assets, which are comprised primarily of trademarks, are stated at cost less accumulated amortization. For intangible assets with finite lives, amortization is computed using the straight-line method over estimated useful lives ranging from 3 to 30 years and 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. Indefinite-lived intangible assets are tested for impairment at least annually in the fourth fiscal quarter of each year. If the carrying amount of the asset exceeds its fair value, an impairment loss is recognized

Deferred Financing Costs

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

Revenue Recognition

Revenues are recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the selling price is fixed or determinable, (iii) the product has been shipped and the customer takes ownership and assumes the risk of loss, and (iv) collection of the resulting receivable is reasonably assured. We have determined that these criteria are met and the transfer of the risk of loss generally occurs when 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 \$9.1 million and \$15.7 million for the three and six months ended September 30, 2013, respectively, and \$7.3 million and \$15.5 million for the three and six months ended September 30, 2012, respectively.

Advertising and Promotion Costs

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

Stock-based Compensation

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

Income Taxes

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

The Income Taxes topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. 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 a more-likely-than-not recognition threshold for all tax 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 2013, the FASB issued Accounting Standards Updated ("ASU") 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists,

which requires that an unrecognized tax benefit, or portion of an unrecognized tax benefit, be presented as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. If an applicable deferred tax asset is not available to use or the tax law of the applicable jurisdiction does not require the entity to use and the company does not intend to use the applicable deferred tax asset, the unrecognized tax benefit should be presented as a liability in the financial statements and should not be combined with an unrelated deferred tax asset. ASU 2013-11 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date; however retrospective application is permitted. The adoption of ASU 2013-11 is not expected to have a material impact on our Consolidated Financial Statements.

In March 2013, the FASB issued ASU 2013-05, Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity, relating to the release of cumulative translation adjustments into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets. The guidance is effective prospectively for annual reporting periods beginning after December 15, 2013, and interim periods within those annual periods. Early adoption is permitted. The adoption of ASU 2013-05 is not expected to have a material impact on our Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires that for those items that are reclassified out of accumulated other comprehensive income and into net income in their entirety, the effect of the reclassification on each affected net income line item be disclosed. For accumulated other comprehensive income reclassification items that are not reclassified in their entirety into net income, a cross reference must be made to other required disclosures. The guidance is effective prospectively for annual reporting periods beginning after December 15, 2012, and interim periods within those annual periods. ASU 2013-02 did not have a material impact on our Consolidated Financial Statements. See Note 13, Accumulated Other Comprehensive Income (Loss) for required disclosure.

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, regarding disclosures about offsetting assets and liabilities. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. An entity will be required to disclose the following information for assets and liabilities within the scope of the new standard: (i) the gross amounts of those recognized assets and those recognized liabilities; (ii) the amounts offset to determine the net amounts presented in the statement of financial position; (iii) the net amounts presented in the statement of financial position; (iv) the amounts subject to an enforceable master netting arrangement or similar agreement not otherwise included in (ii); and (v) the net amount after deducting the amounts in (iv) from the amounts in (iii). The standard affects all entities with balances presented on a net basis in the financial statements, derivative assets and derivative liabilities, repurchase agreements, and financial assets and financial liabilities executed under a master netting or similar arrangement. This guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. This new guidance did not have a material impact on our Consolidated Financial Statements.

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

2. Acquisitions

Acquisition of Care Pharmaceuticals Pty Ltd.

On July 1, 2013, we completed the acquisition of Care Pharmaceuticals Pty Ltd. ("Care"), which was funded through a combination of our existing senior secured credit facility and cash on hand.

The Care brands include the Fess line of cold/allergy and saline nasal health products, which is the leading saline spray for both adults and children in Australia. Other key brands include Painstop analgesic, Rectogesic for rectal discomfort, and the Fab line of nutritional supplements. Care also carries a line of brands for children including Little Allergies, Little Eyes, and Little Cough. The brands acquired are complementary to our existing OTC Healthcare portfolio.

This 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 a preliminary analysis of the fair values of the assets acquired and liabilities assumed as of the date of acquisition. The following table summarizes our preliminary allocation of the assets acquired and liabilities assumed as of the July 1, 2013 acquisition date.

(In thousands) July 1, 2013

Cash acquired	\$ 1,546
Accounts receivable, net	1,658
Inventories	2,465
Prepays and other current assets	647
Property, plant and equipment, net	163
Goodwill	23,122
Intangible assets	31,502
Total assets acquired	61,103

Accounts payable	1,537
Accrued expenses	2,505
Other long term liabilities	300
Total liabilities assumed	4,342

Net assets acquired \$ 56,761

Based on this analysis, we allocated \$29.8 million to non-amortizable intangible assets and \$1.7 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 15.1 years. The weighted average remaining life for amortizable intangible assets at September 30, 2013 was 14.9 years.

We also recorded goodwill of \$23.1 million based on the amount by which the purchase price exceeded the preliminary fair value of the net assets acquired. The full amount of goodwill is deductible for income tax purposes.

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

Acquisition of certain OTC Brands from GlaxoSmithKline

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

On January 31, 2012, we completed, subject to a post-closing inventory and apportionment adjustment, as defined in the GSK Agreement, the acquisition of 15 North American OTC healthcare brands previously owned by GSK and its affiliates (the "GSK Brands I") for \$615.0 million in cash, including the related contracts, trademarks and inventory. The GSK Brands I include, among other brands, BC, Goody's and Ecotrin brands of pain relievers; Beano, Gaviscon, Phazyme, Tagamet and Fiber Choice gastrointestinal brands; and the Somnex sleep aid brand.

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

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

These acquisitions were accounted for in accordance with the Business Combinations topic of the 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.

