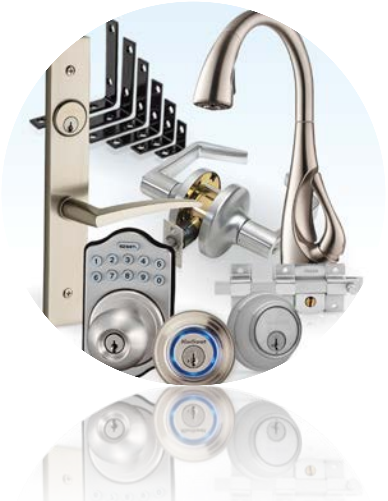
Spectrum Brands

# Fiscal 2019 Second Quarter Earnings Call

May 8, 2019





# Agenda

| | |
|---|---|
| • **Introduction** | Dave Prichard<br>Vice President, Investor Relations |
| • **CEO Overview and Outlook** | David Maura<br>Chairman and Chief Executive Officer |
| • **Financial and Business Unit Review** | Doug Martin<br>Chief Financial Officer |
| • **Q&A** | David Maura<br>Doug Martin |

# Forward-Looking Statements

Certain matters discussed in this presentation, with the exception of historical matters, may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, regarding our business strategy, future operations, financial condition, estimated revenues, projected costs, projected synergies, prospects, plans and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements. These statements are subject to a number of risks and uncertainties that could cause results to differ materially from those anticipated as of the date of this presentation. Important factors that could cause our actual results to differ materially from those expressed or implied herein include, without limitation: our ability to manage and otherwise comply with our covenants with respect to our significant outstanding indebtedness or maintain our credit ratings; changes and developments in external competitive market factors, such as introduction of new product features or technological developments; development of new competitors or competitive brands or competitive promotional activity or spending or industry consolidation; the cost and effect of unanticipated legal, tax or regulatory proceedings or new accounting policies, laws or regulations (including environmental, public health and consumer protection regulations); seasonality of our products and changes in consumer demand for the various types of products we offer resulting in the loss of, or a significant reduction in, sales to significant retail customers; our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties; public perception regarding the safety of our products, including the potential for environmental liabilities, product liability claims, litigation and other claims; unfavorable developments in the global credit markets; the impact of overall economic conditions, terrorist attacks, acts of war or other unrest in international markets on consumer spending; fluctuations in commodities prices, supply shortages, the costs or availability of raw materials or terms and conditions available from suppliers; changes in the general economic conditions in countries and regions where we do business, such as stock market prices, interest rates, currency exchange rates, inflation and consumer spending; our ability to successfully implement manufacturing, distribution and other cost efficiencies and to continue to benefit from our cost-cutting initiatives; the impact of expenses resulting from the implementation of new business strategies, divestitures or restructuring activities; our ability to integrate, and to realize synergies from acquisitions; our ability to identify, develop and retain key employees; unfavorable weather conditions or climate change and various other risks and uncertainties, including those discussed herein and those set forth in our filings with the Securities and Exchange Commission (“SEC”).

We also caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this presentation. We undertake no duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect actual outcomes. Additional factors that may affect future results and conditions are described in our filings with the SEC, which are available at the SEC’s web site at www.sec.gov or at Spectrum Brands’ website at www.spectrumbrands.com.

The information contained in this presentation is summary information that is intended to be considered in the context of our SEC filings, and other public announcements that we may make, by press release or otherwise, from time to time. In addition, information related to past performance, while helpful as an evaluative tool, is not necessarily indicative of future results, the achievement of which cannot be assured. You should not view our past performance, or information about the market, as indicative of our future results. Further, performance information respecting investment returns on portfolio transactions is not directly equivalent to returns on an investment in our common stock.

# Reconciliation of Non-GAAP Financial Measurements

Management believes that certain non-GAAP financial measures may be useful in certain instances to provide additional meaningful comparisons between current results and results in prior operating periods. Within this presentation, including the tables that follow, reference is made to organic net sales, adjusted diluted earnings per share (EPS), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), and adjusted EBITDA margin.

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 fluctuations and the impact of acquisitions (when applicable) when there is no comparable sales in the prior period. Organic growth is calculated by comparing organic net sales to 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 comparative period. Management uses adjusted diluted EPS as 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. For the three-month period ended March 31, 2019, the normalized ongoing effective tax rate was updated to 25.0%. 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, because interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure for determining Spectrum Brands' debt covenant compliance. 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.

Spectrum Brands 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 Spectrum Brands' management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace the Spectrum Brands' GAAP financial results and should be read in conjunction with those GAAP results. Supplemental tables have been provided within this presentation to demonstrate reconciliation of non-GAAP measurements discussed in the most relevant GAAP financial measurements.

