

# Spectrum Brands

Bank of America Merrill Lynch  
Leveraged Finance Conference

December 3, 2019



## Forward-Looking Statements

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This presentation contains, and certain oral and written statements made by our representatives from time to time may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements made regarding the ability of Spectrum Brands Holdings, Inc. (and together with its subsidiaries, the “Company”, “us”, “we” or “our”) to meet its future financial expectations or guidance, product innovation or other business investment initiatives and 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 factor 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 discontinued at any time. We have tried, whenever possible, to identify these statements by using words like “future,” “anticipate,” “intend,” “plan,” “estimate,” “believe,” “belief,” “expect,” “project,” “forecast,” “could,” “would,” “should,” “will,” “may,” and similar expressions of future intent or the negative of such terms. 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. Actual results may differ materially as a result of (1) the impact of our indebtedness on our business, financial condition and results of operations; (2) 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; (3) any failure to comply with financial covenants and other provisions and restrictions of our debt instruments; (4) the impact of actions taken by significant stockholders; (5) the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers’ willingness to advance credit; (6) interest rate and exchange rate fluctuations; (7) the loss of significant reduction in, or dependence upon, sales to any significant retail customer(s); (8) competitive promotional activity or spending by us or our competitors, or price reductions by us or our competitors; (9) the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands; (10) the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, tariff, monetary or fiscal policies in the countries where we do business; (11) changes in consumer spending preferences and demand for our products; (12) our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties; (13) our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings; (14) the seasonal nature of sales of certain of our products; (15) the effects of climate change and unusual weather activity; (16) the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations); (17) 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; (18) the impact of pending or threatened litigation; (19) the impact of cybersecurity breaches or our actual or perceived failure to protect company and personal data; (20) changes in accounting policies applicable to our business; (21) our ability to utilize net operating loss carry-forwards to offset tax liabilities from future taxable income; (22) government regulations; (23) the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities; (24) our inability to successfully integrate and operate new acquisitions at the level of financial performance anticipated; (25) the unanticipated loss of key members of senior management; (26) the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets; and (27) the other risk factors set forth in our securities filings, including the most recently filed Annual Report on Form 10-K and any Quarterly Reports on Form 10-Q filed thereafter.

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](http://www.sec.gov) or at Spectrum Brands’ website at [www.spectrumbrands.com](http://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

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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), adjusted EBITDA margin and adjusted free cash flow.

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 June 30, 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. Adjusted free cash flow provides useful information to investors regarding our ability to generate cash 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.

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)

## Portfolio of Leading Brands





# The New Spectrum Brands



## 2019 Financials

<b>Net Sales</b>	\$3.8 billion
<b>Adjusted EBITDA*</b>	\$567 million

\* Total Company Adjusted EBITDA includes (4%) of corporate costs not allocated to the segments.