The purchase price of the GSK Brands I and GSK Brands II was funded by cash provided by the issuance of long-term debt and additional bank borrowings, which are discussed further in Note 10. In April 2012, we received the post-closing inventory and apportionment adjustments, which required us to pay an additional \$2.8 million to GSK, and in May 2012 we received a revised post-closing inventory and apportionment adjustment, which required us to pay an additional \$0.2 million, for a total of \$3.0 million, to GSK.

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Concurrent with the closing of the GSK Brands I transaction, we entered into a Transitional Services Agreement with GSK (the "TSA"), whereby GSK provided us with various services, including marketing, operations, finance and other services, from the GSK Brands I acquisition date primarily through June 30, 2012, with additional finance support through August 31, 2012. As part of the TSA, GSK, among other things, shipped products, invoiced customers, collected from customers and paid certain vendors on our behalf. Our initial costs under the TSA were approximately \$2.5 million per month for the length of the agreement and were reduced during the service period as we removed certain services and processes to us. We incurred \$6.8 million in TSA costs for the three months ended June 30, 2012. Pursuant to the TSA, we received on a monthly basis the amount owed to us for revenues and expenses, net of GSK's TSA fees and inventory that GSK purchased on our behalf.

The allocation of the purchase price to assets acquired under the GSK Agreement is based on a valuation we performed to determine the fair value of such assets as of the acquisition date. The following table summarizes our allocation of the \$663.0 million purchase price to the assets we acquired on the GSK Brands acquisition dates:

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

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

The fair value of the trade names is comprised of \$556.9 million of non-amortizable intangible assets and \$67.2 million of amortizable intangible assets. We are amortizing the purchased amortizable intangible assets on a straight-line basis over an estimated weighted average useful life of 19.3 years. The weighted average remaining life for amortizable intangible assets at September 30, 2013 was 17.5 years.

3. Divestitures

Sale of the Phazyme Brand

On October 31, 2012, we divested the Phazyme gas treatment brand, which was a non-core OTC brand that we acquired from GSK in January 2012. We received \$21.7 million from the divestitures on October 31, 2012 and the remaining \$0.6 million on January 4, 2013. The proceeds were used to repay debt. No significant gain or loss was recorded as a result of the sale.

Concurrent with the completion of the sale of the Phazyme brand, we entered into a Transitional Services Agreement with the buyer (the "Phazyme TSA"), whereby we agreed to provide the buyer with various services, including: marketing, operations, finance and other services, from the date of the acquisition primarily through January 31, 2013, with an option for additional support for the Canadian portion of that business through October 31, 2013, at the buyer's discretion. All Phazyme United States TSA services ended, as agreed, on January 31, 2013. The buyer elected to extend the Canadian portion of the TSA services and terminate the support on October 31, 2013.

The following table presents the assets sold at October 31, 2012 related to the Phazyme brand:

(In thousands)	October 31, 2012
Components of assets sold:	
Inventory	\$220

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Prepaid expenses	100
Trade names	15,604
Goodwill	6,382

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4. Accounts Receivable

Accounts receivable consist of the following:

(In thousands)	September 30, 2013	March 31, 2013
Components of Accounts Receivable		
Trade accounts receivable	\$87,966	\$79,746
Other receivables	731	615
	88,697	80,361
Less allowances for discounts, returns and uncollectible accounts	(8,163	) (7,308
Accounts receivable, net	\$80,534	\$73,053

5. Inventories

Inventories consist of the following:

(In thousands)	September 30, 2013	March 31, 2013
Components of Inventories		
Packaging and raw materials	\$1,034	\$1,875
Finished goods	60,901	58,326
Inventories	\$61,935	\$60,201

Inventories are carried at the lower of cost or market, which includes a reduction in inventory values of \$2.2 million and \$1.3 million at September 30, 2013 and March 31, 2013, respectively, related to obsolete and slow-moving inventory.

6. Property and Equipment

Property and equipment consist of the following:

(In thousands)	September 30, 2013	March 31, 2013
Components of Property and Equipment		
Machinery	\$1,672	\$1,580
Computer equipment	8,788	6,559
Furniture and fixtures	1,808	1,510
Leasehold improvements	4,732	4,713
	17,000	14,362
Accumulated depreciation	(5,744	) (4,466
Property and equipment, net	\$11,256	\$9,896

We recorded depreciation expense of \$0.5 million and \$0.4 million for the three months ended September 30, 2013 and September 30, 2012, respectively, and \$1.1 million and \$0.6 million for the six months ended September 30, 2013 and September 30, 2012, respectively.

7. Goodwill

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

(In thousands)	OTC Healthcare	Household Cleaning	Consolidated
Balance — March 31, 2013	\$160,157	\$7,389	\$167,546
Additions	23,122	—	23,122
Effects of foreign currency exchange rates	390	—	390
Balance — September 30, 2013	\$183,669	\$7,389	\$191,058

As discussed in Note 2, on July 1, 2013, we completed the acquisition of Care. In connection with this acquisition, we recorded goodwill of \$23.1 million based on the amount by which the purchase price exceeded the preliminary 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 fiscal quarter of each year, or more frequently if conditions indicate that the carrying value of the asset may not be recovered, management performs a review of the values assigned to goodwill and tests for impairment.

At March 31, 2013, during our annual test for goodwill impairment, there were no indicators of impairment under the analysis. Accordingly, no impairment charge was recorded in 2013. As of September 30, 2013, no indicators of impairment existed and no impairment charge was recorded.

The discounted cash flow methodology is a widely-accepted valuation technique to estimate fair value utilized by market participants in the transaction evaluation process and has been applied consistently. We also considered our market capitalization at March 31, 2013, 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.

