

# Spectrum Brands

Bank of America Merrill Lynch 2019  
Consumer & Retail Technology Conference

March 12, 2019

Dave Prichard



## 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. 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), and adjusted EBITDA margin. 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. Organic adjusted EBITDA excludes the impact of currency exchange rate fluctuations and acquisitions. 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. 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.

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.

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

## Portfolio of Leading Brands





# The New Spectrum Brands

## Spectrum 20/20



### FY 2018 Financials

<b>Net Sales*</b>	\$3.8 billion
<b>Adjusted EBITDA**</b>	\$581 million

\* Pro forma FY 2018 as of September 30, 2018 – end of FY18 Q4.  
 \*\* Total Company Adjusted EBITDA includes (6%) of corporate costs not allocated to the segments.

# The New Spectrum Brands

## Hardware & Home Improvement

- **36%** of Net Sales\*
- **44%** of Adjusted EBITDA\*\*

## Home & Personal Care

- **29%** of Net Sales\*
- **20%** of Adjusted EBITDA\*\*

## Pet Care

- **22%** of Net Sales\*
- **24%** of Adjusted EBITDA\*\*

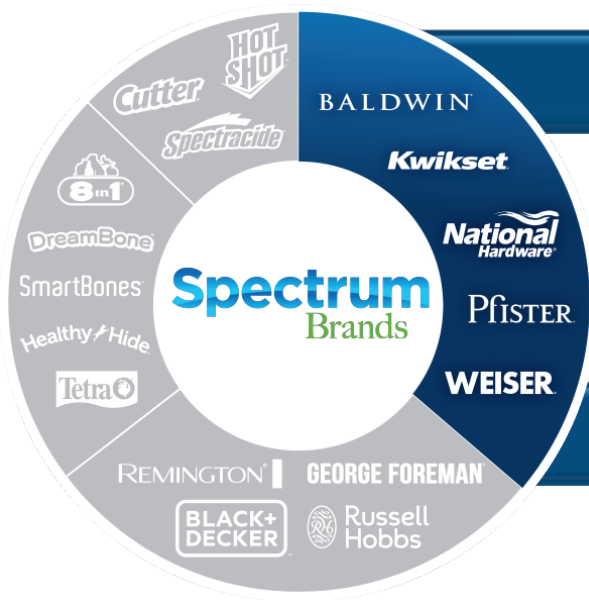
## Home & Garden

- **13%** of Net Sales\*
- **18%** of Adjusted EBITDA\*\*



# Hardware & Home Improvement

## Hardware & Home Improvement

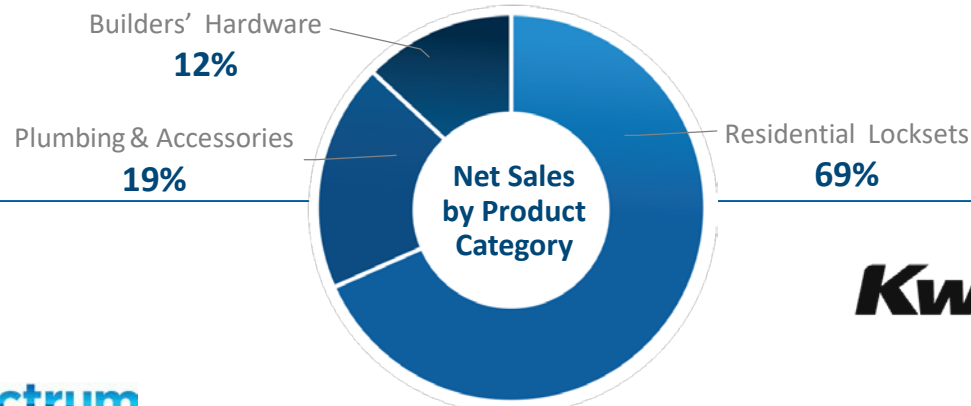


**36%** of Net Sales\*  
**44%** of Adjusted EBITDA\*\*

FY 2018 Financials

<b>Net Sales*</b>	\$1.4 billion
<b>Adjusted EBITDA**</b>	\$255 million

- **Leading provider** of residential locksets, builders' hardware, and plumbing and accessories
- **Leading market positions:**
  - **#1** in U.S. residential and luxury locksets
  - **#1** in U.S. builders' hardware
  - **#1** in Canada residential locksets
  - **#3** in U.S. retail plumbing/accessories
- **Diversified product portfolio** with well-recognized brands characterized by outstanding new product innovation and execution
- **Large installed lock base**



**Kwikset.**

BALDWIN

PfISTER.