**All GAAP reconciliations are available at [www.spectrumbrands.com](http://www.spectrumbrands.com)**

Spectrum Brands

# CEO Overview and Outlook

**David Maura**

Chairman and Chief Executive Officer



# CEO Overview and Outlook

- In January we generated just under $3 billion of cash proceeds from asset sales, and we rapidly allocated a portion of these proceeds to $2.4 billion of debt reduction while returning $250 million to shareholders through share repurchase; we will distribute about $86 million this year in the form of dividends
- As a result, our gross leverage, which peaked at nearly 6 times at December 31, 2018, has been reduced at the end of Q2 to net leverage of about 3.9 times; we expect to finish the year with net leverage of approximately 3.5 times
- These actions have resulted in a much stronger balance sheet, paving the way for material free cash flow growth next year and positioning our Company to end 2019 in the strongest liquidity position in recent history; through these accomplishments, we are completing a period of significant transition and entering a period of stability and renewed focus
- Similar to Q1, our Q2 results were in line with our expectations; we were pleased with both strong reported sales growth, and organic revenue growth of 5% with all four business units contributing, led by Home & Garden at 14%, HHI at 5%, Pet at 4% and Home & Personal Care at 1%; adjusted EBITDA was flat with last year, and right on our first half plan
- We expect a solid second half with larger sales and EBITDA than the first half primarily due to the seasonality of Home & Garden and a typically stronger back half for Hardware & Home Improvement; additionally, we expect improved sequential performance in HPC as we lap tough first half comparisons and see the benefits from the new leadership team we installed in HPC during Q2
- These HPC changes include a new President, Dave Albert, a new CFO and a new VP of U.S. Marketing who was hired from a well-respected consumer products company; additionally, new HPC leadership was appointed to streamline the operations and supply chain functions of this unit
- This new HPC team has hit the ground running, directing its efforts toward stabilizing the business, focusing on the core and planting the seeds for growth which included stepped-up investments in Q2 in new product development and marketing spend behind our HPC brands
- Across our Company, important new product launches are occurring in all of our businesses along with increased marketing spend behind our brands
- We remain on target to achieve 2019 adjusted EBITDA in our original guidance range of $560-$580 million

# CEO Overview and Outlook *(cont'd)*

- I want to amplify my earlier comments about value-creating and shareholder-friendly actions we completed in Q2
- Our rapid and major debt reduction eliminated all non-revolver senior debt in our corporate structure, improved our tenor, reduced our cost of borrowing, and significantly lowered our pro forma annual cash interest expense
- We also ended Q2 with strong liquidity of over $800 million
- Regarding buybacks, subsequent to our Q1 call we opportunistically repurchased 4.6 million shares or 8.6 percent of our total share count
- Going forward, we have up to an additional $750 million remaining on our 3-year buyback program

# CEO Overview and Outlook *(cont'd)*

- As we accelerate the transformation of Spectrum Brands this year, we are on our way to building the faster, smarter and stronger Spectrum Brands of the future
- We recently embarked on a detailed global study to identify significant performance improvement and operating efficiency opportunities
- Focus areas include right-resourcing our commercial and shared service structures, eliminating unneeded and duplicative work by improving and standardizing our processes, and seeking efficiency gains in our manufacturing, distribution and procurement functions
- We intend to deliver a fit-for-purpose organization for the new Spectrum Brands and will provide more details on these activities on our 3rd quarter call
- This work ties strongly to our Spectrum 20/20 roadmap
- Our Spectrum 20/20 guiding principles are **Vision**, or where we are going; **Clarity**, or what we prioritize; and **Focus**, or how we execute
- This is our pathway to a customer-driven mindset accepting nothing but outstanding quality and service while increasing innovation and marketing investments behind our new products; these actions are driving a culture of greater accountability and quicker decision-making, with an experienced and energized leadership team refreshed with new talent, focused on operational excellence as we position our Company to be a low-cost provider, delivering sustainable free cash flow

# Spectrum Brands

## Financial and Business Unit Review


**Doug Martin**

Chief Financial Officer




# Q2 Financial Review

- Reported net sales increased 2.7%, and organic net sales grew a solid 4.9% excluding unfavorable Fx of $19.3 million
  - All 4 business units delivered organic growth, paced by a 14% improvement for Home & Garden
- Reported gross profit was unchanged; gross margin of 33.7% decreased 100 basis points primarily due to input cost inflation and unfavorable product mix, partially offset by pricing
- Reported SG&A expense of $235 million was unchanged from last year, coming in at 25.9% of sales this year compared to 26.6% last year
- Reported operating margin of 4.6% improved 100 basis points due to lower acquisition, integration and restructuring charges
- A slightly higher diluted loss per share of $(1.06) versus $(1.00) last year was attributable to one-time interest charges related to early extinguishment of debt and foreign exchange losses associated with multi-currency divestiture loans, partially offset by lower restructuring, acquisition and integration expense and a larger income tax benefit
- Adjusted diluted EPS of $0.26 decreased 46.9% due to higher operating expense driven by increased stock-based compensation and higher interest costs from assumed HRG debt

# Q2 Financial Review *(cont'd)*

- Reported interest expense from continuing operations of $94.2 million increased $26.5 million driven by one-time interest charges from early extinguishment of debt, primarily assumed HRG debt
- Cash taxes of $14.5 million were comparable to last year
- Depreciation, amortization and share-based compensation from continuing operations of $53.9 million increased from $27 million last year primarily due to increased stock-based compensation and the impact of HPC depreciation and amortization this year as a result of our moving the unit back into continuing operations
- Cash payments for acquisition & integration and restructuring & related charges in Q2, including discontinued operations, were $14.6 million and $4.8 million, respectively, versus $12.6 million and $25.1 million, respectively, last year
    - The reduced cash spend was driven primarily by improved operating efficiencies in the HHI Kansas distribution center