# The New Spectrum Brands

## Hardware & Home Improvement

- **36%** of Net Sales
- **45%** of Adjusted EBITDA\*

## Home & Personal Care

- **28%** of Net Sales
- **15%** of Adjusted EBITDA\*

## Global Pet Care

- **23%** of Net Sales
- **25%** of Adjusted EBITDA\*

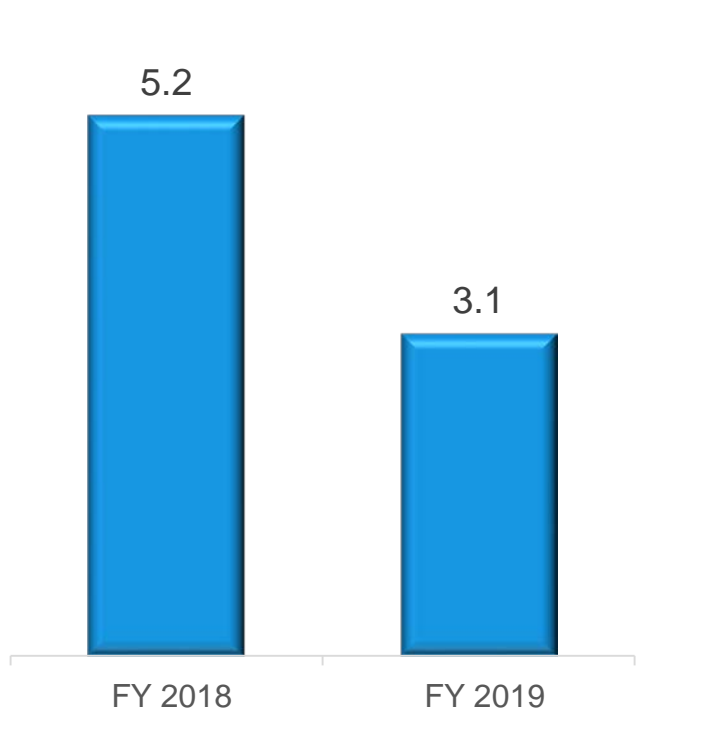
## Home & Garden

- **13%** of Net Sales
- **19%** of Adjusted EBITDA\*

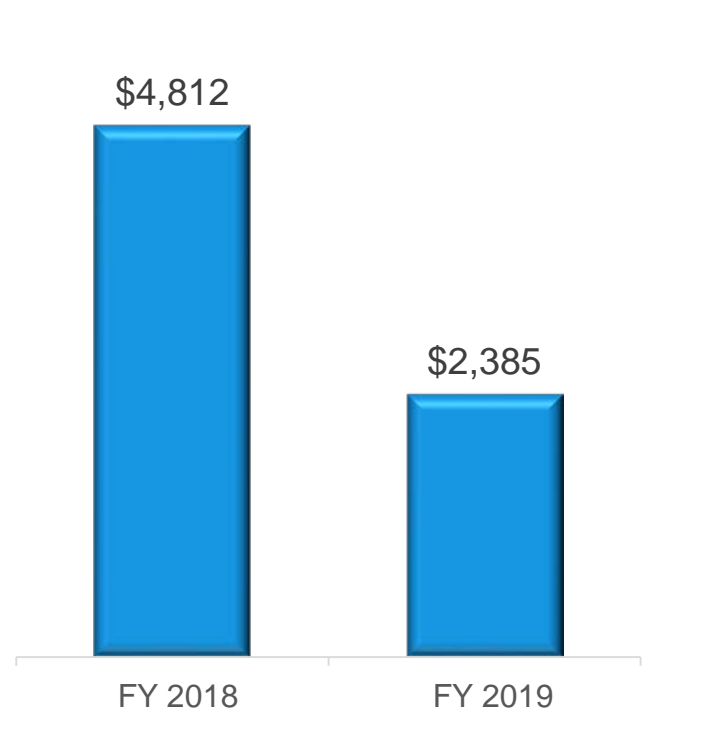


# FY 2019 Accomplishments

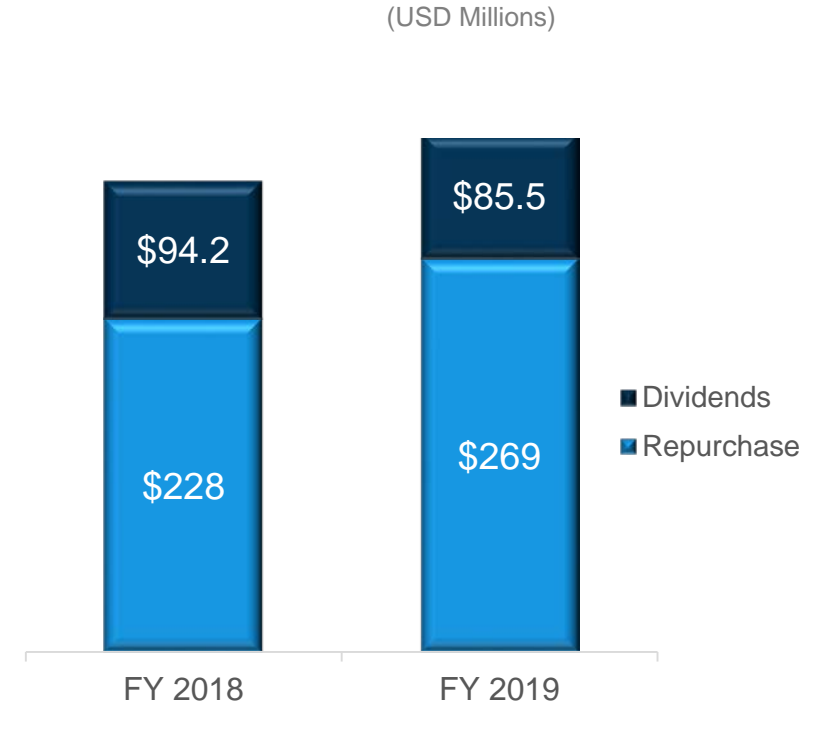
## NET LEVERAGE ↓



## DEBT PAYDOWN ↓ (USD Millions)



## RETURNING CASH TO SHAREHOLDERS ↑ (USD Millions)





# Capital Structure Overview

## SB/RH Pro Forma Capitalization

Fiscal Year End - September 30 (\$ in millions)	As of 9/30/19			Pro Forma as of 9/30/19	
	Amount	xLTM EBITDA	▲	Amount	xLTM EBITDA
Cash	\$627		(\$117)	\$510 <sup>(1)</sup>	
Revolver (\$800M)	-			-	
Capitalized Leases and Other Debt	175			175	
<b>Secured Debt</b>	<b>\$175</b>	<b>0.3x</b>	<b>\$-</b>	<b>\$175</b>	<b>0.3x</b>