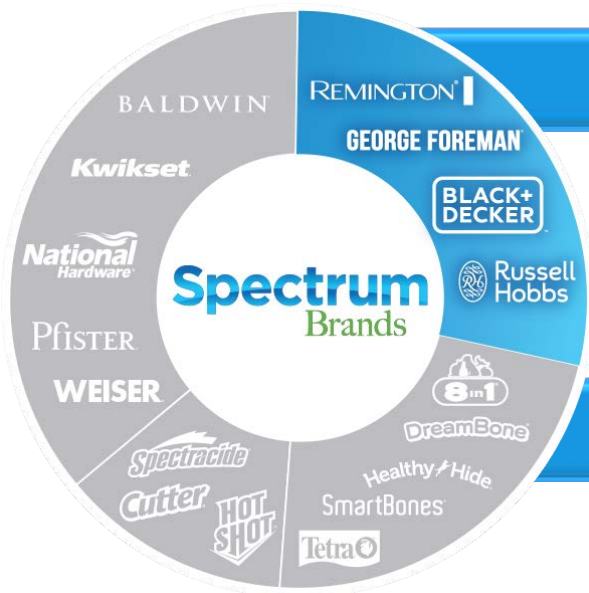
**National Hardware®**

\* Pro forma FY 2018 as of September 30, 2018 – end of FY18 Q4.  
 \*\* Total Company Adjusted EBITDA includes (6%) of corporate costs not allocated to the segments.



# Home & Personal Care

## Home & Personal Care



**29%** of Net Sales \*  
**20%** of Adjusted EBITDA \*\*

### FY 2018 Financials

**Net Sales \*** | \$1.1 billion

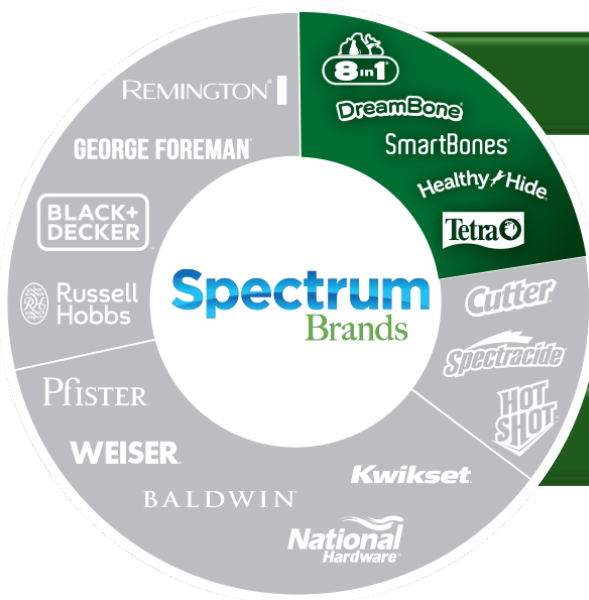
**Adjusted EBITDA \*\*** | \$119 million

- **Value brands** appeal to consumers
- **Leading market positions:**
  - **#1** in U.S. grills, garment care
  - **#1** in U.K. kitchen/home products
  - **#1** hair care brand in Europe
  - **#2** in U.S. toaster ovens
- Capitalizing on **global platform** with innovation
- History of **innovation and industry leadership**



\* Pro forma FY 2018 as of September 30, 2018 – end of FY18 Q4.  
 \*\* Total Company Adjusted EBITDA includes (6%) of corporate costs not allocated to the segments.