# Hardware & Home Improvement (HHI)

- 4% reported net sales growth was broad-based across residential security, plumbing and builders' hardware; organic growth was 4.7% excluding unfavorable Fx of $2.3 million
- Strong load-in orders from new product introductions and effective promotions drove plumbing category growth, while increases primarily in the electronic lock segment fueled higher residential security sales
- Adjusted EBITDA grew 15.8% to $52.7 million with 160 basis points of margin expansion to 15.9% from higher volumes, productivity improvements and expense controls
- HHI sees continued growth in its electronic deadbolt and smart lock product lines, especially given relatively low and fast-growing U.S. residential adoption rates
  - To maintain smart lock innovation leadership, HHI is increasing investments in cloud technology, mobile apps and access control
- Highlighting its steady innovation stream, new second half business includes residential and commercial grade levers, Wi-Fi Halo touchscreen smart locks, the Aura Bluetooth smart lock, and an enhanced Baldwin Touchscreen
- HHI is also expanding consumer marketing awareness campaigns behind its unique, patented Kwikset Smart Key Security technology

# Home & Personal Care (HPC)

- While reported net sales fell 4.1%, organic sales grew 1% excluding unfavorable Fx of $11.8 million
  - Lower personal care revenues, partly offset by higher small appliances revenues, drove the reported sales decline
- U.S. personal care sales fell double-digit from hair care distribution losses not yet lapped from last year in the mass and food/drug channels; lower European sales were primarily from U.K. food/drug and e-commerce channel softness
- Small appliances revenue improvement was attributable primarily to U.S. mass channel growth in garment care and coffeemakers with partial offsets in Europe from foreign exchange, U.K. consumer softness related to Brexit and reduced POS in Latin America
- Decreases in adjusted EBITDA and margin were mainly attributable to lower gross margin from reduced personal care volumes, unfavorable product mix, higher input-related costs and increased marketing investments
- HPC continues to expect second half comparisons to improve with Q4 EBITDA larger than Q3, consistent with historical seasonality
- This includes new product launches and expanding distribution in the U.S., Europe and other regions in both HPC segments, coupled with financial recovery initiatives in organizational streamlining, business simplification and rationalization with a greater focus on the core
- In FY19 we are resetting HPC, rebalancing its cost structure and investing more behind its brands to prepare for growth in 2020

# Global Pet Supplies (Pet)

- Building on solid Q1 top-line growth, Q2 reported net sales increased 1.8% and, excluding unfavorable Fx of $5.2 million, organic sales grew a strong 4.2%
- Double-digit improvement in U.S. companion animal revenues, primarily dog chews and treats, and pricing actions for raw materials and tariffs drove the increase, partially offset by lower U.S. aquatics and European dog and cat food sales
- Adjusted EBITDA fell 8.1% to $32.8 million with a 160 basis point margin decline to 15.3% as a result of higher manufacturing and distribution costs
- Pet expects solid performance in its large U.S. region to continue in the second half
- Important new product launches are occurring across Pet’s larger brands, including Good ‘n’ Fun, DreamBone, SmartBones, FURminator, Nature’s Miracle, Tetra and GloFish, supported by higher investments in data-driven digital marketing aimed primarily at the rapidly-growing e-commerce channel
- Pet is also working to lower its global manufacturing and supply chain cost base and trim selective, unproductive SKUs to drive a higher long-term margin structure

# Home & Garden

- 14.1% net sales increase was attributable to double-digit growth in outdoor control category revenues
- Distribution wins, strong early season home center orders, and generally more favorable weather than last year drove the category's growth
- Adjusted EBITDA increased 17% to $29.6 million and margin expanded 50 basis points to 21.3% on the strength of improved manufacturing efficiencies from higher volumes and select pricing actions
- Home & Garden remains optimistic about sales and adjusted EBITDA increases in FY19 given growth expectations in its seasonally much larger second half from distribution expansion in home centers in outdoor insecticides, lawn and weed killer, and innovation success with Hot Shot Ant, Roach & Spider, all supported by higher advertising spending and off-shelf and promotional programs
- New feature space and end-cap placements in both mass and DIY channels also are in place, along with continuous improvement savings, improved manufacturing efficiencies and better mix

# Financial Review

- Solid liquidity position at the end of Q2
- $652 million available on our $800 million Cash Flow Revolver, a cash balance of $176 million and debt outstanding of $2.4 billion, down 50% from $4.8 billion at the end of FY18
- 4.6 million shares were repurchased in Q2 for $250 million, or $54.22 per share
- Approximately $750 million remains on our 3-year, $1 billion share repurchase authorization
- Capital expenditures were $13.6 million versus $17.8 million last year

