
BETTER BUY COMPARED WITH OTHER BRANDS
Enema
saline
laxative
LAXATIVE
saline enema
READY TO USE
12 BOTTLES
SALE!
Our Price: $2.69
Compare With Other Brands: $5.00
4.89 USD
"Time To Nix Management"
/ Strong Sell Opinion /
Prestige Consumer Healthcare, Inc. | NYSE: PBH
Spruce Point Capital Management
Investment Research Report

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Spruce Point's Success Shorting Consumer Product Companies

Spruce Point Capital Is An Industry Recognized Research Activist Investment Firm Founded In 2009

- Founded by Ben Axler, a former investment banker with 20 years experience on Wall Street
- Named one of the top Activist Short sellers in world in 2020 by Activist Insight Review
- Unparalleled record of seeing through the stock promotion hype machine with insightful short-selling opinions

	Boulder Brands	caesarstone	iRobot	Church & Dwight Co., Inc.
Report	Nasdaq: BDBD | Feb 2013 , Mar 2013*	Nasdaq: CSTE | Aug 2015 , Oct 2015	Nasdaq: IRBT | Nov 2018 , Mar 2019	NYSE: CHD | Sep 2019
Market Cap	$1.0 billion	$1.7 billion	$2.0 billion	$22.7 billion
Company Promotion	Smart roll-up acquirer of food brands including: Smart Balance butter, and leading gluten free products such as Glutino, Udi's and Evol	Leading quartz countertop maker capable of producing sustainable 43% and 26% gross and EBITDA margins. The Company claimed it needed to construct a U.S. manufacturing facility	Premium robot vacuum protected against cheap, low-end competition. Ability to develop new and exciting home robot products (lawn mower robots)	Best of breed roll-up acquiror of personal care and consumer products with the core Arm & Hammer brand providing a stable backbone to diversify into other products
Our Criticism	Boulder Brands was facing a patent cliff on its Smart Balance butter and embarked on an expensive and levered acquisition spree to diversify into the faddish gluten free market. Segment realignments and questionable accounting were being used to mask fundamental strains. The CEO Hughes was highly promotional and had a questionable history of value creation	Our intense fundamental and forensic due diligence uncovered evidence of slowing U.S. growth, and margin pressure being covered-up. We also expressed grave concerns about the Company's strategy to build a U.S. manufacturing facility and believed its capex costs seemed overstated, which would allow capitalization of costs on the balance sheet and potentially overstate earnings	Increasingly high-end competitors taking share in robot vacuum space and pressuring ASPs. History of failures in non-vacuum products suggests inability to grow mop sales or successfully launch lawnmower. Rising DSIs suggest financial strain. Distributor acquisitions obscure underlying sales declines	New management is more aggressive, using financial and accounting tactics to inflate the share price. The recent acquisition of FLAWLESS hair care was expensive and will disappoint investors. Governance lapses have allowed management to reap unjust bonuses based on non-cash gains. Shares at $80 trade 8% above analyst targets
Successful Outcome	Boulder took a significant goodwill impairment charge in Q3'2014 and guided results significantly below estimates by finally admitting headwinds in its spreads business and margin pressures. In June 2015, the CEO resigned	Two CEO/CEO's and two CFO/CFO's of Caesarstone have subsequently resigned. The Company has reported numerous manufacturing problems in both its new U.S. production and Israeli facilities. Gross margins contracted to 25%. The share price has fallen >70% from our initiation price	Disappointing sales growth due to slower-than-projected robotic mop sales. Gross margins continue to decline due to increasing competition at both the low and high end of the market. Lawn mower robot delayed. FY outlook lowered. Long-time CFO Alison Dean announces transition plan in Feb 2020	Within the first quarter after our report, CHD reported disappointing Q3 sales results, cut its full year sales guidance, and issued Q4 earnings at $0.54, below the $0.62 expected. CHD blamed higher sales and marketing expenses on FLAWLESS. CHD's new 10-K added risk factors around financial controls and its Chief Accounting Officer is "retiring"