6.625% Senior Notes (due 2022)	117		(117)	-	
6.125% Senior Notes (due 2024)	250			250	
5.750% Senior Notes (due 2025)	1,000			1,000	
4.000% EUR Senior Notes (due 2026)	465			465	
5.000% Senior Notes (due 2029)	300			300	
<b>Total OpCo Debt</b>	<b>\$2,308</b>	<b>4.1x</b>	<b>(\$117)</b>	<b>\$2,190</b>	<b>3.9x</b>
<i>Net OpCo Debt</i>	<i>\$1,681</i>	<i>3.0x</i>		<i>\$1,681</i>	<i>3.0x</i>
Salus CLO Debt	77			77	
<b>Total Debt</b>	<b>\$2,385</b>	<b>4.2x</b>		<b>\$2,267</b>	<b>4.0x</b>
<i>Net Debt</i>	<i>\$1,758</i>	<i>3.1x</i>		<i>\$1,758</i>	<i>3.1x</i>
Market Capitalization (11/19/19) <sup>(2)</sup>	2,574			2,574	
<b>Total Equity</b>	<b>\$2,574</b>	<b>4.5x</b>		<b>\$2,574</b>	<b>4.5x</b>
<b>Total Capitalization</b>	<b>\$4,959</b>	<b>8.7x</b>		<b>\$4,841</b>	<b>8.5x</b>
<b>Enterprise Value <sup>(3)</sup></b>	<b>\$4,087</b>	<b>7.2x</b>		<b>\$4,087</b>	<b>7.2x</b>
<b>LTM Adjusted EBITDA (as of 9/30/19)</b>		<b>\$567</b>			<b>\$567</b>