# Pet Care



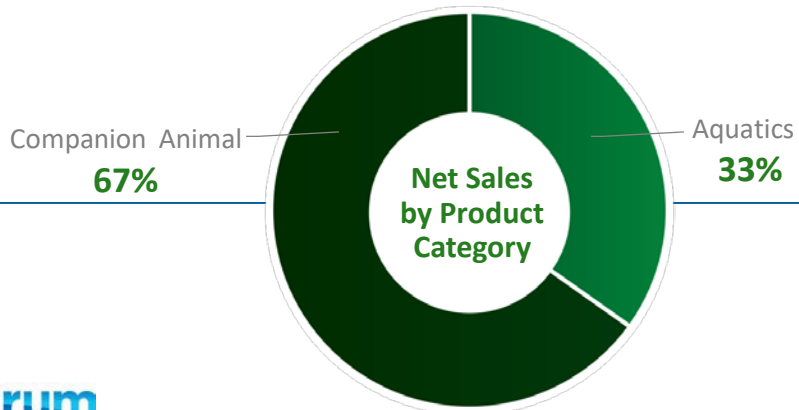
## Pet Care

**22%** of Net Sales\*  
**24%** of Adjusted EBITDA\*\*

### FY 2018 Financials

<b>Net Sales*</b>	\$820 million
<b>Adjusted EBITDA**</b>	\$137 million

- **Global market leader in aquatics category**
- **Leading market positions:**
  - #1 in global rawhide chews
  - #1 in global aquatics
  - #2 in global pet care supplies
- **Broad and innovative product line** led by the Tetra brand
- **Strong new product pipeline** in FY19 in both companion animal and aquatics categories



# Home & Garden



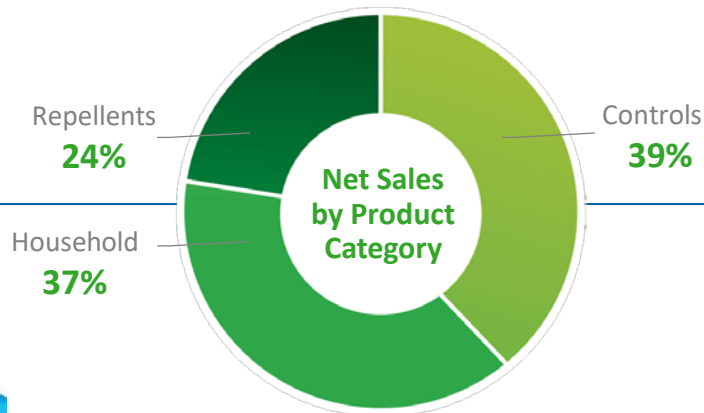
## Home & Garden

**13%** of Net Sales\*  
**18%** of Adjusted EBITDA\*\*

### FY 2018 Financials

<b>Net Sales*</b>	\$482 million
<b>Adjusted EBITDA**</b>	\$108 million

- Leading market positions:
  - #1 in outdoor insect control
  - #2 in outdoor controls (weed & grass control)
- Strong new product pipeline and distribution gains
- Operational excellence



\* Pro forma FY 2018 as of September 30, 2018 – end of FY18 Q4.  
 \*\* Total Company Adjusted EBITDA includes (6%) of corporate costs not allocated to the segments.

## Key Messages for 2019

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1

**Newly transformed Spectrum Brands has significant potential**

2

**We are strategically investing behind our 4 core business units**

3

**New Spectrum Brands is a compelling investment opportunity**

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# Divestiture of Global Battery & Lighting and Global Auto Care