** Reports produced by Prescience Point of which Mr. Axler was a contributing author. Past performance is no guarantee of future success. Please read our disclaimer at the front of this presentation*

Spruce Point Capital Management

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Executive Summary

Spruce Point Is Short Prestige Brands And Estimates 40%-60% Downside ($14.80 - $22.50/sh)

After conducting in-depth channel checks and a rigorous forensic review, Spruce Point has significant concerns about Prestige Consumer Healthcare (NYSE: PBH, "Prestige Brands", or "the Company"), a roll-up of orphaned brand named, over-the-counter (OTC) healthcare products. Our research shows Prestige to be a challenged and overleveraged consumer healthcare business perceived to have steady growth and the ability to generate free cash flow to reduce debt. We believe Prestige will struggle to reduce its current level of debt as the business experiences further competitive pressures, and working capital and free cash flow strains intensify. As the shift to online purchases grow in the post-COVID-19 world, Prestige appears ill-positioned, and has significant exposure to traditional brick and mortar retailers. As the Company's prior path to achieve growth through debt fueled acquisitions is no longer possible, Prestige's organic growth has slowed, and financial strains have intensified. Management's recent comments to focus on reducing debt may be a signal of cash flow drying up. Prestige continues to miss its organic growth targets and misallocates capital while receiving handsome compensation along the way. <u>Prestige's low-quality management team has consistently underdelivered on its promises, and it is time for the CEO and CFO to resign</u>. <u>We have serious concerns regarding current CFO and Chief Accounting Officer Christine Sacco and her team given their abysmal history at Boulder Brands, another consumer brands roll-up which collapsed 50% after our successful warning about accounting and financial strains</u>. As a result of our investigation, we are calling on PBH's audit committee to conduct a full investigation into its financial reporting and accounting practices. Prestige's disclosures are worsening and its corporate governance lags peers. With consumption growth of 2%, lack of pricing power and increased competition, we view the Company's 2-3% organic revenue growth guidance as unattainable. Combined with a rising cost structure, we believe PBH's organic earnings will experience an unpreventable terminal decline.

<u>Long-Term Secular Challenges And Competition From Private Label Brands, With Significant Brick And Mortar Retail Exposure</u>

- We believe PBH's orphaned brand-named products face significant competition in both price and product placement compared to store brands
  - PBH brands appear to be struggling online due to lower product placement on retailers' websites and inferior prices
- Nielsen data shows PBH's price and volume sales are declining while private label brands are experiencing price and volume growth
- The 4 P's of marketing suggest that PBH is at a clear disadvantage:
  - <u>Product</u>: OTC consumer healthcare products with expired patents and high competition from comparable store brands
  - <u>Price</u>: Not price competitive; store brands are priced at a significant discount. PBH brand are typically ~30-100% more expensive
    - Despite evidence of increasing promotional provisioning, margin pressure and our conversations with former employees and industry experts, management continues to downplay any sort of pricing pressure
    - Historically higher margins at smaller retailers have made up for pricing pressures from larger retailers. However, as larger retailers continue to grow their share of sales, PBH may face increasingly more difficulty in maintaining current margins
  - <u>Place</u>: Brands are intermingled with store brands or often found on lower shelves, while competitor products are found on premium, eye level shelves. Heavy brick and mortar retail focus with 20%+ of sales from Walmart and at a clear disadvantage in online channels
  - <u>Promotion</u>: Increased promotional spending as competition continues to intensify. Despite this push, organic growth continues to struggle
- Amazon's move into pharmacy with its "Basic Care" branded products and acquisition of Pill Pack presents further challenges for PBH as traditional traffic shifts away from pharmacies and supermarkets to e-commerce channels

Spruce Point Is Short Prestige Brands And Estimates 40% - 60% Downside ($14.80 - $22.50/sh)

Continuously Misses Organic Growth Targets; We Believe The CEO & CFO Should Resign