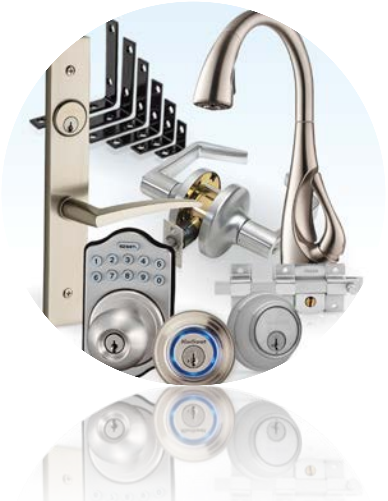
# FY19 Guidance

- We continue to expect reported net sales growth from continuing operations driven by innovation, increased marketing investments, pricing actions and market share gains
- We now expect Fx to have a negative impact on sales of approximately 130 basis points based on current rates
- We reaffirm our adjusted EBITDA guidance from continuing operations to be between $560-$580 million
  - Consistent with seasonality in prior years, Q3 adjusted EBITDA is expected to be higher than Q4
- Depreciation and amortization is expected to be between $230-$240 million, including stock-based compensation of approximately $57 million, with roughly $17 million in each of Q3 and Q4; for adjusted EPS, the $29 million of catch-up depreciation and amortization in Q1 is excluded and is $29 million lower at the midpoint
  - FY18 stock-based compensation was $12 million
- We are increasing restructuring and restructuring-related cash spending to between $40-$50 million with the increase funding the performance improvement and cost reduction opportunities discussed earlier
- Capital expenditures are expected to be between $70-$75 million
- We have $1.3 billion of usable federal NOLs remaining post the asset sales
- For adjusted EPS, we use a tax rate of 25.0%, including state taxes

# Spectrum Brands

BALDWIN
BIRDOLA Wildlife feeding specialists
BLACK+DECKER
BLACK FLAG
Breadman
Cutter
DINGO
DreamBone
Balanced-By-Nature ECOTRITION
8in1
EUKANUBA
EZSET
FORTIS PURO DESIGN ITALIANO
FURminator
GEORGE FOREMAN
Garden Safe
GloFish
Good'n' Fun
Healthy Hide
HOT SHOT
IAMS
Instant Ocean
Juiceman
Jungle
Kwikset
litter Maid
LIQUID FENCE
MARINELAND
National Hardware
NATURE'S MIRACLE
Perfect COAT
Pfister
PROSENSE
REMINGTON
REPEL
Russell Hobbs
SmartBones
Spectracide
Tell Manufacturing, Inc.
Tetra
WEISER
Wild Harvest

# Appendix




Tetra
Whisper IQ
DreamBone
BettaMin
GRILL MASTERS
RIBS
NATURE'S MIRACLE


Spectracide
BUG STOP
HOME BARRIER
HOT SHOT
ANT, ROACH & SPIDER KILLER
WEED STOP FOR LAWNS
Lawn & Yard Insect Killer
Cutter

## SPECTRUM BRANDS HOLDINGS, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

| (in millions, except per share amounts) | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Net sales | $ 906.7 | $ 882.6 | $ 1,787.0 | $ 1,804.9 |
| Cost of goods sold | 601.0 | 574.9 | 1,174.7 | 1,178.3 |
| Restructuring and related charges | 0.2 | 1.7 | 1.0 | 2.0 |
| Gross profit | 305.5 | 306.0 | 611.3 | 624.6 |
| Selling | 151.4 | 152.4 | 306.9 | 306.1 |
| General and administrative | 83.6 | 82.6 | 183.0 | 162.2 |
| Research and development | 11.2 | 11.5 | 22.3 | 23.0 |
| Acquisition and integration related charges | 5.3 | 9.6 | 11.6 | 14.9 |
| Restructuring and related charges | 12.4 | 18.6 | 20.5 | 35.5 |
| Total operating expenses | 263.9 | 274.7 | 544.3 | 541.7 |
| Operating income | 41.6 | 31.3 | 67.0 | 82.9 |
| Interest expense | 94.2 | 67.7 | 151.2 | 143.0 |
| Other non-operating expense (income), net | 24.1 | — | 24.8 | (0.7) |
| Loss from continuing operations before income taxes | (76.7) | (36.4) | (109.0) | (59.4) |
| Income tax benefit | (22.7) | (1.7) | (26.0) | (122.2) |
| Net (loss) income from continuing operations | (54.0) | (34.7) | (83.0) | 62.8 |
| Income from discontinued operations, net of tax | 783.6 | 11.3 | 700.4 | 492.7 |
| Net income (loss) | 729.6 | (23.4) | 617.4 | 555.5 |
| Net income attributable to non-controlling interest | 1.0 | 5.5 | 1.2 | 77.0 |
| Net income (loss) attributable to controlling interest | $ 728.6 | $ (28.9) | $ 616.2 | $ 478.5 |
| **Amounts attributable to controlling interest** | | | | |
| Net (loss) income from continuing operations attributable to controlling interest | $ (55.0) | $ (32.6) | $ (84.2) | $ 7.5 |
| Net income from discontinued operations attributable to controlling interest | 783.6 | 3.7 | 700.4 | 471.0 |
| Net income (loss) attributable to controlling interest | $ 728.6 | $ (28.9) | $ 616.2 | $ 478.5 |
| **Earnings Per Share** | | | | |
| Basic earnings per share from continuing operations | $ (1.06) | $ (1.00) | $ (1.60) | $ 0.23 |
| Basic earnings per share from discontinued operations | 15.13 | 0.11 | 13.32 | 14.52 |
| Basic earnings per share | $ 14.07 | $ (0.89) | $ 11.72 | $ 14.75 |
| Diluted earnings per share from continuing operations | $ (1.06) | $ (1.00) | $ (1.60) | $ 0.23 |
| Diluted earnings per share from discontinued operations | 15.13 | 0.11 | 13.32 | 14.42 |
| Diluted earnings per share | $ 14.07 | $ (0.89) | $ 11.72 | $ 14.65 |
| **Weighted Average Shares Outstanding** | | | | |
| Basic | 51.8 | 32.5 | 52.6 | 32.4 |
| Diluted | 51.8 | 32.5 | 52.6 | 32.7 |

