



Spectrum Brands Holdings Reports Fiscal 2021 Third Quarter Results

August 6, 2021

- **Net Sales Increased 18.1% and Organic Net Sales Increased 12.0%**
- **Net Income from Continuing Operations Decreased \$101.7 Million to \$35.9 Million**
- **Adjusted EBITDA Increased 1.8% to \$167.4 Million**
- **Maintained Strong Financial Flexibility with Over \$600 million of Total Liquidity**
- **Reiterating 2021 Earnings Framework for Net Sales, Adjusted EBITDA and Adjusted Free Cash**
- **Reiterating Total Savings Gross Target from Global Productivity Improvement Program of \$200 Million**

MIDDLETON, Wis.--(BUSINESS WIRE)--Aug. 6, 2021-- Spectrum Brands Holdings, Inc. (NYSE: SPB; "Spectrum Brands" or the "Company"), a leading global branded consumer products and home essentials company focused on driving innovation and providing exceptional customer service, today reported results from continuing operations for the third quarter of fiscal 2021 ended July 4, 2021.

"We again delivered top-line growth in the quarter, and continued to plant seeds for future growth with our investments in innovation, marketing and advertising across each of our businesses. Our Q3 sales grew 18.1%, driven by growth across all business units, with standout growth from Hardware and Home Improvement (HHI). This double-digit top-line performance also reflects 13.8% total company growth against 2019 levels, and reflects our actions over the last few years to reignite the fly wheel of growth for our trusted brands. Turning to the bottom line, Q3 net income from continuing operations was \$34.9 million and adjusted EBITDA was \$167.4 million. The adjusted EBITDA increase was driven by HHI's organic growth. Adjusted EPS grew 15.4% despite headwinds from inflation and incremental investments in marketing and advertising, as our teams continued to focus on driving efficiencies from our Global Productivity Improvement Program (GPIP) and implementing pricing actions. We were also opportunistic this quarter with our share repurchase program, buying back over \$10 million in Spectrum Brands shares," said David Maura, Chairman and Chief Executive Officer of Spectrum Brands.

"Headwinds from inflationary pressures stepped up in the quarter as expected, driven by transportation and commodity costs. Despite these continued headwinds, we remain committed to delivering on our earnings framework, with mid-teens net sales and adjusted EBITDA growth, and adjusted free cash flow of \$260 to \$280 million. We will continue to focus on disciplined execution of our winning playbook, investing in our people, continuing to drive a culture of servant leadership, empowering and resourcing our teams to win in the market place with news and excitement from new product introductions," said Mr. Maura.

Fiscal 2021 Third Quarter Highlights

(in millions, except per share and %)	Three Month Periods Ended			Variance
	July 4, 2021	June 28, 2020		
Net sales	\$ 1,162.8	\$ 984.3	\$ 178.5	18.1 %
Gross profit	407.4	348.9	58.5	16.8 %
Operating income	98.0	94.6	3.4	3.6 %
Net income from continuing operations	35.9	137.6	(101.7)	(73.9%)
Diluted earnings per share from continuing operations	\$ 0.84	\$ 3.18	\$(2.34)	(73.6%)

Non-GAAP Operating Metrics

Adjusted EBITDA from continuing operations	\$ 167.4	\$ 164.4	\$ 3.0	1.8 %
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Adjusted EPS from continuing operations \$ 1.57 \$ 1.36 \$ 0.21 15.4 %

n/m = not meaningful

- Net sales increased 18.1%. Excluding the impact of \$25.9 million of favorable foreign exchange rates and acquisition sales of \$34.3 million, organic net sales increased 12.0%.
- Gross profit margin declined 40 basis points from a year ago due to higher freight and input costs, partially offset by higher volumes, improved efficiencies from our Global Productivity Improvement Program (GPIP) and favorable mix.
- Operating income growth was driven by higher volumes, improved productivity and lower restructuring costs, partially offset by higher freight and input costs and marketing and advertising investments.
- Net income and diluted earnings per share decreases were primarily driven by prior year gains from the Company's previous investment in Energizer common stock and gains from the extinguishment of the Company's Salus CLO debt.
- Adjusted EBITDA increased 1.8% and adjusted EBITDA margins decreased 230 basis points.
- Adjusted diluted EPS improved to \$1.57 due to favorable volumes and improved productivity.
- During the quarter, the Company repurchased 115,167 shares for \$10.2 million.
- The company also successfully closed on the Rejuvenate acquisition for approximately \$300 million on May 28, 2021.

Fiscal 2021 Third Quarter Segment Level Data

Hardware & Home Improvement (HHI)

(in millions, except %)	Three Month Periods Ended			
	July 4, 2021	June 28, 2020	Variance	
Net Sales	\$ 419.0	\$ 281.6	\$ 137.4	48.8 %
Operating Income	61.1	35.0	26.1	74.6 %
Operating Income Margin	14.6 %	12.4 %	220	bps
Adjusted EBITDA	\$ 68.0	\$ 43.6	\$ 24.4	56.0 %
Adjusted EBITDA Margin	16.2 %	15.5 %	70	bps

n/m = not meaningful

Net sales were driven by double-digit growth across all categories during the quarter, with strong consumer demand and successful new product introductions. This was driven by security sales growth, which benefited from prior year COVID-19 related disruptions related to temporary government ordered shutdowns, but also reflects significant growth above 2019 levels with growth across retail, e-commerce and new build channels. Organic net sales increased 46.7% excluding slightly favorable foreign exchange impacts.

Higher operating income, adjusted EBITDA and margins were driven by volume growth and productivity improvements, partially offset by higher freight and input cost inflation and higher marketing investments.