8. Intangible Assets

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

(In thousands)	Indefinite Lived Trademarks	Finite Lived Trademarks	Non Compete Agreement	Totals
Gross Carrying Amounts				
Balance — March 31, 2013	\$1,243,718	\$203,066	\$158	\$1,446,942
Additions	29,845	1,657	—	31,502
Reductions	—	—	(158)	(158)
Effects of foreign currency exchange rates	512	29	—	541
Balance — September 30, 2013	\$1,274,075	\$204,752	\$—	\$1,478,827

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Accumulated Amortization				
Balance — March 31, 2013	\$—	\$73,544	\$158	\$73,702
Additions	—	5,423	—	5,423
Reductions	—	—	(158)	(158)
Balance — September 30, 2013	\$—	\$78,967	\$—	\$78,967
Intangible assets, net - September 30, 2013	\$1,274,075	\$125,785	\$—	\$1,399,860

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As discussed in Note 2, on July 1, 2013, we completed the acquisition of Care. In connection with this acquisition, we allocated \$31.5 million to intangible assets based on our preliminary analysis.

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 must also be tested for impairment annually or 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 of each year, 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.

In a manner similar to goodwill, we completed our annual test for impairment of our indefinite-lived intangible assets during the three months ended March 31, 2013. We did not record an impairment charge, as facts and circumstances indicated that the fair values of the intangible assets for our brands exceeded their carrying values. Additionally, for the indefinite-lived intangible assets, an evaluation of the facts and circumstances as of September 30, 2013 continues to support an indefinite useful life for these assets. Therefore, no impairment charge was recorded for the six months ended September 30, 2013.

The weighted average remaining life for finite-lived intangible assets at September 30, 2013 was approximately 14.2 years and the amortization expense for the three and six months ended September 30, 2013 was \$2.7 million and \$5.4 million. At September 30, 2013, finite-lived intangible assets are being amortized over a period of 3 to 30 years, and the associated amortization expense is expected to be as follows:

(In thousands)

Year Ending March 31,	Amount
2014 (Remaining six months ending March 31, 2014)	\$4,820
2015	8,951
2016	8,951
2017	8,951
2018	8,951
Thereafter	85,161
	\$125,785

9. Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In thousands)	September 30, 2013	March 31, 2013
Accrued marketing costs	\$14,223	\$17,187
Accrued compensation costs	3,781	8,847
Accrued broker commissions	2,137	1,028
Income taxes payable	350	493
Accrued professional fees	1,146	1,846
Deferred rent	1,311	1,268

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Accrued lease termination costs	341	729
Other accrued liabilities	12	—
	\$23,301	\$31,398

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10. Long-Term Debt

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

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

On January 31, 2012, the Borrower also entered into a new senior secured credit facility, which consists of (i) a \$660.0 million term loan facility (the "2012 Term Loan") with a seven-year maturity and (ii) a \$50.0 million asset-based revolving credit facility (the "2012 ABL Revolver") with a five-year maturity. In September 2012, we utilized a portion of our accordion feature to increase the amount of our borrowing capacity under the 2012 ABL Revolver by \$25.0 million to \$75.0 million, and in June 2013, we further increased the amount of our borrowing capacity under the 2012 ABL Revolver by \$20.0 million to \$95.0 million and also 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 Company of \$650.1 million. In connection with these loan facilities, we incurred \$20.6 million of costs, which were capitalized as deferred financing costs and are being amortized over the terms of the facilities. The 2012 Term Loan is unconditionally guaranteed by Prestige Brands Holdings, Inc. and 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 "Amendment") to the 2012 Term Loan. The Amendment provides for the refinancing of all of the Borrower's existing Term B Loans with new Term B-1 Loans. The interest rate on the Term B-1 Loans is 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, plus a margin. The new Term B-1 Loans will mature on the same date as the Term B Loans original maturity date. In addition, the Amendment provides 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. In connection with the refinancing, during the fourth quarter ended March 31, 2013, we recognized a \$1.4 million loss on the extinguishment of debt. The 2012 Term Loan, as amended, bears interest at a rate per annum equal to an applicable margin plus, at our option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (d) a floor of 2.00% 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, provided that LIBOR shall not be lower than 1.00%. For the six months ended September 30, 2013, the average interest rate on the 2012 Term Loan was 3.8%.

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 have previously made significant optional payments that exceeded all of our required quarterly payments, we will not be required to make a payment until the maturity date of January 31, 2019.

Borrowings under the 2012 ABL Revolver, as amended, bear interest at a rate per annum equal to an applicable margin, plus, at our option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period

of one month adjusted for certain additional costs, plus 1.00% or (ii) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for borrowings under the 2012 ABL Revolver is 1.75% with respect to LIBOR borrowings and 0.75% with respect to base-rate borrowings. The applicable margin for borrowings under the 2012 ABL Revolver may be increased to 2.00% or 2.25% for LIBOR borrowings and 1.00% or 1.25% for base-rate borrowings, depending on average excess availability under the 2012 ABL Revolver during the prior fiscal quarter. In addition to paying interest on outstanding principal under the 2012 ABL Revolver, we are required to pay a commitment fee to the lenders under the 2012 ABL Revolver in respect of the unutilized commitments thereunder. The initial commitment fee rate is 0.50% per annum. The commitment fee rate will be reduced to 0.375% per annum at any time when the average daily unused commitments for the prior quarter is less than a percentage of total commitments in an amount set forth in the credit agreement covering the 2012 ABL Revolver. We may voluntarily repay outstanding loans under the 2012 ABL Revolver at any time without a premium or penalty. For the six months ended September 30, 2013, the average interest rate on the amounts borrowed under the 2012 ABL Revolver was 2.9%.

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

At September 30, 2013, we had \$23.2 million of unamortized debt issuance costs and \$6.3 million of unamortized debt discount. The total of which is comprised of \$3.0 million related to the 2010 Senior Notes, \$10.7 million related to the 2012 Senior Notes, \$14.4 million related to the 2012 Term Loan, and \$1.4 million related to the 2012 ABL Revolver.