*Simplified portfolio for greater focus*

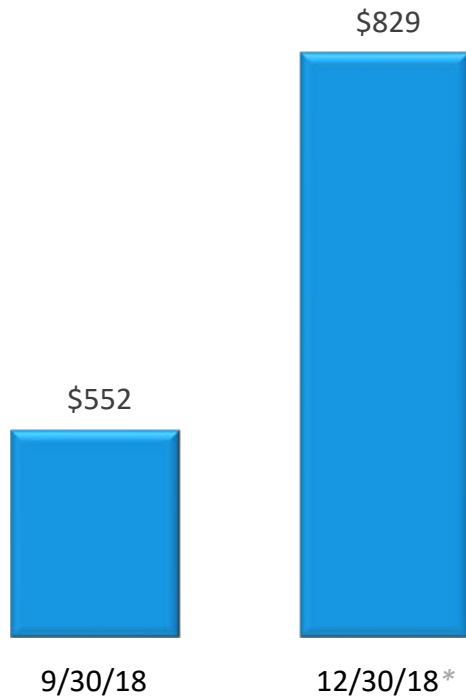
Business Segment	Brands	Proceeds	FY 2018 Revenue	FY 2018 Adjusted EBITDA	Multiple
Global Battery & Lighting	 	<p>\$2 billion <i>All cash</i></p>	\$871 million	<p>\$146 million <i>17% margin</i></p>	13.7x
Global Auto Care	  	<p>\$1.25 billion <i>\$937.5 million cash</i> <i>\$312.5 million equity</i></p>	\$466 million	<p>\$99 million <i>21% margin</i></p>	12.6x