Source: Management, Capital IQ and company filings

Note: Market data as of 9/30/19. Does not reflect risk-sharing payment for Varta

(1) Reflects redemption of 6.625% Senior Notes on 11/15/19

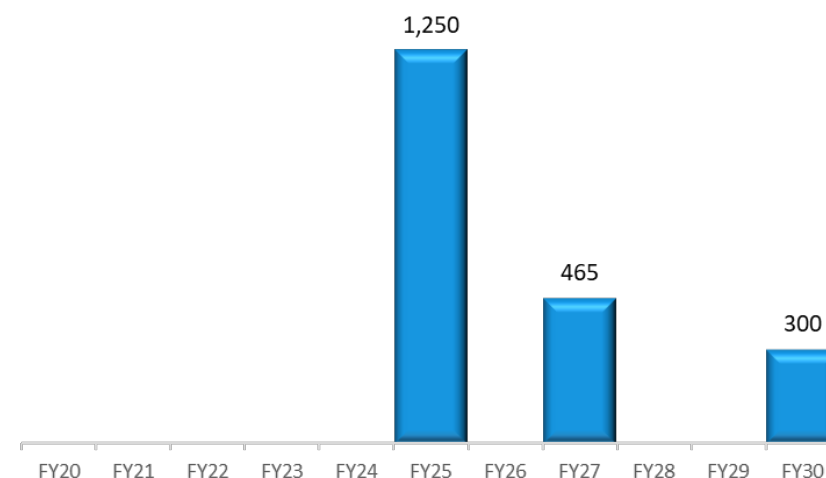
(2) Reflects share count and closing price on 9/30/19 - 48.8 million shares at \$52.72

(3) Reflects non-controlling interest and Spectrum's ~\$250M stake in Energizer

## Ratings Overview

	Moody's	S&P
Corporate family Rating	B1	B+
Senior Secured / RR	Ba1	BB
Senior Unsecured / RR	B2	B+
Outlook	Stable	Stable

## Debt Maturities \*



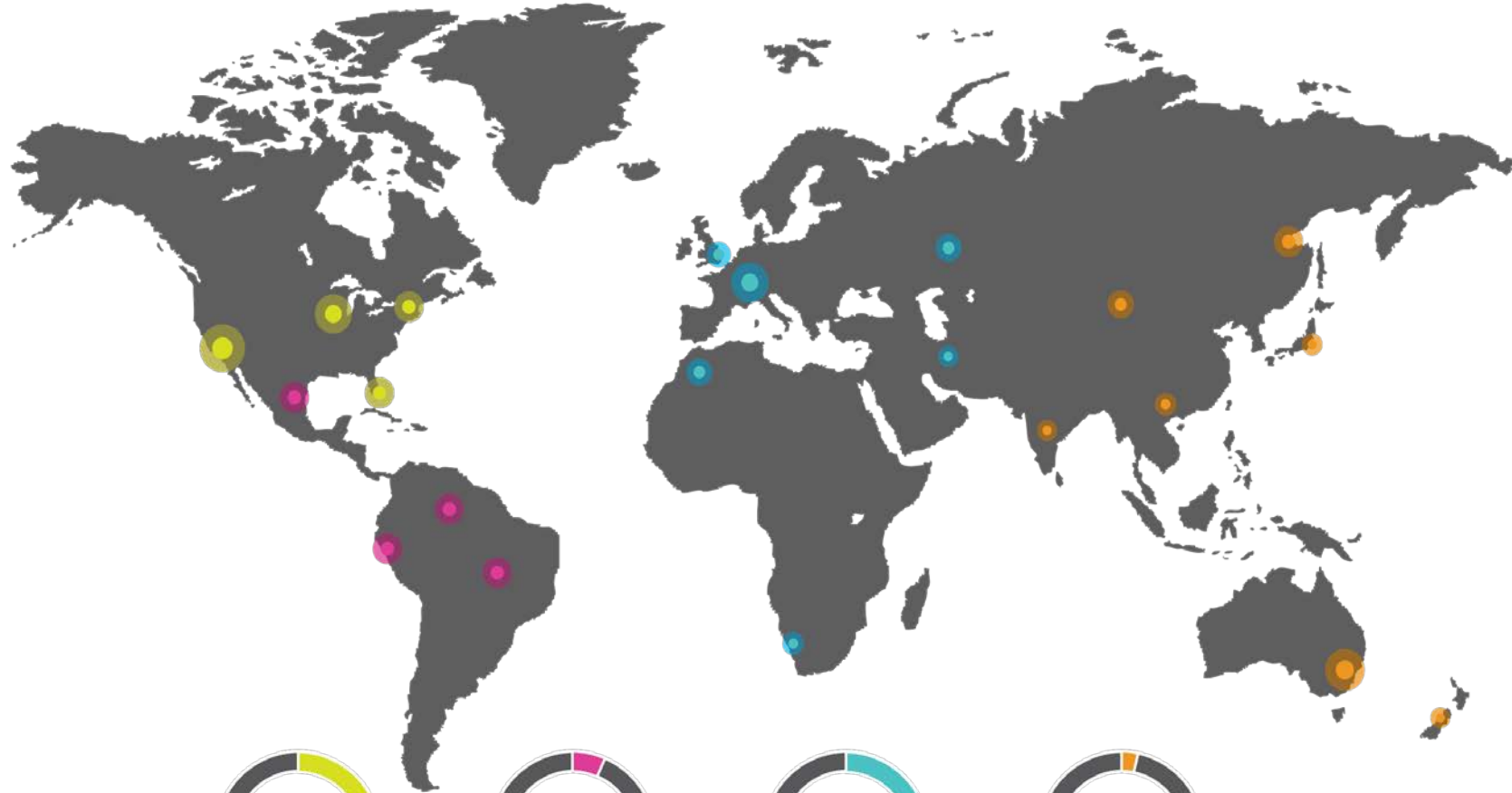
\* Pro forma for redemption of remaining \$117.4 balance on 6.625% Senior Notes, due 2022, which occurred on November 15, 2019