Home & Personal Care (HPC)

(in millions, except %)	Three Month Periods Ended			
	July 4, 2021	June 28, 2020	Variance	
Net Sales	\$ 274.4	\$ 250.6	\$ 23.8	9.5 %
Operating (Loss) Income	(2.4)	11.3	(13.7)	n/m
Operating (Loss) Income Margin	(0.9 %)	4.5 %	(540)	bps

Adjusted EBITDA	\$ 11.8	\$ 25.0	\$(13.2)	(52.8)%
Adjusted EBITDA Margin	4.3	% 10.0	% (570)	) bps

n/m = not meaningful

Net sales were driven by continued strength in the small kitchen appliances and the personal care categories, with notable growth from haircare and garment care products. U.S. sales continued to grow, along with strong growth in Latin America as retail channels began reopening. Excluding favorable foreign exchange impacts of \$13.2 million, organic net sales grew 4.2%.

Lower operating income, adjusted EBITDA, and margins were driven by freight and input cost inflation and continued marketing investments, partially offset by pricing actions, higher volumes and productivity improvements.

Global Pet Care (GPC)

Three Month Periods Ended

(in millions, except %)	July 4, 2021	June 28, 2020	Variance	
Net Sales	\$ 257.3	\$ 241.5	\$ 15.8	6.5 %
Operating Income	27.8	36.4	(8.6)	(23.6)%
Operating Income Margin	10.8	% 15.1	% (430)	) bps
Adjusted EBITDA	\$ 49.2	\$ 50.6	\$(1.4)	(2.8)%
Adjusted EBITDA Margin	19.1	% 21.0	% (190)	) bps

n/m = not meaningful

Higher net sales were attributable to acquisition sales, which drove companion animal category growth. Top-line results were impacted this quarter by lower than anticipated June fulfillment levels from a distribution center transition to a new third party logistics provider, with customer shipment volume returning to pre-transition levels by the end of the quarter. Excluding favorable foreign exchange impacts of \$6.7 million and acquisition sales of \$26.4 million, organic net sales declined 7.2%.

Lower operating income, adjusted EBITDA, and margins were impacted by the distribution center transition, resulting in lower volumes and incremental operating costs in the quarter. Results were also impacted by higher freight and input cost inflation and advertising investments, partially offset by productivity improvements and pricing actions.

Home & Garden (H&G)

Three Month Periods Ended

(in millions, except %)	July 4, 2021	June 28, 2020	Variance	
Net Sales	\$ 212.1	\$ 210.6	\$ 1.5	0.7 %
Operating Income	41.7	50.4	(8.7)	(17.3)%
Operating Income Margin	19.7	% 23.9	% (420)	) bps
Adjusted EBITDA	\$ 53.4	\$ 55.5	\$(2.1)	(3.8)%
Adjusted EBITDA Margin	25.2	% 26.4	% (120)	) bps

n/m = not meaningful

Net sales growth was driven by repellent growth from distribution gains, as well as contributions from sales from Rejuvenate. Sales in herbicides and insecticides were impacted from unfavorable weather. Organic net sales declined 3.0% during the quarter.

Lower operating income, adjusted EBITDA, and margins were driven by lower volumes and higher advertising and marketing investments, partially offset by pricing actions and productivity improvements. Operating income was also impacted by transaction costs related to closing the Rejuvenate acquisition.

Liquidity and Debt

As of the end of the quarter, the Company had a cash balance of \$130 million and approximately \$2,707 million of debt outstanding, consisting of approximately \$2,054 million of senior unsecured notes, \$497 million of term loans and revolver draws and approximately \$156 million of capital leases and other obligations.

Net leverage at the end of the third quarter was 3.6 times, compared to 3.2 times at the end of the previous quarter, as the company successfully closed on the Rejuvenate acquisition for approximately \$300 million.

Fiscal 2021 Earnings Framework

Spectrum Brands continues to expect mid-teens reported net sales growth, with foreign exchange expected to have a positive impact based upon current rates.

The company continues to expect adjusted EBITDA to increase mid-teens, including inflation from transportation and commodity related costs of \$120 to \$130 million year over year. Adjusted free cash flow expectations continue to be between \$260 million and \$280 million, with plans for incremental investments in inventory levels.

Conference Call/Webcast Scheduled for 9:00 A.M. Eastern Time Today

Spectrum Brands will host an earnings conference call and webcast at 9:00 a.m. Eastern Time today, August 6, 2021. To access the live conference call, U.S. participants may call 877-604-7329 and international participants may call 602-563-8688. The conference ID number is 2746997. A live webcast and related presentation slides will be available by visiting the Event Calendar page in the Investor Relations section of Spectrum Brands' website at www.spectrumbrands.com.

A replay of the live webcast also will be accessible through the Event Calendar page in the Investor Relations section of the Company's website. A telephone replay of the conference call will be available through August 20. To access this replay, participants may call 855-859-2056 and use the same conference ID number.

About Spectrum Brands Holdings, Inc.

Spectrum Brands Holdings is a home-essentials company with a mission to make living better at home. We focus on delivering innovative products and solutions to consumers for use in and around the home through our trusted brands. We are a leading supplier of residential locksets, residential builders' hardware, plumbing, shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn and garden and home pest control products, and personal insect repellents. Helping to meet the needs of consumers worldwide, Spectrum Brands offers a broad portfolio of market-leading, well-known and widely trusted brands including Kwikset®, Weiser®, Baldwin®, National Hardware®, Pfister®, Remington®, George Foreman®, Russell Hobbs®, Black+Decker®, Tetra®, DreamBone®, SmartBones®, Nature's Miracle®, 8-in-1®, FURminator®, Healthy-Hide®, Good Boy®, Meowee!®, OmegaOne®, OmegaSea®, Spectracide®, Cutter®, Repel®, Hot Shot®, Rejuvenate®, Black Flag®, and Liquid Fence®. Spectrum Brands, a member of the Russell 1000 index, generated fiscal 2020 net sales of approximately \$4.0 billion.