Enhancing focus and capturing value

# Materially Improved Capital Structure

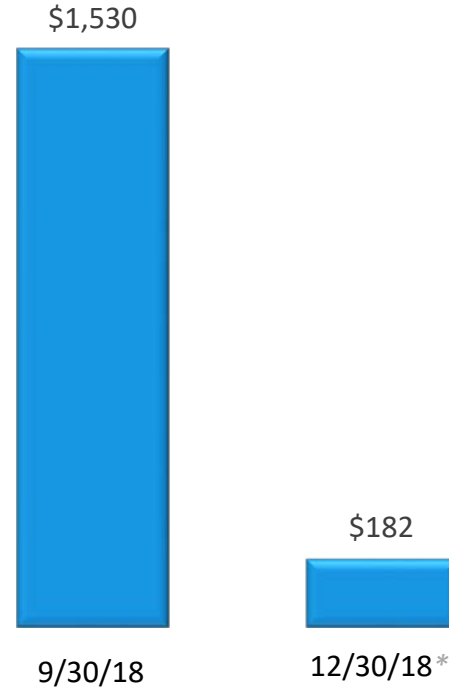
**CASH** ↑

**ENHANCED LIQUIDITY**



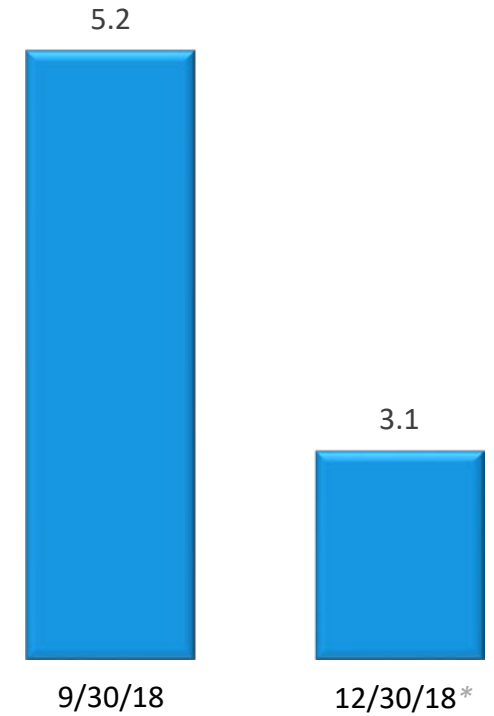
**SECURED DEBT** ↓

**ELIMINATED TERM LOAN  
REDUCED CAPITAL LEASES**



**NET LEVERAGE** ↓

**STRENGTHENED BALANCE SHEET**



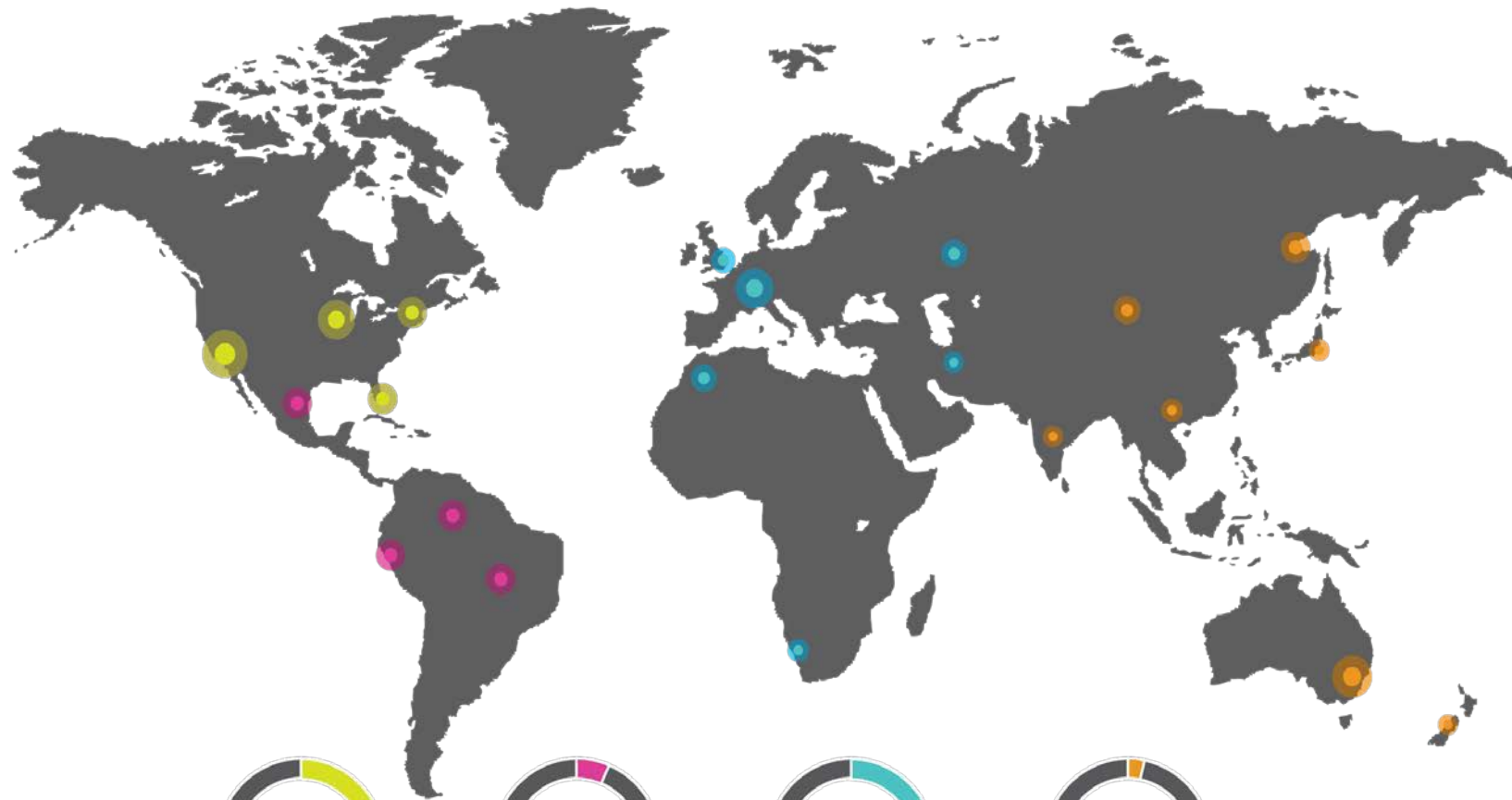
## Top 15 Brands Driving Customer and Consumer Value



Represents ~80% of FY18 pro forma revenues of \$3.8 billion from continuing operations



# Global Reach



North America  
(\$2,783 million \*)



Latin America  
(\$212 million\*)



Europe  
(\$669 million\*)



Asia-Pacific  
(\$126 million\*)

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# Significant FY 2019 Innovation