## Top 15 Brands Driving Customer and Consumer Value



Represents ~80% of FY19 revenues of \$3.8 billion from continuing operations

# Global Reach – FY19



North America  
(\$2,818 million)



Latin America  
(\$205 million)



Europe  
(\$657 million)

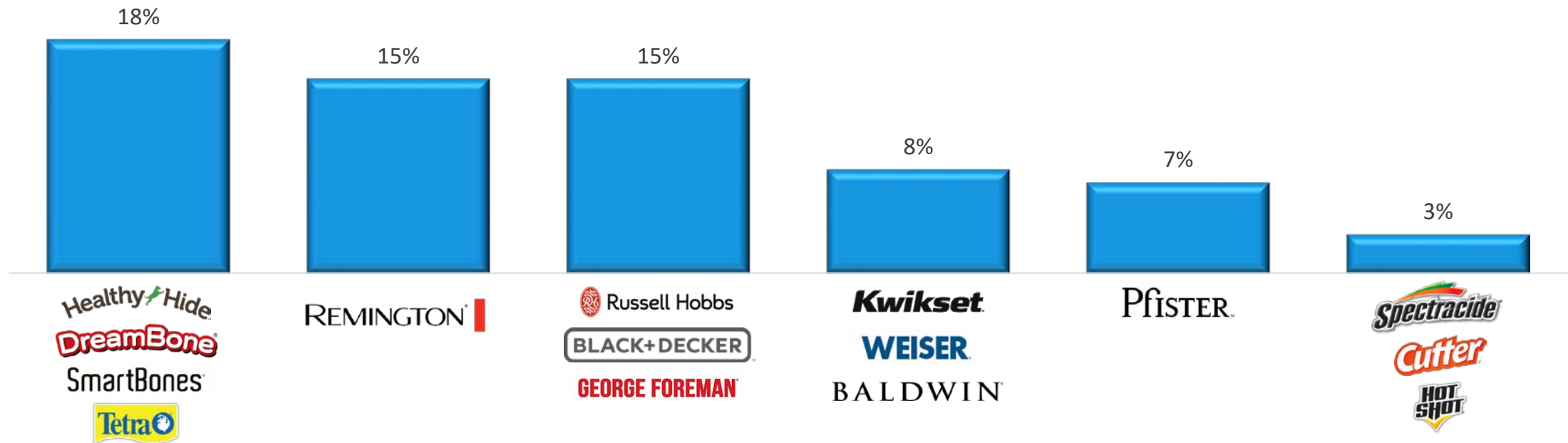


Asia-Pacific  
(\$122 million)