Non-GAAP Measurements

Management believes that certain non-GAAP financial measures may be useful in providing additional meaningful comparisons between current results and results in prior periods. Management believes that organic net sales provide for a more complete understanding of underlying business trends of regional and segment performance by excluding the impact of currency exchange rate fluctuations and the impact of acquisitions. In addition, within this release, including the supplemental information attached hereto, reference is made to adjusted diluted EPS, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA margin and adjusted free cash flow. Adjusted EBITDA is a metric used by management to evaluate segment performance and frequently used by the financial community which provides insight into an organization's operating trends and facilitates comparisons between peer companies, since interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA also is one of the measures used for determining compliance with the Company's debt covenants. Adjusted EBITDA excludes certain items that are unusual in nature or not comparable from period to period. Adjusted EBITDA margin reflects adjusted EBITDA as a percentage of net sales of the Company. The Company's management uses adjusted diluted EPS as one means of analyzing the Company's current and future financial performance and identifying trends in its financial condition and results of operations. Management believes that adjusted diluted EPS is a useful measure for providing further insight into our operating performance because it eliminates the effects of certain items that are not comparable from one period to the next. An income tax adjustment is included in adjusted diluted EPS to exclude the impact of the valuation allowance against deferred taxes and other tax-related items in order to reflect a normalized ongoing effective tax rate. Adjusted free cash flow provides useful information to investors regarding our ability to generate cash flow from business operations that is available for acquisitions and other investments, service of debt principal, dividends and share repurchases and meet its working capital requirements. Our definition of adjusted free cash flow takes into consideration capital investments required to maintain operations of our businesses and execute our strategy. The Company provides this information to investors to assist in comparisons of past, present and future operating results and to assist in highlighting the results of on-going operations. While the Company's management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace the Company's GAAP financial results and should be read in conjunction with those GAAP results. Other Supplemental Information has been provided to demonstrate reconciliation of non-GAAP measurements discussed above to most relevant GAAP financial measurements

Forward-Looking Statements

We have made, implied or incorporated by reference certain forward-looking statements in this document including, without limitation, statements regarding the Company's share repurchase program, for which the manner of purchase, the number of shares to be purchased and the timing of

purchases will be based on a number of factors including the price of the Company's common stock, general business and market conditions and applicable legal requirements, and is subject to the discretion of the Company's management and may be commenced, suspended or discontinued at any time. All statements, other than statements of historical facts included or incorporated by reference in this document, without limitation, statements or expectations regarding our Global Productivity Improvement Program, our business strategy, future operations, financial condition, estimated revenues, projected costs, projected synergies, prospects, plans and objectives of management, information concerning expected actions of third parties, retention and future compensation of key personnel, our ability to meet environmental, social, and governance goals, the expected impact of the COVID-19 pandemic, economic, social, and political conditions or civil unrest in the U.S. and other countries, and other statements regarding the Company's ability to meet its expectations for its fiscal 2021 are forward-looking statements. When used in this document, the words future, anticipate, pro forma, seeks, intend, plan, envision, estimate, believe, belief, expect, project, forecast, outlook, goal, target, could, would, will, can, should, may and similar expressions are also intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Since these forward-looking statements are based upon our current expectations of future events and projections and are subject to a number of risks and uncertainties, many of which are beyond our control and some of which may change rapidly, actual results or outcomes may differ materially from those expressed or implied herein, and you should not place undue reliance on these statements. Important factors that could cause our actual results to differ materially from those expressed or implied herein include, without limitation: (1) the impact of the COVID-19 pandemic on our customers, employees, manufacturing facilities, suppliers, the capital markets and our financial condition, and results of operations, all of which tend to aggravate the other risks and uncertainties we face; (2) the impact of our indebtedness on our business, financial condition and results of operations; (3) the impact of restrictions in our debt instruments on our ability to operate our business, finance our capital needs or pursue or expand business strategies; (4) any failure to comply with financial covenants and other provisions and restrictions of our debt instruments; (5) the effects of general economic conditions, including the impact of, and changes to tariffs and trade policies, inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or monetary or fiscal policies in the countries where we do business; (6) the impact of fluctuations in transportation and shipment costs, commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers' willingness to advance credit; (7) interest rate and exchange rate fluctuations; (8) the loss of, significant reduction in, or dependence upon, sales to any significant retail customer(s); (9) competitive promotional activity or spending by competitors, or price reductions by competitors; (10) the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands; (11) the impact of actions taken by significant stockholders; (12) changes in consumer spending preferences and demand for our products, particularly in light of the COVID-19 pandemic and economic stress; (13) our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties; (14) our ability to successfully identify, implement, achieve and sustain productivity improvements (including our Global Productivity Improvement Program), cost efficiencies (including at our manufacturing and distribution operations) and cost savings; (15) the seasonal nature of sales of certain of our products; (16) the effects of climate change and unusual weather activity, as well as further natural disasters and pandemics; (17) the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations); (18) our discretion to conduct, suspend or discontinue our share repurchase program (including our discretion to conduct purchases, if any, in a variety of manners including open-market purchases or privately negotiated transactions); (19) public perception regarding the safety of products that we manufacture and sell, including the potential for environmental liabilities, product liability claims, litigation and other claims related to products manufactured by us and third parties; (20) the impact of existing, pending or threatened litigation, government regulations or other requirements or operating standards applicable to our business; (21) the impact of cybersecurity breaches or our actual or perceived failure to protect company and personal data, including our failure to comply with new and increasingly complex global data privacy regulations; (22) changes in accounting policies applicable to our business; (23) our ability to utilize net operating loss carry-forwards to offset tax liabilities from future taxable income; (24) the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities; (25) our ability to successfully implement further acquisitions or dispositions and the impact of any such transactions on our financial performance; (26) the unanticipated loss of key members of senior management and the transition of new members of our management teams to their new roles; (27) the impact of economic, social and political conditions or civil unrest in the U.S. and other countries; (28) the effects of political or economic conditions, terrorist attacks, acts of war, natural disasters, public health concerns or other unrest in international markets; (29) our ability to achieve our goals regarding environmental, social and governance practices; (30) our increased reliance on third party partners, suppliers, and distributors to achieve our business objectives; and (31) the other risk factors set forth in the securities filings of Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC, including our fiscal 2020 Annual Report and subsequent Quarterly Reports on Form 10-Q.