- Since CEO Lombardi (June 2015) and CFO Sacco (September 2016) were appointed, PBH missed its organic revenue growth targets for 4 out of 5 years between 2015 – 2019, and was on pace to fall short in 2020 before the Q4 benefit due to the COVID-19 pandemic
- Given management's inability to achieve its #1 most important goal, organic growth, we believe it is appropriate for the CEO & CFO to resign

Multiple Signs Of Financial Strain As Organic Revenue Is Flat, EBITDA Declines And Cash Flow Dynamics Worsen

- Organic revenue growth has compounded at 1% over the past 6 years and has continued to miss targets
- Red Flag: Under Sacco's leadership, PBH has made three unusual and stealth changes to the discussion of revenue from major brands: "net revenue", "revenue", "total revenue". We observe a similar stealth change in revenue disclosure made at Boulder Brands ahead of its stock collapsing
- We estimate organic EBITDA has declined each of the past 6 years
  - Reported EBITDA only declined in the past 2 years due to the absence of an acquisition
- Substantial delta between GAAP and non-GAAP financials from aggressive adjustments; non-GAAP EBITDA ignores the costs associated with acquisitions and divestitures even thought they are core to the Company's strategy
  - Company reports an aggressive "non-GAAP adjusted free cash flow" removing the impact of transaction and discretionary financing costs. Management wants every benefit of its actions, but none of the "cash" costs associated with its decisions
- Working capital under pressure as cash conversion cycle has exploded from 67 to 110 days since 2015
  - Since 2018, DSOs are up from 48 to 57 days and DIOs are up from 94 to 109 days, while DPOs have only increased from 52 to 55
- PBH's poor working capital management is a clear outlier compared with its peers
  - DSO has grown significantly faster than peers; PBH is 1 of 2 companies with 4 consecutive years of DSOs increasing
  - DIO and cash conversion cycle have increased faster than peers; PBH is the only company with multiple years of double-digit increases
- Receivables growth has significantly outpaced revenue growth on both an absolute and organic basis with the divergence accelerating since Christine Sacco became CFO
- Multiple signs of ballooning inventory levels as products are not selling-though to customers as obsolete inventory grows and inventory purchase obligations as a percentage of sales rises
  - While management attributes this trend to customer destocking, there is evidence that this trend has slowed in calendar year 2019 as PBH's main customers experience a minimal change in days inventory over the past year relative to declines in prior years
- Increases in promotional provisioning and consistent rise in advertising & promotional spend of its top brands shows efforts to fend off increasing competitive pressure
  - Despite the rise in promotional spend, PBH struggles to achieve meaningful organic revenue growth
- Signs of declining efficiency as revenue and EBITDA per full-time-employee have declined over the past two years
- Red Flag: Potentially aggressive changes to depreciation assumptions have benefited earnings over the past 3 years

Spruce Point Capital Management

Spruce Point Is Short Prestige Brands And Estimates 40% - 60% Downside ($14.80 - $22.50/sh)

International Business Strains Mirror The U.S. While Management Overhypes International Growth Opportunities

- Management promotes international growth opportunities with a long-term growth target of 5%+
  - International business represents ~10% of revenue; Australia accounts for >50% of international business
- In Australia, PBH's largest international market, the Company is showing signs of strain as revenue growth is slowing and potentially being achieved by loosening customer terms, shown by ballooning accounts receivable growth
- Singapore and UK entities are showing similar signs of increased working capital needs and growing receivables

Poor History Of M&A And Capital Allocation Has Resulted In A Weak Balance Sheet And The Need To Delever