# Accelerating E-Commerce Sales by Enhancing Internal Capabilities

- Increasing dedicated staff and expanding toolsets and cross-divisional cooperation
- Amazon a top 5 customer in FY 2019
- Attractive margin structure
- Greater price/value transparency, ratings and reviews

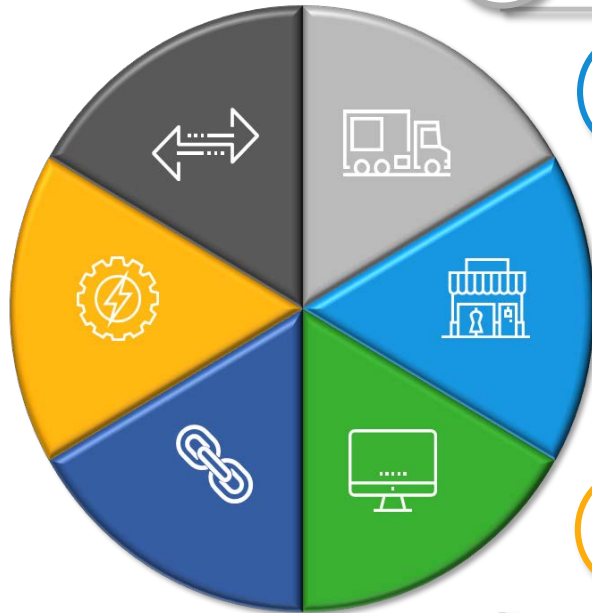
## E-Commerce Share of FY19 U.S. Sales





U.S. e-commerce growth of ~13% representing 10% of annual U.S. sales from continuing operations


# Global Productivity Improvement Plan (GPIP)


- Expect gross, annualized savings from sourcing and other GPIP cost improvements to be at least \$100 million within the next 18 to 24 months





 **Strategic Sourcing**  
Implement and execute strategic sourcing initiatives across the business units

 **Commercial**  
Right-size functions and center-led common operations

 **G&A**  
Best practice implementation and automation across finance, HR, legal and real estate functions

 **Supply Chain Org**  
Implement procurement Center of Excellence and centralization of indirect spend

 **IT Enablement**  
Accelerate value creation with tech enablers while transforming and consolidating ERP core systems

 **EMEA Separation**  
Prepare for EMEA separation in governance, change management and risk planning post-divestiture

Expected to increase operating efficiency and effectiveness; substantial portion of the savings expected to be reinvested in growth-enabling activities, including consumer insights, R&D and marketing

## Compelling Investment Opportunity

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**Leading Brands with Barriers to Entry and Long-Standing Retailer Relationships**