Some of the above-mentioned factors are described in further detail in the sections entitled "Risk Factors" in our annual and quarterly reports, as applicable. You should assume the information appearing in this document is accurate only as of the date hereof, or as otherwise specified, as our business, financial condition, results of operations and prospects may have changed since such date. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the United States Securities and Exchange Commission, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

SPECTRUM BRANDS HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Month Periods Ended		Nine Month Periods Ended	
(in millions, except per share amounts)	July 4, 2021	June 28, 2020	July 4, 2021	June 28, 2020
Net Sales	\$ 1,162.8	\$ 984.3	\$ 3,457.5	\$ 2,793.6

Cost of goods sold	755.1	635.7	2,222.1	1,834.2
Restructuring and related charges	0.3	(0.3	) 1.7	12.5
Gross profit	407.4	348.9	1,233.7	946.9
Selling	189.8	141.3	529.8	437.4
General and administrative	85.6	83.6	266.4	245.7
Research and development	13.1	9.7	36.1	29.7
Restructuring and related charges	9.8	12.5	21.7	49.1
Transaction related charges	11.1	6.1	41.4	17.4
Loss on assets held for sale	—	1.1	—	26.8
Write-off from impairment of intangible assets	—	—	—	24.2
Total operating expenses	309.4	254.3	895.4	830.3
Operating income	98.0	94.6	338.3	116.6
Interest expense	31.4	36.1	133.7	106.5
Gain from extinguishment of Salus CLO debt	—	(76.2	) —	(76.2
Other non-operating expense (income), net	3.0	(56.5	) (4.6	) 10.2
Income from continuing operations before income taxes	63.6	191.2	209.2	76.1
Income tax expense	27.7	53.6	63.3	35.3
Net income from continuing operations	35.9	137.6	145.9	40.8
(Loss) income from discontinued operations, net of tax	(5.2	) 8.0	(6.6	) 12.2
Net income	30.7	145.6	139.3	53.0
Net income (loss) attributable to non-controlling interest	—	0.5	(0.1	) 0.6
Net income attributable to controlling interest	\$ 30.7	\$ 145.1	\$ 139.4	\$ 52.4
Amounts attributable to controlling interest				
Net income from continuing operations attributable to controlling interest	\$ 35.9	\$ 137.1	\$ 146.0	\$ 40.2
Net (loss) income from discontinued operations attributable to controlling interest	(5.2	) 8.0	(6.6	) 12.2
Net income attributable to controlling interest	\$ 30.7	\$ 145.1	\$ 139.4	\$ 52.4

Earnings Per Share

Basic earnings per share from continuing operations	\$ 0.84	\$ 3.19	\$ 3.42	\$ 0.89
Basic earnings per share from discontinued operations	(0.12	) 0.18	(0.15	) 0.27
Basic earnings per share	\$ 0.72	\$ 3.37	\$ 3.27	\$ 1.16
Diluted earnings per share from continuing operations	\$ 0.84	\$ 3.18	\$ 3.40	\$ 0.89
Diluted earnings per share from discontinued operations	(0.12	) 0.18	(0.15	) 0.27
Diluted earnings per share	\$ 0.72	\$ 3.36	\$ 3.25	\$ 1.16

Weighted Average Shares Outstanding

Basic	42.6	43.1	42.7	45.3
Diluted	42.9	43.2	42.9	45.4

SPECTRUM BRANDS HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

(in millions)	Nine Month Periods Ended	
	July 4, 2021	June 28, 2020
Cash flows from operating activities		
Net cash provided by operating activities from continuing operations	\$ 24.8	\$ 35.4
Net cash used by operating activities from discontinued operations	(15.9) —
Net cash provided by operating activities	8.9	35.4
Cash flows from investing activities		
Purchases of property, plant and equipment	(43.3	) (44.5
Proceeds from disposal of property, plant and equipment	—	0.7
Proceeds from sale of assets held for sale	—	30.1
Proceeds from sale of discontinued operations, net of cash	—	3.6
Business acquisitions, net of cash acquired	(429.5	) (17.0
Proceeds from sale of equity investment	73.1	68.0
Other investing activity	(0.4	) 2.5
Net cash (used) provided by investing activities from continuing operations	(400.1	) 43.4

Cash flows from financing activities

Payment of debt, including premium on extinguishment	(885.3	) (132.7)
Proceeds from issuance of debt	997.0	528.0	
Payment of debt issuance costs	(12.6	) (0.8)
Payment of contingent consideration	—	(197.0)
Treasury stock purchases	(52.5	) (239.8)
Accelerated share repurchase	—	(125.0)
Dividends paid to shareholders	(53.6	) (57.2)
Dividends paid by subsidiary to non-controlling interest	(1.3) —	
Share based award tax withholding payments, net of proceeds upon vesting	(7.2	) (12.6)
Other financing activity	0.3	—	
Net cash used by financing activities	(15.2	) (237.1)
Effect of exchange rate changes on cash and cash equivalents	5.0	—	
Net change in cash, cash equivalents and restricted cash in continuing operations	(401.4	) (158.3)
Cash, cash equivalents, and restricted cash, beginning of period	533.8	627.1	
Cash, cash equivalents, and restricted cash, end of period	\$ 132.4	\$ 468.8	