The 2010 Senior Notes are secured on a pari passu basis with the 2012 Term Loan and are guaranteed on a senior secured basis. The 2012 Senior Notes are senior unsecured obligations of the Company and are guaranteed on a senior unsecured basis. The 2010 Senior Notes are effectively junior in right of payment to all existing and future secured obligations of the Company, equal in right of payment with all existing and future senior unsecured indebtedness of the Company, and senior in right of payment to all future subordinated debt of the Company. The 2012 Senior Notes are effectively subordinated to secured obligations of the Company, including the 2012 Term Loan and the 2012 ABL Revolver and the 2010 Senior Notes, equal in right of payment to all existing and future unsecured obligations of the Company, and senior in right of payment to all existing and future subordinated obligations of the Company.

At any time prior to April 1, 2014, we may redeem the 2010 Senior Notes in whole or in part at a redemption price equal to 100% of the principal amount of the notes redeemed, plus a "make-whole premium" calculated as set forth in the indenture governing the 2010 Senior Notes, together with accrued and unpaid interest, if any, to the date of redemption. We may redeem the 2010 Senior Notes in whole or in part at any time on or after the 12-month period beginning April 1, 2014 at a redemption price of 104.125% of the principal amount thereof, at a redemption price of 102.063% of the principal amount thereof if the redemption occurs during the 12-month period beginning on April 1, 2015, and at a redemption price of 100% of the principal amount thereof if the redemption occurs on and after April 1, 2016, in each case, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to April 1, 2013, with the net cash proceeds from certain equity offerings, we could have redeemed up to 35% in aggregate principal amount of the 2010 Senior Notes at a redemption price of 108.250% of the principal amount of the 2010 Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date.

At any time prior to February 1, 2016, we may redeem the 2012 Senior Notes in whole or in part at a redemption price equal to 100% of the principal amount of the notes redeemed, plus a "make-whole premium" calculated as set forth in the indenture governing the 2012 Senior Notes, together with accrued and unpaid interest, if any, to the date of

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

The indentures governing the 2010 Senior Notes and 2012 Senior Notes contain provisions that restrict us from undertaking specified corporate actions, such as asset dispositions, acquisitions, dividend payments, repurchases of common shares outstanding, changes of control, incurrences of indebtedness, issuance of equity, creation of liens, making of loans and transactions with affiliates. Additionally, the credit agreement with respect to the 2012 Term Loan and the 2012 ABL Revolver and the indenture governing the 2012 Senior Notes contain cross-default provisions, whereby a default pursuant to the terms and conditions of certain indebtedness will cause a default on the remaining indebtedness under the credit agreement and the indenture governing the 2012 Senior Notes. At September 30, 2013, we were in compliance with the covenants under our long-term indebtedness.

During the six months ended September 30, 2013, we borrowed a net amount of \$14.5 million against the 2012 ABL Revolver.

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

(In thousands, except percentages)	September 30, 2013	March 31, 2013
2012 Senior Notes bearing interest at 8.125%, with interest only payable on February 1 and August 1 of each year. The 2012 Senior Notes mature on February 1, 2020.	\$250,000	\$250,000
2012 Term Loan bearing interest at the Company's option at either a base rate plus applicable margin with a floor of 2.00% or LIBOR with a floor of 1.00%, due on January 31, 2019.	437,500	445,000
2012 ABL Revolver bearing interest at the Company's option at either a base rate plus applicable margin or LIBOR plus applicable margin. Any unpaid balance is due on January 31, 2017.	47,500	33,000
2010 Senior Notes bearing interest at 8.25%, with interest only payable on April 1 and October 1 of each year. The 2010 Senior Notes mature on April 1, 2018.	250,000	250,000
	985,000	978,000
Less: unamortized discount	(6,302)	(7,100)
Long-term debt, net of unamortized discount	\$978,698	\$970,900

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

(In thousands)	Amount
Year Ending March 31,	
2014 (remaining six months ending March 31, 2014)	\$—
2015	—
2016	—
2017	47,500
2018	—
Thereafter	937,500
	\$985,000

11. Fair Value Measurements

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

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

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

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

The market values have been determined based on market values for similar instruments adjusted for certain factors. As such, the 2012 Term Loan, the 2012 Senior Notes, the 2010 Senior Notes and the 2012 ABL Revolver are measured in Level 2 of the above

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hierarchy. At September 30, 2013 and March 31, 2013, we did not have any assets or liabilities measured in Level 1 or 3. During any of the periods presented, there were no transfers of assets or liabilities between Levels 1, 2 and 3.

At September 30, 2013 and March 31, 2013, the carrying value of our 2012 Senior Notes was \$250.0 million. The market value of our 2012 Senior Notes was \$276.9 million and \$281.9 million at September 30, 2013 and March 31, 2013, respectively.

At September 30, 2013 and March 31, 2013, the carrying value of the 2012 Term Loan was \$437.5 million and \$445.0 million, respectively. The market value of the 2012 Term Loan was \$439.1 million and \$451.1 million at September 30, 2013 and March 31, 2013, respectively.

At September 30, 2013 and March 31, 2013, the carrying value of our 2010 Senior Notes was \$250.0 million. The market value of our 2010 Senior Notes was \$266.3 million and \$271.9 million at September 30, 2013 and March 31, 2013, respectively.

At September 30, 2013, the carrying value and market value of the 2012 ABL Revolver was \$47.5 million. At March 31, 2013, the carrying value and market value of the 2012 ABL Revolver was \$33.0 million.

12. Stockholders' Equity

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

Each share of common stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid on the Company's common stock through September 30, 2013.