## Hardware & Home Improvement



## Home & Personal Care



## Pet Care



## Home & Garden



# HHI Innovation “Coming Soon” Hero Products

## Premis™

TOUCHSCREEN SMART LOCK

- Apple Home Kit Compatible with Blue Tooth Low Energy (BLE)
- Sleek new contemporary look
- On trend Matte Black finish
- Featuring Smart Key Security

## SMARTCODE 955™

COMMERCIAL GRADE LEVER

- Commercial Graded for High Traffic Areas
- Clean robust metallic design for durability
- Industry Standard Fire Rating (UL)
- Featuring Smart Key Security

**Kwikset**



INTRODUCING

# AIRFRY TOASTER OVEN



Anniversary 2018 BLACK+DECKER Air Fry Toaster Oven Success

#5 Toaster Oven SKU in total market 2018

NEW Air Fry Toaster Oven SKUs launching in 2019

Fall 2019 on-shelf for Holiday



\*#1 Brand in Toaster Ovens in the USA— Source: NPD POS, data as of Nov. 2018.

# Nature's Miracle Advanced Platinum Disinfectant Line

TRUST *the* MIRACLE™

- ❖ Disinfectant formulas that *specifically target pet viruses*
- ❖ June 2019 on-shelf
- ❖ Estimated **\$3M Annual POS**
- ❖ Search, social and influencer campaigns, and in-store displays & videos to support





# INTRODUCING

## Color Care TECHNOLOGY

- Protects color treated hair from damage and color fading
- Select items in stores and online now
- Full line in mass channel June 2019 including new Twist & Curl Multi Styler



- Estimated **\$3M Annual POS**

# INTRODUCING DREAMBONE® GRILL MASTERS

- 🐾 Patented, innovative design in pet treats
- 🐾 Entire line listed at U.S. mass channel and others
- 🐾 April 2019 on-shelf
- 🐾 Estimated **\$3M Annual POS**
- 🐾 Social, digital & influencer media to support the launch





# Hot Shot Ant, Roach & Spider Killer



- Our strongest formula ever!
- Providing customers and consumers with exactly what they need
- April 2019 on-shelf
- TV, digital, search and social campaigns, online content and videos, along with in-store displays & support



## Spectracide Weed Stop For Lawns

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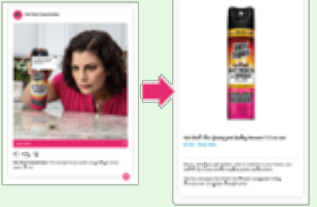






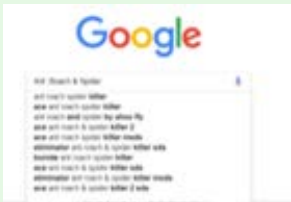
- Our fastest-working lawn weed killer ever!
- Broad national distribution and additional in-store displays & support
- March 2019 on-shelf
- TV, digital, search and social campaigns, online content and videos

YOU HOLD THE  
**POWER**™



# Home & Garden Marketing Initiatives

- Targeted campaign to reach the right consumers at the right time with the right message
- Focus on best-in-class content

TV	Online Shopping	Print
		
In-Store	Video	Social Media
		
Digital	Out of Home	Search Engine Optimization
		

# Major FY 2019 Distribution Wins

## Home & Garden

- **Category:** Outdoor controls
- **Channels:** Big box, mass and food
- **Region:** U.S.



## Pet Care

- **Category:** Dog chews/treats
  - **Channel:** Mass
  - **Region:** U.S.
- 
- **Category:** Aquatics
  - **Channels:** Mass, pet specialty, online
  - **Region:** U.S.



## Hardware & Home Improvement

- **Category:** Builders' hardware
- **Channel:** Big box
- **Region:** U.S.



# Major FY 2019 Distribution Wins

## Home Appliances

- **Category:** Appliances
- **Channel:** Mass
- **Region:** U.S.