- Debt fueled acquisitions has resulted in Net Debt/EBITDA of 4.7x and 87% of its balance sheet goodwill and intangibles; limited ability for more M&A and increasing focus on paying down debt before cash flow challenges intensify
- Transaction multiples have increased from ~7x EBTIDA to 10-12x over the past few deals; we believe recent multiples are understated due to the reported "synergy adjusted multiples" which are lower than the comparable multiples
- Recent deals have not benefited organic growth; management stated high single-digit growth for Fleet and DenTek at the time of the deals
  - Evidence Fleet's revenue growth declined after the deal; Y-o-Y change in revenue of 7.2%, 1.5%, (4.0%) for the first 3 quarters of 2018
  - Management received a special "integration" bonus for the Fleet deal, and heavily promoted it with assurances of its success. Yet, PBH ended up taking an intangible impairment charge
- FCF conversion is misleading for a roll-up given allocation of capital away from capital expenditures towards acquisitions
  - Management touts its "best-in-class" FCF conversion but does not mention its <u>"worst-in-class" organic growth as a result of underinvesting in the business</u>; capex and R&D as a percentage of sales is among the lowest compared to its peers
- <u>Recent change in capital allocation plan</u>: PBH has shifted its focus from reducing debt and M&A to repurchasing its own shares
  - Share repurchases at ~10-11x EBITDA, a 1-2x premium compared to the ~9x level it paid for the underlying business which is experiencing near zero organic growth and over levered

CFO Christine Sacco's History At Boulder Brands, Another Consumer Product Focused Roll-Up Touting Growth That Ultimately Collapsed, Draws Many Parallels To PBH

- In February 2013, Prescience Point Research Group, Co-Founded by Spruce Point's Founder and Chief Investment Officer Ben Axler, published a "Strong Sell" recommendation on Boulder Brands. Over the next 2 years shares fell over 50% before being acquired at a discount to the share price before the report
  - PBH changed revenue disclosure for its major brands from "net" to "total" revenues, an identical change Boulder made in 2014 right before its shares collapsed. By making this change, we believe the Company is masking revenue loss
  - Sacco received an SEC Comment Letter in 2015; we find many similarities between Boulder's poor disclosure practices and PBH's today
- After joining PBH, Sacco brought over three senior members of her team from Boulder and hired a new Director of IR with ties to Boulder
- Sacco previously worked in multiple positions at Alpharma (ALO), another Company with several accounting related problems
- We have concerns of PBH's audit partner at PwC, due to her lack of experience auditing large public, consumer product companies
- **Sacco overstates biography by representing herself as a CPA despite it being inactive**

Spruce Point Is Short Prestige Brands And Estimates 40% - 60% Downside ($14.80 - $22.50/sh)

Poor Corporate Governance And Weakening Financial Disclosure Practices Raise Several Red Flags

- Insiders own a measly 1.2% and have little at risk for leveraging PBH's balance sheet and saddling it with poor acquisitions
- Poor revenue disclosure: Does not break out the effect of change in prices and volumes, revenue by product (“Big 5” brands account for 50% of revenue) and impact of new product development
  - Lack of new product disclosure despite management touting potential for new product development during the acquisition of Fleet
  - SEC’s Comment Letter to B&G Foods sets precedent for Company’s to increase the level of revenue disclosure to include information material to investors
  - Red Flag: Removal of principal customers and market share disclosure raises concerns as the Company is facing increased competition
- We believe executive compensation is not tied to the Company’s key objectives; compensation is tied to sales and EBITDA. It should be compensated on organic sales growth and cash flow available to pay down debt
  - Management has been paid handsomely with base salary increases and large bonuses despite missing organic growth targets in 4 out of the past 6 years and free cash flow guidance in 3 out of the past 6 years

We See A Terrible Risk / Reward Opportunity And Significant Downside To Current Share Price