Pursuant to the provisions of various employee restricted stock awards, we repurchased zero shares and 10,726 shares of restricted common stock from our employees during the three and six months ended September 30, 2013, respectively. During the three and six months ended September 30, 2012, we did not repurchase any shares of restricted common stock from our employees pursuant to the provisions of the various employee restricted stock awards. The repurchases during the six months ended September 30, 2013 were at an average price of \$25.96. All of the repurchased shares have been recorded as treasury stock.

13. Accumulated Other Comprehensive Income (Loss)

The table below presents accumulated other comprehensive income (loss) ("AOCI"), which is comprised of various items that affect equity and results from recognized transactions and other economic events, other than transactions with owners in their capacity as owners. As discussed in Note 1 above, ASU 2013-02 did not have a significant impact on our financial statements.

AOCI consisted of the following at September 30, 2013 and March 31, 2013:

(In thousands)	September 30, 2013	March 31, 2013	
Components of Accumulated Other Comprehensive Income (Loss)			
Cumulative translation adjustment	\$1,019	\$(104)
Total accumulated other comprehensive income (loss)	\$1,019	\$(104)

14. 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:

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(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
Numerator				
Net income	\$32,792	\$19,244	\$53,484	\$33,899
Denominator				
Denominator for basic earnings per share — weighted average shares outstanding	51,463	50,364	51,343	50,353
Dilutive effect of unvested restricted common stock (including restricted stock units) and options issued to employees and directors	756	861	787	813
Denominator for diluted earnings per share	52,219	51,225	52,130	51,166
Earnings per Common Share:				
Basic net earnings per share	\$0.64	\$0.38	\$1.04	\$0.67
Diluted net earnings per share	\$0.63	\$0.38	\$1.03	\$0.66

For the three months ended September 30, 2013 and 2012, 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. For the six months ended September 30, 2013 and 2012, there were 0.2 million and 0.4 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.

15. Share-Based Compensation

In connection with our initial public offering, the Board of Directors adopted the 2005 Long-Term Equity Incentive Plan (the “Plan”), which provides for the grant of up to a maximum of 5.0 million shares of restricted stock, stock options, restricted stock units and other equity-based awards. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing services for the Company, are eligible for grants under the Plan.

During the three months and six months ended September 30, 2013, pre-tax share-based compensation costs charged against income were \$1.3 million and \$2.5 million, respectively, and the related income tax benefit recognized was \$0.3 million and \$0.7 million, respectively. During the three and six months ended September 30, 2012, pre-tax share-based compensation costs charged against income were \$1.1 million and \$2.0 million, respectively, and the related income tax benefit recognized was \$0.3 million and \$0.6 million, respectively.

Restricted Shares and Restricted Stock Units

Restricted shares and restricted stock units 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 by the Company, including revenue and earnings before income taxes, depreciation and amortization targets. The restricted share and restricted stock unit awards provide for accelerated vesting if there is a change of control, as defined in the Plan. On May 14, 2013, the Compensation Committee of our Board of Directors granted 113,637 restricted stock units to certain executive officers and employees under the Plan. Of those grants, 55,637 restricted stock units vest in their entirety on the three-year anniversary of the date of grant, and 58,000 restricted stock units vest 33.3% per year over three years. Upon vesting, the units will be settled in shares of our common stock. Termination of employment prior to vesting will result in forfeiture of the restricted stock units. On

July 29, 2013, the Compensation Committee of the Board of Directors granted 7,004 restricted stock units to the independent members of the Board of Directors under the Plan.

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. The restricted stock units granted to employees generally vest in their entirety on the three-year anniversary of the date of the grant. Upon vesting, the units will be settled in shares of our common stock. The fair value of the restricted stock

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units is determined using the closing price of our common stock on the day of grant. The weighted-average grant-date fair value of restricted stock units granted during the six months ended September 30, 2013 and 2012 was \$30.19 and \$13.59, respectively.

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

Restricted Shares and Restricted Stock Units	Shares (in thousands)	Weighted- Average Grant-Date Fair Value
Six months ended September 30, 2012:		
Outstanding at March 31, 2012	363.4	\$9.92
Granted	128.9	13.59
Vested and issued	(27.0	) 7.16
Forfeited	(4.3	) 11.06
Outstanding at September 30, 2012	461.0	11.10
Vested at September 30, 2012	70.4	8.52
Six months ended September 30, 2013:		
Outstanding at March 31, 2013	421.3	\$11.01
Granted	120.6	30.19
Vested and issued	(54.7	) 8.11
Forfeited	(3.6	) 13.24
Outstanding at September 30, 2013	483.6	16.11
Vested at September 30, 2013	83.1	9.63

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 if there is a change in control, as defined in the Plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Pricing Model that uses the assumptions noted in the table below. Expected volatilities are based on the historical volatility of our common stock and other factors, including the historical volatilities of comparable companies. We use appropriate historical data, as well as current data, to estimate option exercise and employee termination behaviors. Employees that are expected to exhibit similar exercise or termination behaviors are grouped together for the purposes of valuation. The expected terms of the options granted are derived from management's estimates and consideration of information derived from the public filings of companies similar to us and represent the period of time that options granted are expected to be outstanding. The risk-free rate represents the yield on U.S. Treasury bonds with a maturity equal to the expected term of the granted option. On May 14, 2013, the Compensation Committee of our Board of Directors granted stock options to acquire 227,672 shares of our common stock to certain executive officers and employees under the Plan. 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 \$29.94 per share, which is equal to the closing price for our common stock on the day of the grant. 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 the Plan.

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The weighted-average grant-date fair value of the options granted during the six months ended September 30, 2013 and 2012 was \$13.94 and \$6.03, respectively.