- **Category:** Appliances
- **Channel:** Mass
- **Region:** Europe



## Personal Care

- **Category:** Hair care & grooming
- **Channel:** Food
- **Region:** Europe



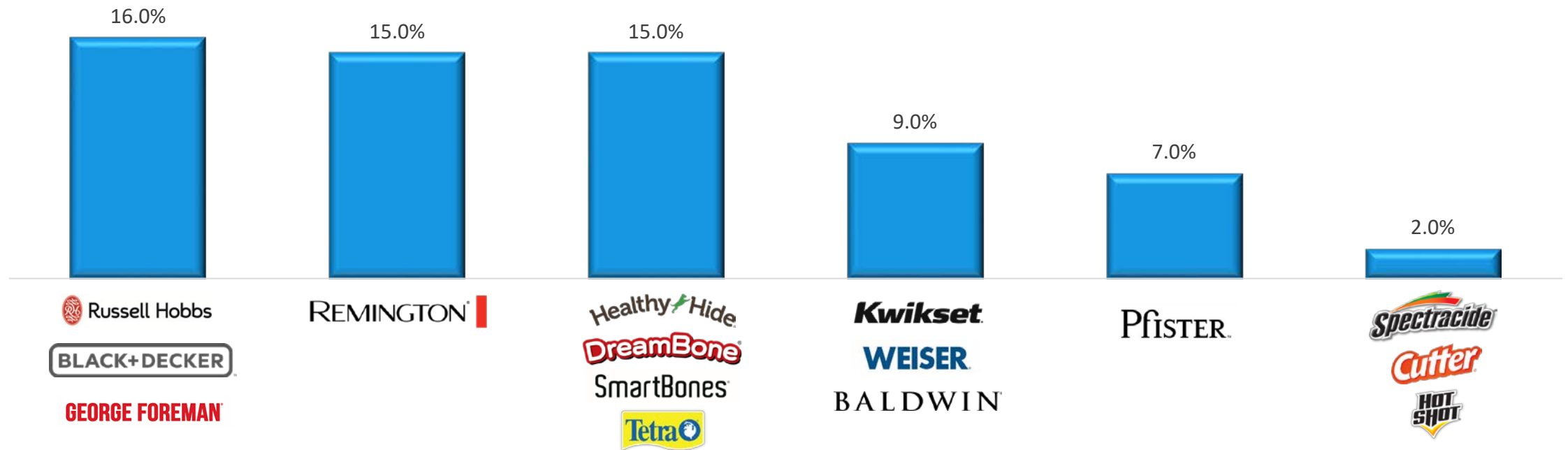
- **Category:** Women's hair care
- **Channel:** Mass
- **Region:** U.S.



# 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 2018
- Attractive margin structure
- Greater price-value transparency, ratings and reviews

## E-Commerce Share of FY 2018 pro forma U.S. Sales



FY 2018 U.S. e-commerce growth of ~15% representing ~9% of annual U.S. sales from continuing operations

## Key Messages for 2019

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## 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**