SPECTRUM BRANDS HOLDINGS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)**

(in millions)	July 4, 2021	September 30, 2020
Assets		
Cash and cash equivalents	\$ 130.2	\$ 531.6
Trade receivables, net	479.5	501.1
Other receivables	75.0	74.2
Inventories	908.3	557.7
Prepaid expenses and other current assets	81.9	63.5
Total current assets	1,674.9	1,728.1

Property, plant and equipment, net	390.6	396.5
Operating lease assets	118.3	103.8
Deferred charges and other	51.0	115.2
Goodwill	1,583.9	1,332.0
Intangible assets, net	1,605.9	1,431.7
Total assets	\$ 5,424.6	\$ 5,107.3

Liabilities and Shareholders' Equity

Current portion of long-term debt	\$ 17.7	\$ 15.3
Accounts payable	522.5	557.5
Accrued wages and salaries	89.8	95.0
Accrued interest	36.0	38.5
Other current liabilities	266.9	238.6
Total current liabilities	932.9	944.9
Long-term debt, net of current portion	2,651.1	2,461.0
Long-term operating lease liabilities	99.7	88.8
Deferred income taxes	105.1	65.4
Other long-term liabilities	127.6	131.4
Total liabilities	3,916.4	3,691.5
Shareholders' equity	1,500.9	1,407.5
Non-controlling interest	7.3	8.3
Total equity	1,508.2	1,415.8
Total liabilities and equity	\$ 5,424.6	\$ 5,107.3

SPECTRUM BRANDS HOLDINGS, INC. OTHER SUPPLEMENTAL INFORMATION (Unaudited)

ADJUSTED DILUTED EPS

We define adjusted diluted EPS as reported diluted EPS excluding the effect of one-time, non-recurring activity and volatility associated with our income tax expense. The Company believes that adjusted diluted EPS provides further insight and comparability in operating performance as it eliminates the effects of certain items that are not comparable from one period to the next. Adjustments to diluted EPS include the following:

- Restructuring and related charges, which consist of project costs associated with the restructuring initiatives across the Company's segments;
- Transaction related charges that consist of (1) transaction costs from qualifying acquisition transactions during the period,

or subsequent integration related project costs directly associated with an acquired business; and (2) divestiture related transaction costs that are recognized in continuing operations and post-divestiture separation costs consisting of incremental costs to facilitate separation of shared operations, including development of transferred shared service operations, platforms and personnel transferred as part of the divestitures and exiting of transition service arrangements (TSAs) and reverse TSAs;

- Incremental interest costs recognized for the early extinguishment debt, including the cash payment of premium from early extinguishment and non-cash write-off of debt issuance costs during the nine month periods ended July 4, 2021 and June 28, 2020;
- Gains and losses attributable to the Company's investment in Energizer common stock. During the three month period ended April 4, 2021, the Company sold its remaining shares in Energizer common stock;
- Non-cash purchase accounting inventory adjustments recognized in earnings from continuing operations subsequent to an acquisition (when applicable);
- Non-cash asset impairments or write-offs realized and recognized in earnings from continuing operations (when applicable);
- Gain on extinguishment of the Salus CLO debt due to the discharge of the obligation during the three and nine month period ended June 28, 2020;
- Other adjustments primarily consisting of costs attributable to (1) incremental fines and penalties realized for delayed shipments following the transition of third-party logistics service provider in GPC during the three and nine month period ended July 4, 2021; (2) proposed settlement on outstanding litigation matters at our H&G division attributable to significant and unusual non-recurring claims with no previous history or precedent realized during the nine month period ended July 4, 2021; (3) legal costs associated with Salus during the three and nine month period ended June 28, 2020 as they are not considered a component of the continuing commercial products company; (4) foreign currency attributable to multicurrency loans for the three and nine month period ended June 28, 2020, that were entered into with foreign subsidiaries in exchange for receipt of divestiture proceeds by the parent company and the distribution of the respective foreign subsidiaries' net assets as part of the GBL and GAC divestitures; (5) expenses and cost recovery for flood damage at Company facilities in Middleton, Wisconsin during the three and nine month period ended June 28, 2020 and (6) incremental costs for separation of a key executive during the three and nine month periods ended June 28, 2020.
- Income tax adjustment to diluted EPS is to exclude the impact of adjusting the valuation allowance against deferred taxes and other tax related items in order to reflect a normalized ongoing effective tax rate of 25.0% for the three and nine month periods ended July 4, 2021 and June 28, 2020 based upon enacted corporate tax rate in the United States.

The following is a reconciliation of reported diluted EPS from continuing operations to adjusted diluted EPS from continuing operations for the three and nine month periods ended July 4, 2021 and June 28, 2020.

	Three Month Periods Ended		Nine Month Periods Ended	
	July 4, 2021	June 28, 2020	July 4, 2021	June 28, 2020
Diluted EPS from continuing operations, as reported	\$ 0.84	\$ 3.18	\$ 3.40	\$ 0.89
Adjustments:				
Restructuring and related charges	0.24	0.28	0.54	1.36
Transaction related charges	0.26	0.14	0.96	0.38
Debt refinancing costs	—	—	0.73	0.06
(Gain) loss on Energizer investment	—	(1.39)	(0.16)	0.18
Loss on assets held for sale	—	0.03	—	0.59
Write-off from impairment of intangible assets	—	—	—	0.53
Salus CLO debt extinguishment	—	(1.76)	—	(1.68)
Inventory acquisition step-up	0.03	—	0.11	—

Other	0.08	0.10	0.24	0.13
Income tax adjustment	0.12	0.78	(0.35)	(0.03)
Total adjustments	0.73	(1.82)	2.07	1.52
Diluted EPS from continuing operations, as adjusted \$	1.57	\$ 1.36	\$ 5.47	\$ 2.41

SPECTRUM BRANDS HOLDINGS, INC.
OTHER SUPPLEMENTAL INFORMATION (Unaudited)