	Six Months Ended September 30,		
	2013	2012	
Expected volatility	48.0	44.0	%
Expected dividends	\$—	\$—	
Expected term in years	6.0	6.5	
Risk-free rate	1.3	1.2	%

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

Options	Shares (in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Six months ended September 30, 2012:				
Outstanding at March 31, 2012	1,745.4	\$8.44		
Granted	444.9	13.36		
Exercised	(6.8	) 11.84		
Forfeited or expired	(11.7	) 10.99		
Outstanding at September 30, 2012	2,171.8	9.43	7.6	\$16,602
Exercisable at September 30, 2012	1,027.7	8.39	6.9	7,132
Six months ended September 30, 2013:				
Outstanding at March 31, 2013	1,386.4	\$10.43		
Granted	227.7	29.94		
Exercised	(539.4	) 9.54		
Forfeited or expired	(8.0	) 13.24		
Outstanding at September 30, 2013	1,066.7	15.02	6.5	\$16,110
Exercisable at September 30, 2013	225.5	11.42	7.7	4,216

The aggregate intrinsic value of options exercised in the six months ended September 30, 2013 was \$12.5 million. At September 30, 2013, there was no significant intrinsic value for options granted during the six months ended September 30, 2013, as the exercise price of these options was only slightly less than the closing price of our common stock as of September 30, 2013.

At September 30, 2013, there were \$6.1 million of unrecognized compensation costs related to nonvested share-based compensation arrangements under the Plan, based on management's estimate of the shares that will ultimately vest. We expect to recognize such costs over a weighted-average period of 1.0 year. The total fair value of options and restricted shares vested during the six months ended September 30, 2013 and 2012 was \$3.2 million and \$2.0 million, respectively. For the six months ended September 30, 2013 and 2012, cash received from the exercise of stock options was \$5.1 million and less than \$0.1 million, respectively, and we realized \$1.7 million and less than \$0.1 million, respectively, in tax benefits for the tax deductions resulting from these option exercises. At September 30, 2013, there were 1.6 million shares available for issuance under the Plan.

16. Income Taxes

Income taxes are recorded in our quarterly financial statements based on our estimated annual effective income tax rate, subject to adjustments for discrete events, should they occur. The effective tax rate used in the calculation of income taxes was 12.1% and 38.9% for the three months ended September 30, 2013 and September 30, 2012, respectively. The effective tax rate used in the calculation of income taxes was 24.5% and 38.9% for the six months ended September 30, 2013 and September 30, 2012, respectively. The decrease in the effective tax rate for the three and six months ended September 30, 2013 was primarily due to a one-time benefit of \$9.1 million to adjust our current and deferred tax balances for lower state income taxes. This benefit was primarily related to a recent law change in the state where we have our major distribution center to tax earnings attributed to in-state revenues only.

At September 30, 2013, a wholly-owned subsidiary had a net operating loss carryforward of approximately \$1.1 million, which may be used to offset future taxable income of the consolidated group and which begins to expire in 2020. The net operating loss carryforward is subject to an annual limitation as to usage of approximately \$0.2 million pursuant to Internal Revenue Code Section 382.

We experienced no change in our uncertain tax liability during the six months ended September 30, 2013. Therefore, the balance in our uncertain tax liability was \$1.0 million at September 30, 2013 and March 31, 2013. 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.

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17. Commitments and Contingencies

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

Lease Commitments

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

The following summarizes future minimum lease payments for our operating leases as of September 30, 2013: (In thousands)

Year Ending March 31,	Facilities	Equipment	Total
2014 (Remaining six months ending March 31, 2014)	\$1,024	\$82	\$1,106
2015	1,049	136	1,185
2016	994	135	1,129
2017	1,023	68	1,091
2018	1,044	—	1,044
Thereafter	—	—	—
	\$5,134	\$421	\$5,555

Rent expense for each of the three months ended September 30, 2013 and 2012 was \$0.5 million and \$0.3 million, respectively, while rent expense for each of the six months ended September 30, 2013 and 2012 was \$0.8 million and \$0.6 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
2014 (Remaining six months ending March 31, 2014)	\$564
2015	1,105
2016	1,074
2017	1,044
2018	1,013
Thereafter	1,542

18. Concentrations of Risk

Our revenues are concentrated in the areas of OTC Healthcare and Household Cleaning products. We sell our products to mass merchandisers, food and drug stores, and dollar and club stores. During the three and six months ended September 30, 2013, approximately 41.8% and 43.0%, respectively, of our total revenues were derived from our five top selling brands. During the three and six months ended September 30, 2012, approximately 40.3% and 41.3%, respectively, of our total revenues were derived from our five top selling brands. One customer, Walmart, accounted for more than 10% of our gross revenues for each of the periods presented. Walmart accounted for approximately 19.2% and 20.4%, respectively, of our gross revenues for the three and six months ended September 30, 2013, and approximately 16.3% and 18.1%, respectively, of our gross revenues for the three and six months ended September 30, 2012. At September 30, 2013, approximately 19.7% of accounts receivable were owed by the same customer.

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

At September 30, 2013, we had relationships with 50 third-party manufacturers. Of those, we had long-term contracts with 22 manufacturers that produced items that accounted for approximately 77.9% of gross sales for the six months ended September 30, 2013. At September 30, 2012, we had relationships with 61 third-party manufacturers. Of those, we had long-term contracts with 28 manufacturers that produced items that accounted for approximately 84.9% of gross sales for the six months ended September 30, 2012. The fact that we do not have long-term contracts with certain manufacturers means 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, financial condition and results from operations.

19. Business Segments

Segment information has been prepared in accordance with the Segment Reporting topic of the FASB ASC 280. Our current operating and reportable segments consist of (i) OTC Healthcare and (ii) Household Cleaning. There were no inter-segment sales or transfers during any of the periods presented. We evaluate the performance of our operating segments and allocate resources to them based primarily on contribution margin.