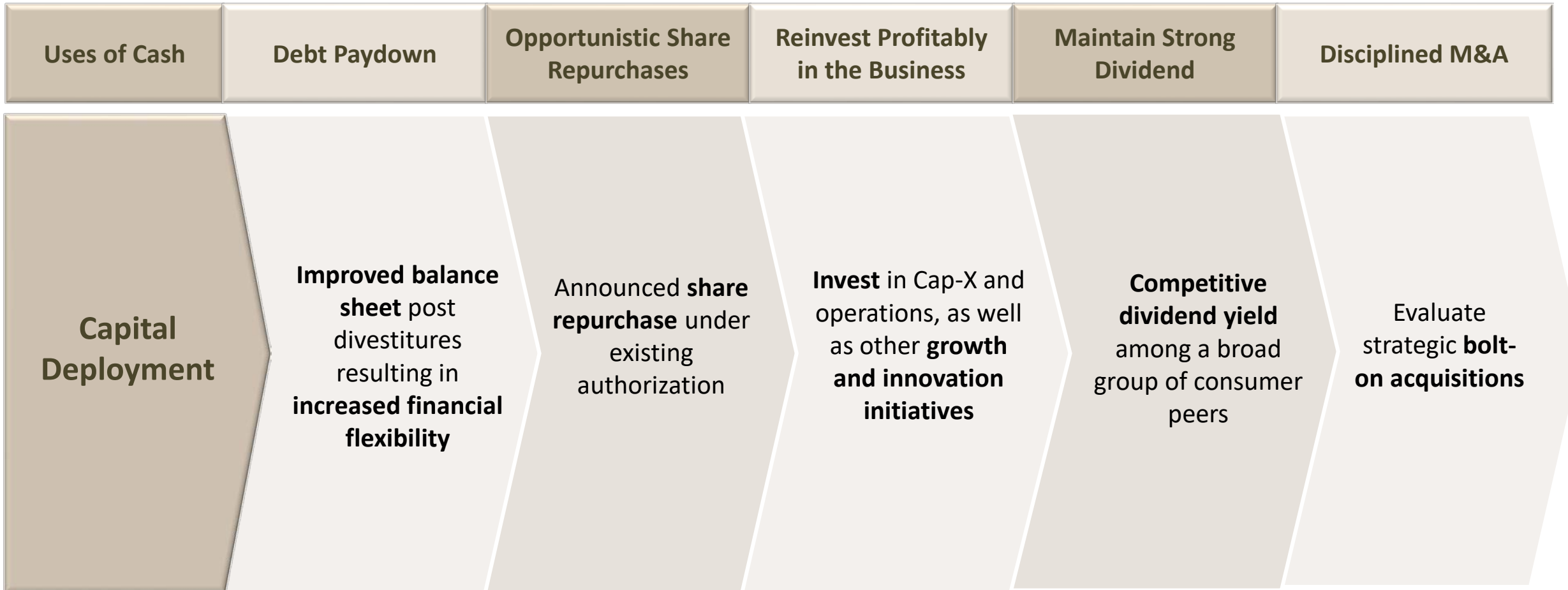
**Strong Cash Flow Generation and Valuable NOLs (~\$1.3 Billion)**

**5.3 Million Share Ownership in Energizer**



# Capital Allocation Priorities

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



## FY 2019 Outlook

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- Year of **stabilization and focus** following transformational and transitional FY 2018
- **Adjusted EBITDA** from continuing operations expected to be between **\$560 million – \$580 million**
- Significant **increase in advertising, marketing, selling, R&D and innovation**
- Reported **net sales growth** from continuing operations driven by investments, pricing actions (including possible tariff-related increases) and market share gains
  - **Foreign exchange** impact on net sales expected to be a negative impact of 150bp based upon current rates
- **Cap-X** from continuing operations expected to be between \$70 million – \$75 million

# Spectrum Brands

## Appendix

## Reconciliations

**Spectrum Brands Holdings, Inc.**  
**Reconciliation of Pre-Tax Income From Continuing Operations to Adjusted EBITDA**  
**For the Fiscal Year Ended September 30, 2018**  
(in millions, unaudited)

	<u>HHI</u>	<u>HPC</u>	<u>PET</u>	<u>H&amp;G</u>	<u>CORP</u>	<u>TOTAL</u>
Pre-tax income from continuing operations	\$ 156	\$ 94	\$ 35	\$ 88	\$ (407)	\$ (34)
Interest expense	-	-	-	-	264	264
Depreciation and amortization	40	9	42	19	15	125
EBITDA	196	103	77	107	(128)	355
Share based compensation	-	-	-	-	12	12
Acquisition and integration related charges	6	5	7	-	-	18
Restructuring and related charges	53	1	13	1	8	76
HPC divestitures charges	-	10	-	-	-	10
Write-off from impairment of intangible assets	-	-	20	-	-	20
Inventory acquisition step-up	-	-	1	-	-	1
Pet safety recall	-	-	19	-	-	19
Spectrum merger related transaction costs	-	-	-	-	46	46
Non-recurring HRG operating costs and interest income	-	-	-	-	20	20
Other	-	-	-	-	4	4
Adjusted EBITDA	\$ 255	\$ 119	\$ 137	\$ 108	\$ (38)	\$ 581

# Spectrum Brands