- Spruce Point has a history of successfully exposing poorly positioned consumer focused companies before the market realizes fundamentals have changed, and the share price collapses (e.g. Boulder Brands (BDBD), Church & Dwight (CHD), WD-40 Company (WDFC), Weis Markets (WMK), iRobot Corp (IRBT)). We expect Prestige Brands to follow a similar course
- Poor organic growth, lack of competitive advantage and eroding market share deserves a valuation multiple at a significant discount to peers
- Trades at a premium to the sum of its acquisitions (average deal multiple ~9x EBITDA), yet none of the brands have driven any top line growth
- PBH currently trades 24% below sell-side brokers’ consensus price target of $46 per share
  - We believe it is overly optimistic to view PBH’s brands as market leaders which will be able to maintain share amid increasing competition from store brands, and as sales move towards online channels
  - Management’s 2-3% long-run revenue growth target appears unattainable due to lack of pricing power and increased competition; combined with rising costs, PBH’s organic earnings may face an unpreventable terminal decline
  - **It is time for management to reset expectations lower and take additional asset impairments.** PBH is likely using unrealistic expectations in valuing its goodwill and intangibles. Its auditor recently cited as a “Critical Audit Matter” - *Goodwill and Indefinite-Lived Intangible Asset Impairment Assessments for Reporting Units and Brands of Certain Product Groups*
- Spruce Point arrives at our price target by applying a multiple consistent with the reality that PBH is worth a discount to the sum of the multiples paid for its assets, which have demonstrated effectively zero growth, and are now under increased pressures. We project revenue to decline and margins to erode

PBH's Recent History

Since the most recent acquisition of Fleet closed in 2017 PBH's share price has underperformed. We believe PBH will continue to underperform as headwinds result in negative organic growth and declining margins.

Source: Bloomberg, Company filings

Prestige Brands Is Not Recession Resistant

Spruce Point believes that even after arguably the worst of COVID-19 is behind us, management still has no visibility. Analysts baking in resiliency to PBH's model fail to see the structural changes happening that, we believe, will prevent a recovery. We believe management's inability to set long-term goals, regardless of the current economic environment, shows a complete lack of faith in the sustainability of their own business.

Based on a new addition to PBH's 2020 Proxy Statement, we believe PBH is warning investors that the business is not recession proof and is expecting to face challenges as a result of the macroeconomic environment

- Due to the uncertainty in the current macroeconomic environment related to the COVID-19 epidemic, it is challenging to set credible 1-year or 3-year goals, for both our AIP and performance units. The Compensation and Talent Management Committee elected to grant performance units in May and then set appropriate performance goals later in the year when there is more certainty, ideally by mid-year, but no later than fiscal year end for performance units. Setting goals for the annual incentive is challenging beyond the very near term and would not serve the purpose of setting a realistic target. The Committee elected to retain discretion to modify the AIP for the year and will continue to evaluate setting a formal goal when there is more certainty, with the total payout being made at the end of the fiscal year.

Analysts believe PBH is recession resistant. DA Davidson, with the highest price target on the street, stated so on an earnings call

Linda Bolton Weiser
DA Davidson
November 2, 2017

*"So if we were to fall into a recession, **even though you're kind of recession resistant**, would that affect the lenders would think about lending to you?"*

Source: 2020 Proxy Statement, Earnings call transcripts

"Sinking Ship"

Prestige Brands is described as a graveyard for dying brands on an employee review website. We believe this is an accurate depiction, and that management is taking aggressive actions to make it appear as if there is still life left in the portfolio.

*"Prestige is not what you think of a pharma company. The company does not actually create and research new products - **it is a buyout firm** that buys drug brands that are already past patent life and are competing with generics. The best hope is that customers are ignorant and continue paying premiums. Each of the company's products will eventually reach end of life. There is no growth beyond short term marketing gimmicks. **Products and brands get bought to come here to die**."*

-Current employee (November 18, 2019)

Source: Glassdoor.com

Christine Sacco's History At Boulder Brands

Prestige Brand's current CFO was the former CFO of Boulder Brands, another consumer product focused roll-up touting growth, but ultimately collapsed upon disappointment and an unexpected impairment. Since becoming CFO, Christine Sacco has recruited multiple members of her Boulder team to Prestige. In our opinion, Prestige shares many of the same accounting and financial strains that foreshadowed Boulder's collapse.

In February 2013, Prescience Point Research Group, Co-Founded by Spruce Point's Founder and Chief Investment Office Ben Axler, published a "Strong Sell" recommendation on Boulder Brands (NASDAQ: BDBD). Over the next 2 years BDBD shares fell over 50% before being acquired at a discount to BDBD's share price before the report.