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

(In thousands)	Three Months Ended September 30, 2013			Six Months Ended September 30, 2013		
	OTC Healthcare	Household Cleaning	Consolidated	OTC Healthcare	Household Cleaning	Consolidated
Net sales	\$142,454	\$24,550	\$167,004	\$265,222	\$43,883	\$309,105
Other revenues	155	1,283	1,438	312	1,996	2,308
Total revenues	142,609	25,833	168,442	265,534	45,879	311,413
Cost of sales	55,325	18,398	73,723	100,336	32,875	133,211
Gross profit	87,284	7,435	94,719	165,198	13,004	178,202
Advertising and promotion	25,313	731	26,044	43,545	1,639	45,184
Contribution margin	\$61,971	\$6,704	68,675	\$121,653	\$11,365	133,018
Other operating expenses			14,913			29,815
Operating income			53,762			103,203
Other expense			16,439			32,344
Income before income taxes			37,323			70,859
Provision for income taxes			4,531			17,375
Net income			\$32,792			\$53,484

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

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

(In thousands)	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Analgesics	\$ 30,508	\$ 26,106	\$ 58,731	\$ 53,781
Cough & Cold	33,636	32,969	55,218	56,773
Gastrointestinal	22,814	25,329	44,651	49,533
Eye & Ear Care	21,417	21,700	44,119	43,407
Dermatologicals	16,494	15,600	30,426	30,082
Oral Care	13,278	12,549	24,437	23,079
Other OTC	4,462	3,682	7,952	7,465
Total OTC Healthcare Segment	142,609	137,935	265,534	264,120
Household Cleaning Segment	25,833	23,920	45,879	44,732
Consolidated Total Revenues	\$ 168,442	\$ 161,855	\$ 311,413	\$ 308,852

During the three and six months ended September 30, 2013, approximately 86.9% and 87.8%, respectively, of our sales were made to customers in the United States, while during the three and six months ended September 30, 2012, approximately 89.3% and 90.3%, respectively, of our sales were made to 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 and six months ended September 30, 2013, sales to Canada accounted for approximately 7.2% and 7.6%, respectively, of our total revenues, while during the three and six months ended September 30, 2012 approximately 8.1% and 7.3%, respectively, of our total revenue was attributable to sales to Canada.

At September 30, 2013, substantially all of our long-term assets were located in the United States and have been allocated to the operating segments as follows:

(In thousands)	OTC Healthcare	Household Cleaning	Consolidated
Goodwill	\$ 183,669	\$ 7,389	\$ 191,058
Intangible assets			
Indefinite-lived	1,154,255	119,820	1,274,075
Finite-lived	98,746	27,039	125,785
	1,253,001	146,859	1,399,860
	\$ 1,436,670	\$ 154,248	\$ 1,590,918

20. Condensed Consolidating Financial Statements

As described in Note 10, Prestige Brands Holdings, Inc., together with certain of our 100% owned subsidiaries, have 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 2012 Senior Notes and the 2010 Senior Notes, including, without limitation, the obligation to pay principal and interest with respect to the 2012 Senior Notes and the 2010 Senior Notes. The 100% owned subsidiaries of the Company that have guaranteed the 2012 Senior Notes and the 2010 Senior Notes are as follows: Prestige Personal Care Holdings, Inc., Prestige Personal Care, Inc., Prestige Services Corp., Prestige Brands Holdings, Inc. (a Virginia corporation), Prestige Brands International, Inc., Medtech Holdings, Inc., Medtech Products Inc., The Cutex Company, The Spic and Span Company, and Blacksmith Brands, Inc. (collectively, the "Subsidiary Guarantors"). A significant portion of our operating income and cash flow is generated by our subsidiaries. As a result, funds necessary to meet Prestige Brands, Inc.'s debt service obligations are provided in part by distributions or advances from our subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of our subsidiaries, could limit Prestige

Brands, Inc.'s ability to obtain cash from our subsidiaries for the purpose of meeting our debt service obligations, including the payment of principal and interest on the 2012 Senior Notes and the 2010 Senior Notes. Although holders of the 2012 Senior Notes and the 2010 Senior Notes will be direct creditors of the guarantors of the 2012 Senior Notes and the 2010 Senior Notes by virtue of the guarantees, we have indirect subsidiaries located primarily in the United Kingdom and in the Netherlands (collectively, the "Non-Guarantor Subsidiaries") that have not guaranteed the 2012 Senior Notes or the 2010 Senior

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Notes, and such subsidiaries will not be obligated with respect to the 2012 Senior Notes or the 2010 Senior Notes. As a result, the claims of creditors of the Non-Guarantor Subsidiaries will effectively have priority with respect to the assets and earnings of such companies over the claims of the holders of the 2012 Senior Notes and the 2010 Senior Notes.

Presented below are supplemental Condensed Consolidating Balance Sheets as of September 30, 2013 and March 31, 2013, Condensed Consolidating Income and Comprehensive Income Statements for the three and six months ended September 30, 2013 and 2012, and Condensed Consolidating Statements of Cash Flows for the six months ended September 30, 2013 and 2012. Such consolidating information includes separate columns for:

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

The Condensed Consolidating Financial Statements are presented using the equity method of accounting for investments in 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 September 30, 2013