**Strong Balance Sheet with Ample Liquidity**

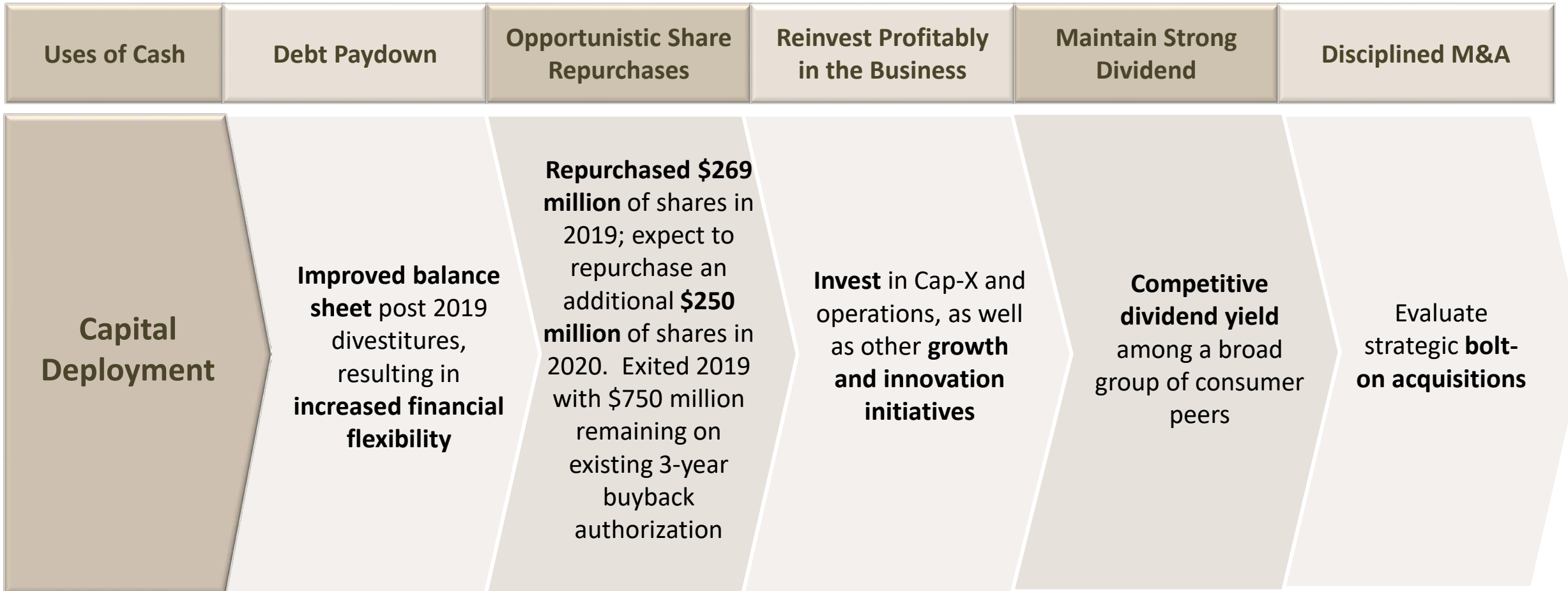
**Shareholder Friendly Capital Allocation**

**Strong Cash Flow Generation and Valuable NOLs (~\$800 Million)**

**5.3 Million Share Ownership in Energizer**

# Capital Allocation Priorities

- Strong cash flow generation and improved balance sheet resulting in capital allocation optionality



## FY 2020 Outlook for Continuing Operations

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- Expect **low single-digit** reported net sales growth, with foreign exchange expected to have a slightly negative impact based upon current rates
- **Adjusted EBITDA** expected to be between **\$570–\$590 million**
- **Adjusted free cash flow** expected to be between **\$240-\$260 million**
- **Increased spending** in advertising, marketing, selling, R&D and innovation
- **Cap-X** expected to be between \$90–\$100 million



# Spectrum Brands

## Appendix

SPECTRUM BRANDS HOLDINGS, INC.

RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN (Unaudited)