ADJUSTED DILUTED EPS (continued)

The following summarizes restructuring and related charges for the three and nine month periods ended July 4, 2021 and June 28, 2020:

	Three Month Periods Ended		Nine Month Periods Ended	
(in millions)	July 4, 2021	June 28, 2020	July 4, 2021	June 28, 2020
Global productivity improvement program	\$ 4.8	\$ 12.2	15.7	60.1
Other restructuring activities	5.3	—	7.7	1.5
Total restructuring and related charges	\$ 10.1	\$ 12.2	\$ 23.4	\$ 61.6

The following summarizes transaction related charges for the three and nine month periods ended July 4, 2021 and June 28, 2020:

	Three Month Periods Ended		Nine Month Periods Ended	
(in millions)	July 4, 2021	June 28, 2020	July 4, 2021	June 28, 2020
Rejuvenate acquisition and integration	\$ 5.8	\$ —	\$ 5.8	\$ —
Armitage acquisition and integration	1.0	—	7.7	—
Coevorden operations divestiture and separation	2.9	1.7	7.7	3.4
GBL divestiture and separation	0.3	2.5	3.0	7.6
Omega Sea acquisition and integration	—	0.1	0.2	1.5
Other	1.1	1.8	17.0	4.9
Total transaction related charges	\$ 11.1	\$ 6.1	\$ 41.4	\$ 17.4

NET SALES AND ORGANIC NET SALES

The following is a summary of net sales by segment for the three and nine month periods ended July 4, 2021 and June 28, 2020:

	Three Month Periods Ended			Nine Month Periods Ended		
(in millions, except %)	July 4, 2021	June 28, 2020	Variance	July 4, 2021	June 28, 2020	Variance
HHI	\$ 419.0	\$ 281.6	137.4 48.8%	\$ 1,217.2	\$ 908.4	308.8 34.0%

HPC	274.4	250.6	23.8	9.5 %	950.8	805.4	145.4	18.1 %
GPC	257.3	241.5	15.8	6.5 %	826.3	684.2	142.1	20.8 %
H&G	212.1	210.6	1.5	0.7 %	463.2	395.6	67.6	17.1 %
Net Sales	\$ 1,162.8	\$ 984.3	178.5	18.1 %	\$ 3,457.5	\$ 2,793.6	663.9	23.8 %

We define organic net sales as reported net sales excluding the effect of changes in foreign currency exchange rates and acquisitions. We believe this non-GAAP measure provides useful information to investors because it reflects regional and operating segment performance from our activities without the effect of changes in currency exchange rate and/or acquisitions. We use organic net sales as one measure to monitor and evaluate our regional and segment performance. Organic growth is calculated by comparing organic net sales to reported net sales in the prior year. The effect of changes in currency exchange rates is determined by translating the period's net sales using the currency exchange rates that were in effect during the prior period. Net sales are attributed to the geographic regions based on the country of destination. We exclude net sales from acquired businesses in the current year for which there are no comparable sales in the prior period. The following is a reconciliation of reported sales to organic sales for the three and nine month period ended July 4, 2021 compared to reported net sales for the three and nine month period ended June 28, 2020:

July 4, 2021

Three Month Periods Ended (in millions, except %)	Net Sales	Effect of Changes in Currency	Net Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Net Sales	Net Sales June 28, 2020	Variance
HHI	\$ 419.0	\$ (6.0)	\$ 413.0	\$ —	\$ 413.0	\$ 281.6	\$ 131.4 46.7 %
HPC	274.4	(13.2)	261.2	—	261.2	250.6	10.6 4.2 %
GPC	257.3	(6.7)	250.6	(26.4)	224.2	241.5	(17.3)(7.2)%
H&G	212.1	—	212.1	(7.9)	204.2	210.6	(6.4)(3.0)%
Total	\$ 1,162.8	\$ (25.9)	\$ 1,136.9	\$ (34.3)	\$ 1,102.6	\$ 984.3	\$ 118.3 12.0 %

July 4, 2021

Nine Month Periods Ended (in millions, except %)	Net Sales	Effect of Changes in Currency	Net Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Net Sales	Net Sales June 28, 2020	Variance
HHI	\$ 1,217.2	\$ (10.6)	\$ 1,206.6	\$ —	\$ 1,206.6	\$ 908.4	\$ 298.2 32.8 %
HPC	950.8	(27.4)	923.4	—	923.4	805.4	118.0 14.7 %
GPC	826.3	(17.0)	809.3	(73.5)	735.8	684.2	51.6 7.5 %
H&G	463.2	—	463.2	(7.9)	455.3	395.6	59.7 15.1 %
Total	\$ 3,457.5	\$ (55.0)	\$ 3,402.5	\$ (81.4)	\$ 3,321.1	\$ 2,793.6	\$ 527.5 18.9 %

SPECTRUM BRANDS HOLDINGS, INC. OTHER SUPPLEMENTAL INFORMATION (Unaudited)

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization) is a non-GAAP metric used by management that we believe provides

useful information to investors because it reflects ongoing operating performance and trends of our segments excluding certain non-cash based expenses and/or non-recurring items during each of the comparable periods and facilitates comparisons between peer companies since interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Further, adjusted EBITDA is a measure used for determining the Company's debt covenant. EBITDA is calculated by excluding the Company's income tax expense, interest expense, depreciation expense and amortization expense (from intangible assets) from net income. Adjusted EBITDA further excludes the following:

- Stock based and other incentive compensation costs that consist of costs associated with long-term compensation arrangements and other equity based compensation based upon achievement of long-term performance metrics; and generally consist of non-cash, stock-based compensation. During the nine month period ended July 4, 2021 and three and nine month periods ended June 28, 2020, other incentive compensation includes certain incentive bridge awards issued due to changes in the Company's LTIP that allow for cash based payment upon employee election but do not qualify for shared-based compensation. All bridge awards fully vested in November 2020;
- Restructuring and related charges, which consist of project costs associated with the restructuring initiatives across the Company's segments;
- Transaction related charges that consist of (1) transaction costs from qualifying acquisition transactions during the period, or subsequent integration related project costs directly associated with an acquired business; and (2) divestiture related transaction costs that are recognized in continuing operations and post-divestiture separation costs consisting of incremental costs to facilitate separation of shared operations, including development of transferred shared service operations, platforms and personnel transferred as part of the divestitures and exiting of transition service arrangements (TSAs) and reverse TSAs;
- Gains and losses attributable to the Company's investment in Energizer common stock. During the three month period ended April 4, 2021, the Company sold its remaining shares in Energizer common stock;
- Non-cash purchase accounting inventory adjustments recognized in earnings from continuing operations subsequent to an acquisition (when applicable);
- Non-cash asset impairments or write-offs realized and recognized in earnings from continuing operations (when applicable);
- Gain on extinguishment of the Salus CLO debt due to the discharge of the obligation during the three and nine month period ended June 28, 2020.
- Other adjustments primarily consisting of costs attributable to (1) incremental fines and penalties realized for delayed shipments following the transition of third-party logistics service provider in GPC during the three and nine month periods ended July 4, 2021; (2) proposed settlement on outstanding litigation matters at our H&G division attributable to significant and unusual non-recurring claims with no previous history or precedent realized during the nine month period ended July 4, 2021; (3) legal costs associated with Salus during the three and nine month periods ended July 4, 2021 and June 28, 2020 as they are not considered a component of the continuing commercial products company; (4) foreign currency attributable to multicurrency loans for the three and nine month period ended June 28, 2020, that were entered into with foreign subsidiaries in exchange for receipt of divestiture proceeds by the parent company and the distribution of the respective foreign subsidiaries' net assets as part of the GBL and GAC divestitures; (5) expenses and cost recovery for flood damage at Company facilities in Middleton, Wisconsin during the three and nine month period ended June 28, 2020 and (6) incremental costs for separation of a key executive during the three and nine month period ended June 28, 2020.

Adjusted EBITDA margin is calculated as adjusted EBITDA as a percentage of reported net sales for the respective periods.

SPECTRUM BRANDS HOLDINGS, INC.
OTHER SUPPLEMENTAL INFORMATION (Unaudited)

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN (continued)

The following is a reconciliation of reported net income (loss) from continuing operations to adjusted EBITDA for the three month periods ended July 4, 2021 and June 28, 2020, including the calculation of adjusted EBITDA margin for each of the respective periods.

Three Month Period Ended July 4, 2021	HHI	HPC	GPC	H&G	Corporate	Consolidated
(in millions, except %)						
Net income (loss) from continuing operations	\$ 59.6	\$ (2.7)	\$ 27.3	\$ 41.7	\$ (90.0)	\$ 35.9
Income tax expense	—	—	—	—	27.7	27.7
Interest expense	—	—	—	—	31.4	31.4
Depreciation and amortization	8.4	11.7	10.4	4.5	3.6	38.6

EBITDA	68.0	9.0	37.7	46.2	(27.3)	133.6
Share and incentive based compensation	—	—	—	—	7.5	7.5
Restructuring and related charges	—	2.1	3.9	—	4.1	10.1
Transaction related charges	—	0.7	4.0	5.8	0.6	11.1
Inventory acquisition step-up	—	—	—	1.3	—	1.3
Other	—	—	3.6	0.1	0.1	3.8
Adjusted EBITDA	\$ 68.0	\$ 11.8	\$ 49.2	\$ 53.4	\$ (15.0)	\$ 167.4
Net Sales	\$ 419.0	\$ 274.4	\$ 257.3	\$ 212.1	\$ —	\$ 1,162.8
Adjusted EBITDA Margin	16.2	% 4.3	% 19.1	% 25.2	% —	14.4 %

Three Month Period Ended June 28, 2020

(in millions, except %)

	HHI	HPC	GPC	H&G	Corporate	Consolidated
Net income from continuing operations	\$ 34.8	\$ 12.9	\$ 35.8	\$ 50.4	\$ 3.7	\$ 137.6
Income tax expense	—	—	—	—	53.6	53.6
Interest expense	—	—	—	—	36.1	36.1
Depreciation and amortization	8.5	8.7	9.2	5.1	3.5	35.0
EBITDA	43.3	21.6	45.0	55.5	96.9	262.3
Share and incentive based compensation	—	—	—	—	14.2	14.2
Restructuring and related charges	0.3	0.7	2.1	—	9.1	12.2
Transaction related charges	—	3.0	2.4	—	0.7	6.1
Gain on Energizer investment	—	—	—	—	(60.1)	(60.1)
Loss on assets held for sale	—	—	1.1	—	—	1.1
Salus CLO debt extinguishment	—	—	—	—	(76.2)	(76.2)
Other	—	(0.3)	—	—	5.1	4.8
Adjusted EBITDA	\$ 43.6	\$ 25.0	\$ 50.6	\$ 55.5	\$ (10.3)	\$ 164.4
Net Sales	\$ 281.6	\$ 250.6	\$ 241.5	\$ 210.6	\$ —	\$ 984.3
Adjusted EBITDA Margin	15.5	% 10.0	% 21.0	% 26.4	% —	% 16.7 %

SPECTRUM BRANDS HOLDINGS, INC.
OTHER SUPPLEMENTAL INFORMATION (Unaudited)

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN (continued)

The following is a reconciliation of reported net income (loss) to adjusted EBITDA for the nine month periods ended July 4, 2021 and June 28, 2020, including the calculation of adjusted EBITDA margin for each of the respective periods.