**SPECTRUM BRANDS HOLDINGS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)**

| | Six Month Periods Ended | |
|---|---|---|
| (in millions) | March 31, 2019 | March 31, 2018 |
| **Cash flows from operating activities** | | |
| Net cash used by operating activities from continuing operations | $ (279.7) | $ (257.3) |
| Net cash (used) provided by operating activities from discontinued operations | (254.0) | 71.5 |
| Net cash used by operating activities | (533.7) | (185.8) |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | (27.1) | (38.1) |
| Proceeds from sales of property, plant and equipment | 0.1 | 0.9 |
| Proceeds from sale of discontinued operations, net of cash | 2,854.4 | 1,520.2 |
| Net cash provided by investing activities from continuing operations | 2,827.4 | 1,483.0 |
| Net cash used by investing activities from discontinued operations | (5.3) | (185.1) |
| Net cash provided by investing activities | 2,822.1 | 1,297.9 |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of debt | 136.3 | 581.3 |
| Payment of debt , including premium on extinguishment | (2,479.9) | (998.0) |
| Payment of debt issuance costs | (0.1) | (0.3) |
| Treasury stock purchases | (268.5) | — |
| Purchases of subsidiary stock, net | — | (258.0) |
| Dividends paid to shareholders | (44.6) | — |
| Dividends paid by subsidiary to non-controlling interest | — | (19.7) |
| Share based award tax withholding payments, net of proceeds upon vesting | (2.5) | (22.7) |
| Other financing activities, net | — | 10.0 |
| Net cash used by financing activities from continuing operations | (2,659.3) | (707.4) |
| Net cash (used) provided by financing activities from discontinued operations | (2.3) | 118.5 |
| Net cash used by financing activities | (2,661.6) | (588.9) |
| Effect of exchange rate changes on cash and cash equivalents | (3.1) | 3.2 |
| Net change in cash, cash equivalents and restricted cash | (376.3) | 526.4 |
| Net change in cash, cash equivalents and restricted cash in discontinued operations | — | 37.7 |
| Net change in cash, cash equivalents and restricted cash in continuing operations | (376.3) | 488.7 |
| Cash, cash equivalents and restricted cash, beginning of period | 561.4 | 254.8 |
| Cash, cash equivalents and restricted cash, end of period | $ 185.1 | $ 743.5 |

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

| (in millions) | March 31, 2019 | Sept. 30, 2018 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 176.2 | $ 552.5 |
| Trade receivables, net | 470.5 | 317.1 |
| Other receivables | 95.5 | 51.7 |
| Inventories | 776.2 | 583.6 |
| Prepaid expenses and other current assets | 66.3 | 63.2 |
| Current assets of business held for sale | — | 2,402.6 |
| Total current assets | 1,584.7 | 3,970.7 |
| Property, plant and equipment, net | 469.8 | 500.0 |
| Deferred charges and other | 161.0 | 231.8 |
| Investments | 237.9 | — |
| Goodwill | 1,449.3 | 1,454.7 |
| Intangible assets, net | 1,583.8 | 1,641.8 |
| Total assets | $ 5,486.5 | $ 7,799.0 |
| **Liabilities and Shareholders' Equity** | | |
| Current portion of long-term debt | $ 16.1 | $ 26.9 |
| Accounts payable | 450.4 | 584.7 |
| Accrued wages and salaries | 50.3 | 55.1 |
| Accrued interest | 33.6 | 65.0 |
| Other current liabilities | 441.4 | 159.4 |
| Current liabilities of business held for sale | — | 537.6 |
| Total current liabilities | 991.8 | 1,428.7 |
| Long-term debt, net of current portion | 2,342.0 | 4,624.3 |
| Deferred income taxes | 88.5 | 35.0 |
| Other long-term liabilities | 135.6 | 121.4 |
| Total liabilities | 3,557.9 | 6,209.4 |
| Shareholders' equity | 1,919.1 | 1,581.3 |
| Noncontrolling interest | 9.5 | 8.3 |
| Total equity | 1,928.6 | 1,589.6 |
| Total liabilities and equity | $ 5,486.5 | $ 7,799.0 |