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	\$—	\$25,391	\$134,164	\$7,449	\$—	\$167,004
Other revenues	—	67	1,431	668	(728)	1,438
Total revenues	—	25,458	135,595	8,117	(728)	168,442
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	9,338	61,513	3,600	(728)	73,723
Gross profit	—	16,120	74,082	4,517	—	94,719
Operating Expenses						
Advertising and promotion	—	3,748	20,899	1,397	—	26,044
General and administrative	891	1,481	7,781	1,466	—	11,619
Depreciation and amortization	517	143	2,589	45	—	3,294
Total operating expenses	1,408	5,372	31,269	2,908	—	40,957
Operating income (loss)	(1,408)	10,748	42,813	1,609	—	53,762
Other (income) expense						
Interest income	(12,778)	(14,005)	(710)	(22)	27,490	(25)
Interest expense	8,687	16,464	18,093	710	(27,490)	16,464
Equity in income of subsidiaries	(30,922)	27,475	(1,189)	—	4,636	—
Total other (income) expense	(35,013)	29,934	16,194	688	4,636	16,439
Income before income taxes	33,605	(19,186)	26,619	921	(4,636)	37,323
Provision (benefit) for income taxes	813	922	3,064	(268)	—	4,531
Net income (loss)	\$32,792	\$(20,108)	\$23,555	\$1,189	\$(4,636)	\$32,792
Comprehensive income, net of tax:						
Currency translation adjustments	1,122	—	—	1,122	(1,122)	1,122
Total other comprehensive income (loss)	1,122	—	—	1,122	(1,122)	1,122
Comprehensive income (loss)	\$33,914	\$(20,108)	\$23,555	\$2,311	\$(5,758)	\$33,914

Condensed Consolidating Statements of Income and Comprehensive Income
Six Months Ended September 30, 2013

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	\$—	\$49,650	\$250,783	\$8,672	\$—	\$ 309,105
Other revenues	—	135	2,294	1,102	(1,223)	2,308
Total revenues	—	49,785	253,077	9,774	(1,223)	311,413
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	18,796	111,502	4,136	(1,223)	133,211
Gross profit	—	30,989	141,575	5,638	—	178,202
Operating Expenses						
Advertising and promotion	—	7,188	36,392	1,604	—	45,184
General and administrative	2,390	3,124	16,238	1,501	—	23,253
Depreciation and amortization	1,034	285	5,184	59	—	6,562
Total operating expenses	3,424	10,597	57,814	3,164	—	74,999
Operating income (loss)	(3,424)	20,392	83,761	2,474	—	103,203
Other (income) expense						
Interest income	(24,991)	(28,328)	(710)	(24)	54,025	(28)
Interest expense	17,294	32,372	36,021	710	(54,025)	32,372
Equity in income of subsidiaries	(50,777)	12,922	(1,868)	—	39,723	—
Total other (income) expense	(58,474)	16,966	33,443	686	39,723	32,344
Income before income taxes	55,050	3,426	50,318	1,788	(39,723)	70,859
Provision (benefit) for income taxes	1,566	4,009	11,880	(80)	—	17,375
Net income (loss)	\$53,484	\$(583)	\$38,438	\$1,868	\$(39,723)	\$ 53,484
Comprehensive income, net of tax:						
Currency translation adjustments	1,123	—	—	1,123	(1,123)	1,123
Total other comprehensive income (loss)	1,123	—	—	1,123	(1,123)	1,123
Comprehensive income (loss)	\$54,607	\$(583)	\$38,438	\$2,991	\$(40,846)	\$ 54,607

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

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	\$—	\$26,727	\$133,277	\$1,319	\$—	\$161,323
Other revenues	—	74	524	519	(585)	532
Total revenues	—	26,801	133,801	1,838	(585)	161,855
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	10,175	61,175	545	(585)	71,310
Gross profit	—	16,626	72,626	1,293	—	90,545
Operating Expenses						
Advertising and promotion	—	2,777	20,410	321	—	23,508
General and administrative	895	1,707	9,977	6	—	12,585
Depreciation and amortization	137	139	3,004	16	—	3,296
Total operating expenses	1,032	4,623	33,391	343	—	39,389
Operating income (loss)	(1,032)	12,003	39,235	950	—	51,156
Other (income) expense						
Interest income	(12,242)	(11,061)	—	(54)	23,354	(3)
Interest expense	8,746	28,410	5,861	—	(23,354)	19,663
Equity in income of subsidiaries	(17,738)	(20,995)	(780)	—	39,513	—
Total other (income) expense	(21,234)	(3,646)	5,081	(54)	39,513	19,660
Income before income taxes	20,202	15,649	34,154	1,004	(39,513)	31,496
Provision (benefit) for income taxes	958	(2,080)	12,983	391	—	12,252
Net income	\$19,244	\$17,729	\$21,171	\$613	\$(39,513)	\$19,244
Comprehensive income, net of tax:						
Currency translation adjustments	66	—	—	66	(66)	66
Total other comprehensive income	66	—	—	66	(66)	66
Comprehensive income	\$19,310	\$17,729	\$21,171	\$679	\$(39,579)	\$19,310

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

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	\$—	\$49,949	\$254,934	\$2,360	\$—	\$ 307,243
Other revenues	—	141	1,586	994	(1,112)	1,609
Total revenues	—	50,090	256,520	3,354	(1,112)	308,852
Cost of Sales						
Cost of sales (exclusive of depreciation shown below)	—	18,616	116,210	989	(1,112)	134,703
Gross profit	—	31,474	140,310	2,365	—	174,149
Operating Expenses						
Advertising and promotion	—	5,884	37,330	619	—	43,833
General and administrative	2,724	3,436	22,067	509	—	28,736
Depreciation and amortization	269	280	6,009	33	—	6,591
Total operating expenses	2,993	9,600	65,406	1,161	—	79,160
Operating income (loss)	(2,993)	21,874	74,904	1,204	—	94,989
Other (income) expense						
Interest income	(24,370)	(22,021)	—	(101)	46,487	(5)
Interest expense	17,412	56,926	11,662	—	(46,487)	39,513
Equity in income of subsidiaries	(31,476)	(40,873)	(913)	—	73,262	—
Total other (income) expense	(38,434)	(5,968)	10,749	(101)	73,262	39,508
Income before income taxes	35,441	27,842	64,155	1,305	(73,262)	55,481
Provision (benefit) for income taxes	1,542	(5,069)	24,601	508	—	21,582
Net income	\$33,899	\$32,911	\$39,554	\$797	\$(73,262)	