Nine Month Period Ended July 4, 2021						
(in millions, except %)	HHI	HPC	GPC	H&G	Corporate	Consolidated
Net income from continuing operations	\$ 214.1	\$ 46.4	\$ 99.9	\$ 71.1	\$ (285.6)	\$ 145.9
Income tax expense	—	—	—	—	63.3	63.3
Interest expense	—	—	—	—	133.7	133.7
Depreciation and amortization	25.5	32.3	29.8	14.4	11.0	113.0
EBITDA	239.6	78.7	129.7	85.5	(77.6)	455.9
Share and incentive based compensation	—	—	—	—	24.2	24.2
Restructuring and related charges	—	6.2	6.0	—	11.2	23.4
Transaction related charges	—	3.2	15.7	5.8	16.7	41.4
Gain on Energizer investment	—	—	—	—	(6.9)	(6.9)
Inventory acquisition step-up	—	—	3.4	1.3	—	4.7
Other	—	—	3.7	6.0	—	9.7
Adjusted EBITDA	\$ 239.6	\$ 88.1	\$ 158.5	\$ 98.6	\$ (32.4)	\$ 552.4
Net Sales	\$ 1,217.2	\$ 950.8	\$ 826.3	\$ 463.2	\$ —	\$ 3,457.5
Adjusted EBITDA Margin	19.7 %	9.3 %	19.2 %	21.3 %	— %	16.0 %
Nine Month Period Ended June 28, 2020						
(in millions, except %)	HHI	HPC	GPC	H&G	Corporate	Consolidated
Net income from continuing operations	\$ 130.0	\$ 31.5	\$ 9.7	\$ 64.9	\$ (195.3)	\$ 40.8
Income tax expense	—	—	—	—	35.3	35.3
Interest expense	—	—	—	—	106.5	106.5
Depreciation and amortization	25.1	26.5	35.1	15.4	11.0	113.1
EBITDA	155.1	58.0	44.8	80.3	(42.5)	295.7
Share and incentive based compensation	—	—	—	—	43.3	43.3
Restructuring and related charges	0.9	3.6	18.8	0.3	38.0	61.6

Transaction related charges	—	7.3	7.4	—	2.7	17.4
Loss on Energizer investment	—	—	—	—	8.2	8.2
Loss on assets held for sale	—	—	26.8	—	—	26.8
Write-off from impairment of intangible assets	—	—	24.2	—	—	24.2
Salus CLO debt extinguishment	—	—	—	—	(76.2)	(76.2)
Other	—	0.5	0.1	—	5.4	6.0
Adjusted EBITDA	\$ 156.0	\$ 69.4	\$ 122.1	\$ 80.6	\$ (21.1)	\$ 407.0
Net Sales	\$ 908.4	\$ 805.4	\$ 684.2	\$ 395.6	\$ —	\$ 2,793.6
Adjusted EBITDA Margin	17.2 %	8.6 %	17.8 %	20.4 %	— %	14.6 %

SPECTRUM BRANDS HOLDINGS, INC.
OTHER SUPPLEMENTAL INFORMATION (Unaudited)

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN (continued)

Compensation Program Change

During the fourth quarter ended September 30, 2020, the Company made a change to its annual management incentive plans ("MIP") payout that previously provided for the issuance of stock for a designated pool of recipients in lieu of cash. The annual MIP payout was fully funded through cash distributions with no stock issuance. Our operating performance metric of Adjusted EBITDA excludes any consideration for stock-based compensation expense. Additionally, the Company had historically recognized all stock based compensation costs in the prior periods.

The program change continued into fiscal 2021 and beyond. Any MIP payouts will be paid in cash and reflected as a reduction to EBITDA and Adjusted EBITDA. Beginning in fiscal 2021, the Company has recognized a portion of the MIP compensation as a component of the segment EBITDA which may impact comparability of segment results with the three and nine month periods ended June 28, 2020. Although not expected to be material to operating results, we have included proforma financial information below to reflect the compensation charge related to the compensation program change as if it were not considered stock compensation at the beginning of 2020 fiscal year and have allocated it to the segment EBITDA for the three and nine month periods ended June 28, 2020 for comparability.

Three month period ended June 28, 2020

(in millions)	HHI	HPC	GPC	H&G	Corporate	Consolidated
Adjusted EBITDA	\$ 43.6	\$ 25.0	\$ 50.6	\$ 55.5	\$ (10.3)	\$ 164.4
Proforma compensation program change	(0.6)	(0.4)	(0.4)	(0.2)	(2.7)	(4.3)
Proforma Adjusted EBITDA	\$ 43.0	\$ 24.6	\$ 50.2	\$ 55.3	\$ (13.0)	160.1

Nine month period ended June 28, 2020

(in millions)	HHI	HPC	GPC	H&G	Corporate	Consolidated
Adjusted EBITDA	\$ 156.0	\$ 69.4	\$ 122.1	\$ 80.6	\$ (21.1)	407.0
Proforma compensation program change	(1.8)	(1.2)	(1.1)	(0.7)	(7.9)	(12.7)
Proforma Adjusted EBITDA	\$ 154.2	\$ 68.2	\$ 121.0	\$ 79.9	\$ (29.0)	\$ 394.3

SPECTRUM BRANDS HOLDINGS, INC.
OTHER SUPPLEMENTAL INFORMATION (Unaudited)

FORECASTED ADJUSTED FREE CASH FLOW

The following is a reconciliation of the forecasted net cash flow from operating activities to adjusted free cash flow for the year ending September 30, 2021.

(in millions)	September 30, 2021
Net cash flow from operating activities	280 - 300
Purchases of property, plant and equipment	(70) - (80)
Transaction related costs and taxes	50 - 60
Adjusted free cash flow	260 - 280

View source version on [businesswire.com](https://www.businesswire.com/news/home/20210806005048/en/): <https://www.businesswire.com/news/home/20210806005048/en/>

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Source: Spectrum Brands Holdings, Inc.