## SPECTRUM BRANDS HOLDINGS, INC.

## RECONCILIATION OF GAAP DILUTED EARNINGS PER SHARE TO ADJUSTED DILUTED EARNINGS PER SHARE

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| Diluted EPS from continuing operations, as reported | $ (1.06) | $ (1.00) | $ (1.60) | $ 0.23 |
| Adjustments: | | | | |
| Spectrum Merger share exchange proforma adjustment | — | 0.38 | — | 0.88 |
| Transaction related charges | 0.10 | 0.17 | 0.22 | 0.27 |
| Restructuring and related charges | 0.24 | 0.37 | 0.41 | 0.67 |
| Debt refinancing costs | 0.98 | — | 0.96 | — |
| Unrealized loss on Energizer investment | 0.10 | — | 0.09 | — |
| Foreign currency loss on multicurrency divestiture loans | 0.42 | — | 0.41 | — |
| Purchase accounting inventory adjustment | — | — | — | 0.01 |
| Pet safety recall | — | 0.07 | 0.01 | 0.20 |
| Spectrum Merger related transaction costs | — | 0.29 | — | 0.34 |
| Non-recurring HRG net operating costs | — | 0.15 | — | 0.24 |
| Interest cost on HRG debt | — | 0.46 | — | 1.13 |
| Depreciation & amortization on HPC long-lived assets | — | (0.21) | 0.55 | (0.21) |
| Other | 0.02 | — | 0.08 | — |
| Income tax adjustment | (0.54) | (0.19) | (0.65) | (2.58) |
| Total adjustments | 1.32 | 1.49 | 2.08 | 0.95 |
| Diluted EPS from continuing operations, as adjusted | $ 0.26 | $ 0.49 | $ 0.48 | $ 1.18 |

| (in millions, except per share amounts) | Three Month Period Ended March 31, 2018 | Six Month Period Ended March 31, 2018 |
|---|---|---|
| Spectrum weighted average shares | 57.1 | 57.4 |
| Spectrum weighted average shares owned by HRG | 34.3 | 34.3 |
| Spectrum weighted average shares owned by third parties (A) | 22.8 | 23.1 |
| HRG weighted average shares | 201.6 | 201.1 |
| HRG share conversion at 1 to 0.1613 (B) | 32.5 | 32.4 |
| Total weighted average shares (A + B) | 55.3 | 55.5 |

## SPECTRUM BRANDS HOLDINGS, INC.
## TRANSACTION RELATED CHARGES

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| **(in millions)** | **March 31, 2019** | **March 31, 2018** | **March 31, 2019** | **March 31, 2018** |
| HHI Integration | $ 0.4 | $ 1.9 | $ 0.9 | $ 4.6 |
| PetMatrix Integration | — | 2.1 | — | 3.7 |
| HPC divestiture related charges | 0.9 | 5.4 | 5.5 | 5.4 |
| GBL post divestiture separation costs | 2.5 | — | 2.5 | — |
| GAC post divestiture separation costs | 0.4 | — | 0.4 | — |
| Other integration related charges | 1.1 | 0.2 | 2.3 | 1.2 |
| Total | $ 5.3 | $ 9.6 | $ 11.6 | $ 14.9 |

## SPECTRUM BRANDS HOLDINGS, INC.
## RESTRUCTURING AND RELATED CHARGES

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| **(in millions)** | **March 31, 2019** | **March 31, 2018** | **March 31, 2019** | **March 31, 2018** |
| Global productivity improvement plan | $ 12.7 | $ — | $ 18.5 | $ — |
| HHI distribution center consolidation | — | 13.6 | 2.3 | 28.8 |
| PET rightsizing initiative | — | 3.4 | — | 4.0 |
| Other restructuring activities | (0.1) | 3.3 | 0.7 | 4.7 |
| Total restructuring and related charges | $ 12.6 | $ 20.3 | $ 21.5 | $ 37.5 |

## SPECTRUM BRANDS HOLDINGS, INC.
## NET SALES SUMMARY

| (in millions, except %) | Three Month Periods Ended March 31, 2019 | Three Month Periods Ended March 31, 2018 | Variance | | Six Month Periods Ended March 31, 2019 | Six Month Periods Ended March 31, 2018 | Variance | |
|---|---|---|---|---|---|---|---|---|
| HHI | $ 331.1 | $ 318.5 | 12.6 | 4.0% | $ 636.2 | $ 644.4 | (8.2) | (1.3%) |
| HPC | 221.7 | 231.1 | (9.4) | (4.1%) | 538.9 | 573.1 | (34.2) | (6.0%) |
| PET | 214.9 | 211.2 | 3.7 | 1.8% | 419.6 | 413.6 | 6.0 | 1.5% |
| H&G | 139.0 | 121.8 | 17.2 | 14.1% | 192.3 | 173.8 | 18.5 | 10.6% |
| Net Sales | $ 906.7 | $ 882.6 | 24.1 | 2.7% | $ 1,787.0 | $ 1,804.9 | (17.9) | (1.0%) |