<b>Twelve Month Period Ended Sept. 30, 2019 (in millions, except %)</b>	<b>HHI</b>	<b>HPC</b>	<b>GPC</b>	<b>H&amp;G</b>	<b>Corporate</b>	<b>Consolidated</b>
Net income (loss) from continuing operations	\$ 214.6	\$ (127.8)	\$ 63.4	\$ 84.9	\$ (421.8)	\$ (186.7)
Income tax expense	—	—	—	—	(7.1)	(7.1)
Interest expense	—	—	—	—	222.1	222.1
Depreciation and amortization	33.5	64.6	48.8	19.3	14.6	180.8
EBITDA	248.1	(63.2)	112.2	104.2	(192.2)	209.1
Share and incentive based compensation	—	—	—	—	53.7	53.7
Restructuring and related charges	4.7	8.1	7.6	1.8	43.5	65.7
Transaction related charges	0.9	7.4	2.5	—	11.0	21.8
Write-off from impairment of goodwill	—	116.0	—	—	—	116.0
Write-off from impairment of intangible assets	—	18.8	16.6	—	—	35.4
Unrealized loss on Energizer investment	—	—	—	—	12.1	12.1
Foreign currency loss on multicurrency divestiture loans	—	—	—	—	36.2	36.2
Legal and environmental remediation reserves	—	—	—	—	10.0	10.0
GPC safety recall	—	—	0.7	—	—	0.7
Salus	—	—	—	—	1.6	1.6
Other	—	0.1	3.0	(0.5)	2.1	4.7
Adjusted EBITDA	\$ 253.7	\$ 87.2	\$ 142.6	\$ 105.5	\$ (22.0)	\$ 567.0
Net Sales	\$ 1,355.7	\$ 1,068.1	\$ 870.2	\$ 508.1	\$ —	\$ 3,802.1
Adjusted EBITDA Margin	18.7%	8.2%	16.4%	20.8%	—	14.9%
<b>Twelve Month Period Ended Sept. 30, 2018 (in millions, except %)</b>	<b>HHI</b>	<b>HPC</b>	<b>GPC</b>	<b>H&amp;G</b>	<b>Corporate</b>	<b>Consolidated</b>
Net income from continuing operations	\$ 155.9	\$ 93.7	\$ 34.9	\$ 88.0	\$ 54.5	\$ 427.0
Income tax benefit	—	—	—	—	(462.7)	(462.7)
Interest expense	—	—	—	—	264.0	264.0
Depreciation and amortization	40.0	8.8	42.3	18.8	15.4	125.3
EBITDA	195.9	102.5	77.2	106.8	(128.8)	353.6
Share based compensation	—	—	—	—	11.9	11.9
Restructuring and related charges	52.8	0.7	13.2	0.8	8.1	75.6
Transaction related charges	6.0	15.2	6.2	—	2.8	30.2
Write-off from impairment of intangible assets	—	—	20.3	—	—	20.3
Inventory acquisition step-up	—	—	0.8	—	—	0.8
GPC safety recall	—	—	18.9	—	—	18.9
Spectrum merger related transaction charges	—	—	—	—	45.9	45.9
Non-recurring HRG operating costs and interest income	—	—	—	—	18.9	18.9
Salus	—	—	—	—	1.1	1.1
Other	—	0.4	—	(0.1)	3.8	4.1
Adjusted EBITDA	\$ 254.7	\$ 118.8	\$ 136.6	\$ 107.5	\$ (36.3)	\$ 581.3
Net Sales	\$ 1,377.7	\$ 1,110.4	\$ 820.5	\$ 500.1	\$ —	\$ 3,808.7
Adjusted EBITDA Margin	18.5%	10.7%	16.6%	21.5%	—	15.3%

**SPECTRUM BRANDS HOLDINGS, INC.**  
**RECONCILIATION OF FORECASTED NET INCOME TO ADJUSTED EBITDA (Unaudited)**

<u>(in millions)</u>	<u>F2020</u>
Net income	\$ 50 - 94
Income tax expense	13 - 24
Interest expense	140 - 150
Depreciation and amortization	200 - 210
EBITDA	423 - 458
Share and incentive based compensation	55 - 60
Transaction related charges	12
Restructuring and related charges	65 - 75
Adjusted EBITDA	<u>\$ 570 - 590</u>

**SPECTRUM BRANDS HOLDINGS, INC.**  
**RECONCILIATION OF FORECASTED CASH FLOW FROM OPERATING ACTIVITIES TO FORECASTED ADJUSTED FREE CASH FLOW (Unaudited)**

<u>(in millions)</u>	<u>F2020</u>
Net cash flow from operating activities	\$ 290 - 310
Purchases of property, plant and equipment	(90) - (100)
Divestiture related separation costs and taxes	40 - 50
Adjusted free cash flow	<u>\$ 240 - 260</u>

# Spectrum Brands