## SPECTRUM BRANDS HOLDINGS, INC.
## RECONCILIATION OF GAAP NET SALES TO ORGANIC NET SALES

| Three Month Periods Ended (in millions, except %) | March 31, 2019 Net Sales | March 31, 2019 Effect of Changes in Currency | March 31, 2019 Organic Net Sales | Net Sales March 31, 2018 | Variance | |
|---|---|---|---|---|---|---|
| HHI | $ 331.1 | $ 2.3 | $ 333.4 | $ 318.5 | $ 14.9 | 4.7% |
| HPC | 221.7 | 11.8 | 233.5 | 231.1 | 2.4 | 1.0% |
| PET | 214.9 | 5.2 | 220.1 | 211.2 | 8.9 | 4.2% |
| H&G | 139.0 | — | 139.0 | 121.8 | 17.2 | 14.1% |
| Net Sales | $ 906.7 | $ 19.3 | $ 926.0 | $ 882.6 | 43.4 | 4.9% |

| Six Month Periods Ended (in millions, except %) | March 31, 2019 Net Sales | March 31, 2019 Effect of Changes in Currency | March 31, 2019 Organic Net Sales | Net Sales March 31, 2018 | Variance | |
|---|---|---|---|---|---|---|
| HHI | $ 636.2 | $ 3.9 | $ 640.1 | $ 644.4 | $ (4.3) | (0.7%) |
| HPC | 538.9 | 22.0 | 560.9 | 573.1 | (12.2) | (2.1%) |
| PET | 419.6 | 7.0 | 426.6 | 413.6 | 13.0 | 3.1% |
| H&G | 192.3 | — | 192.3 | 173.8 | 18.5 | 10.6% |
| Total | $ 1,787.0 | $ 32.9 | $ 1,819.9 | $ 1,804.9 | 15.0 | 0.8% |

**SPECTRUM BRANDS HOLDINGS, INC.**

**RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN,**

| **Three Month Period Ended March 31, 2019 (in millions, except %)** | **HHI** | **HPC** | **PET** | **H&G** | **Corporate** | **Consolidated** |
|---|---|---|---|---|---|---|
| Net income (loss) from continuing operations | $ 43.6 | $ (6.6) | $ 19.6 | $ 24.7 | $ (135.3) | $ (54.0) |
| Income tax benefit | — | — | — | — | (22.7) | (22.7) |
| Interest expense | — | — | — | — | 94.2 | 94.2 |
| Depreciation and amortization | 8.3 | 9.2 | 10.6 | 4.8 | 3.7 | 36.6 |
| EBITDA | 51.9 | 2.6 | 30.2 | 29.5 | (60.1) | 54.1 |
| Share and incentive based compensation | — | — | — | — | 17.3 | 17.3 |
| Transaction related charges | 0.4 | 0.9 | 0.3 | — | 3.7 | 5.3 |
| Restructuring and related charges | 0.4 | 1.3 | 2.3 | 0.3 | 8.3 | 12.6 |
| Unrealized loss on Energizer investment | — | — | — | — | 5.0 | 5.0 |
| Foreign currency loss on multicurrency divestiture loans | — | — | — | — | 21.8 | 21.8 |
| Other | — | (0.3) | — | (0.2) | — | (0.5) |
| Adjusted EBITDA | $ 52.7 | $ 4.5 | $ 32.8 | $ 29.6 | $ (4.0) | $ 115.6 |
| Net Sales | $ 331.1 | $ 221.7 | $ 214.9 | $ 139.0 | $ — | $ 906.7 |
| Adjusted EBITDA Margin | 15.9% | 2.0% | 15.3% | 21.3% | — | 12.7% |

| **Three Month Period Ended March 31, 2018 (in millions, except %)** | **HHI** | **HPC** | **PET** | **H&G** | **Corporate** | **Consolidated** |
|---|---|---|---|---|---|---|
| Net income (loss) from continuing operations | $ 18.5 | $ 14.6 | $ 15.2 | $ 20.5 | $ (103.5) | $ (34.7) |
| Income tax benefit | — | — | — | — | (1.7) | (1.7) |
| Interest expense | — | — | — | — | 67.7 | 67.7 |
| Depreciation and amortization | 11.5 | — | 10.7 | 4.7 | 3.2 | 30.1 |
| EBITDA | 30.0 | 14.6 | 25.9 | 25.2 | (34.3) | 61.4 |
| Share based compensation | — | — | — | — | (3.1) | (3.1) |
| Transaction related charges | 1.9 | 5.3 | 2.1 | — | 0.3 | 9.6 |
| Restructuring and related charges | 13.6 | 0.2 | 3.8 | 0.2 | 2.5 | 20.3 |
| Pet safety recall | — | — | 3.9 | — | — | 3.9 |
| Spectrum merger related transaction charges | — | — | — | — | 16.1 | 16.1 |
| Non-recurring HRG operating costs and interest income | — | — | — | — | 7.8 | 7.8 |
| Other | — | — | — | (0.1) | — | (0.1) |
| Adjusted EBITDA | $ 45.5 | $ 20.1 | $ 35.7 | $ 25.3 | $ (10.7) | $ 115.9 |
| Net Sales | $ 318.5 | $ 231.1 | $ 211.2 | $ 121.8 | $ — | $ 882.6 |
| Adjusted EBITDA Margin | 14.3% | 8.7% | 16.9% | 20.8% | — | 13.1% |

**SPECTRUM BRANDS HOLDINGS, INC.**

**RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN,**

| Six Month Period Ended March 31, 2019 (in millions, except %) | HHI | HPC | PET | H&G | Corporate | Consolidated |
|---|---|---|---|---|---|---|
| Net income (loss) from continuing operations | $ 87.3 | $ (14.7) | $ 31.4 | $ 22.8 | $ (209.8) | $ (83.0) |
| Income tax benefit | — | — | — | — | (26.0) | (26.0) |
| Interest expense | — | — | — | — | 151.2 | 151.2 |
| Depreciation and amortization | 16.8 | 47.3 | 21.3 | 9.6 | 7.6 | 102.6 |
| EBITDA | 104.1 | 32.6 | 52.7 | 32.4 | (77.0) | 144.8 |
| Share and incentive based compensation | — | — | — | — | 23.2 | 23.2 |
| Transaction related charges | 0.9 | 5.5 | 0.9 | — | 4.3 | 11.6 |
| Restructuring and related charges | 3.2 | 1.5 | 4.9 | 1.0 | 10.9 | 21.5 |
| Pet safety recall | — | — | 0.6 | — | — | 0.6 |
| Unrealized loss on Energizer investment | — | — | — | — | 5.0 | 5.0 |
| Foreign currency loss on multicurrency divestiture loans | — | — | — | — | 21.8 | 21.8 |
| Other | — | (0.1) | 2.8 | (0.7) | 0.3 | 2.3 |
| Adjusted EBITDA | $ 108.2 | $ 39.5 | $ 61.9 | $ 32.7 | $ (11.5) | $ 230.8 |
| Net Sales | $ 636.2 | $ 538.9 | $ 419.6 | $ 192.3 | $ — | $ 1,787.0 |
| Adjusted EBITDA Margin | 17.0% | 7.3% | 14.8% | 17.0% | — | 12.9% |

| Six Month Period Ended March 31, 2018 (in millions, except %) | HHI | HPC | PET | H&G | Corporate | Consolidated |
|---|---|---|---|---|---|---|
| Net income from continuing operations | $ 49.7 | $ 47.2 | $ 28.1 | $ 21.4 | $ (83.6) | $ 62.8 |
| Income tax benefit | — | — | — | — | (122.2) | (122.2) |
| Interest expense | — | — | — | — | 143.0 | 143.0 |
| Depreciation and amortization | 22.4 | 8.8 | 21.1 | 9.4 | 6.9 | 68.6 |
| EBITDA | 72.1 | 56.0 | 49.2 | 30.8 | (55.9) | 152.2 |
| Share based compensation | — | — | — | — | 1.4 | 1.4 |
| Transaction related charges | 4.6 | 5.6 | 4.2 | — | 0.5 | 14.9 |
| Restructuring and related charges | 28.8 | 0.2 | 4.4 | 0.2 | 3.9 | 37.5 |
| Inventory acquisition step-up | — | — | 0.8 | — | — | 0.8 |
| Pet safety recall | — | — | 11.1 | — | — | 11.1 |
| Spectrum merger related transaction charges | — | — | — | — | 18.9 | 18.9 |
| Non-recurring HRG operating costs and interest income | — | — | — | — | 12.2 | 12.2 |
| Other | — | — | — | (0.3) | (0.1) | (0.4) |
| Adjusted EBITDA | $ 105.5 | $ 61.8 | $ 69.7 | $ 30.7 | $ (19.1) | $ 248.6 |
| Net Sales | $ 644.4 | $ 573.1 | $ 413.6 | $ 173.8 | $ — | $ 1,804.9 |
| Adjusted EBITDA Margin | 16.4% | 10.8% | 16.9% | 17.7% | — | 13.8% |

**SPECTRUM BRANDS HOLDINGS, INC.**

**RECONCILIATION OF FORECASTED NET INCOME TO ADJUSTED EBITDA**

| (in millions) | | F2019 |
|---|---|---|
| Net income | $ | 0 - 36 |
| Income tax expense | | 0 - 15 |
| Interest expense | | 215 - 225 |
| Depreciation and amortization | | 175 - 185 |
| EBITDA | | 409 - 441 |
| Share and incentive based compensation | | 57 |
| Transaction related charges | | 13 - 14 |
| Restructuring and related charges | | 40 - 50 |
| Pet safety recall | | 1 |
| Unrealized loss on Energizer investment | | 5 |
| Foreign currency loss on multicurrency divestiture loans | | 22 |
| Other | | 2 - 3 |
| Adjusted EBITDA | $ | 560 - 580 |

# Spectrum Brands

BALDWIN
BIRDOLA Wildlife feeding specialists
BLACK+DECKER
BLACK FLAG
Breadman
Cutter
DINGO
DreamBone
Balanced-By-Nature ECOTRITION
8in1
EUKANUBA
EZSET
FORTIS PURO DESIGN ITALIANO
FURminator
GEORGE FOREMAN
Garden Safe
GloFish
Good'n' Fun
Healthy Hide
HOT SHOT
IAMS
Instant Ocean
Juiceman
Jungle
Kwikset
litter Maid
LIQUID FENCE
MARINELAND
National Hardware
NATURE'S MIRACLE
Perfect COAT
Pfister
PROSENSE
REMINGTON
REPEL
Russell Hobbs
SmartBones
Spectracide
Tell Manufacturing, Inc.
Tetra
WEISER
Wild Harvest