Boulder Brands Share Price

Source: Spruce Point analysis, Bloomberg

Boulder Brands Vs. Prestige Brands

	Boulder Brands	Prestige Brands
CFO Christine Sacco	✓	✓
Serial Acquirer	✓	✓
Paid Mgmt. Special Deal Bonuses	✓	✓
Poor Organic Revenue Growth	✓	✓
Increasing Competition In Market	✓	✓
Walmart is a Major Customer	✓	✓
Multiple Signs Of Financial Strain	✓	✓
Weakening Working Capital	✓	✓
Highly Levered	✓	✓
Inadequate Financial Disclosures	✓	✓
Accounting Inconsistencies	✓	✓
Auditor Concerns	✓	✓
Outcome	Acquired Below Price	?

Spruce Point Capital Management

Underperforming Organic Revenue Growth

PBH's organic revenue growth has underperformed relative to management's guidance for 3 out of the past 5 years. Prior to the Q4 benefit of COVID-19, as of Q3 2020, PBH was on pace to achieve flat organic growth for FY 2020. Over the past 4 years, PBH has not achieved its current 2-3% growth target. Years of poor organic growth have been overshowed by debt fueled acquisitions, which stalled in 2019.

March 2, 2020 Investor Presentation – Raymond James Conference

PBH has only achieved this level of growth once over the past 6 years

$ in millions	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GAAP Revenue (A)	$715	$806	$882	$1,041	$976	$963
Less: Acquired Revenue (B)	($120)	($86)	($94)	($175)	--	--
Organic Revenue (A-B=C)	**$595**	**$721**	**$788**	**$866**	**$976**	**$963**
GAAP Revenue (Prior Year) (D)	$597	$715	$806	$882	$1,041	$976
Less: Divested Revenue (Prior Year) (E)	$0	$0	($26)	($23)	($63)	($20)
Less: Foreign Currency Impact (Prior Year) (F)	($4)	($14)	$0	$0	($4)	($4)
Prior Year Comparable Revenue (D-E-F=G)	**$594**	**$701**	**$780**	**$859**	**$975**	**$951**
Organic Revenue Growth (C/G)	***0.2%***	***2.8%***	***1.0%***	***0.8%***	***0.1%***	***1.3%***
Organic Revenue Growth Guidance	***Low Single Digits***	***2%-3%***	***1.5%-2.5%***	***2%-2.5%***	***0.5%-1.5%***	***Flat***
GAAP Revenue Growth	***19.6%***	***12.8%***	***9.4%***	***18.0%***	***(6.3%)***	***(1.3%)***

Source: Company filings, Spruce Point analysis

Product Prices Are Not Competitive

Based on our research, PBH's products are at a competitive disadvantage to store brands (e.g. CVS, Walgreens, Walmart's Equate) based on pricing and product placement. Analyzing prices across many of the Company's largest distribution channels, we believe the level of competition results in <u>no pricing power</u> for PBH. We found prices differ across retailers, with Walmart having the lowest prices across the board. Given Walmart is PBH's largest customer and the choice for the most cost-conscious customer, we believe there is significant pressure on PBH's prices. Historically, PBH would balance price pressure from big box customers by passing it onto smaller customers. As larger customers account for a greater percentage of PBH's sales, this practice may no longer be able to offset the pressure and margins will decline.

Former PBH Employee	*"The biggest risk is pricing pressure. I would say big pricing pressure from the retailers. Also, supply chain distribution is another risk. **<u>I would say price pressure will eat up their margin because they are over exposed to big box retailers</u>**."*
Former PBH Employee	*"As far as the big box stores, **<u>the pricing for the past 10 years has been very flat</u>**. There has been some growth in certain segments, such as C stores where they have seen some growth on the pricing side. But for the big box stores, the <u>price changes were very flat because of reason like allowances, they would give a lot of concessions</u>."*
Former PBH Employee	*"I am worried about the supply chain disruption because sometimes they can absorb the price increase from the suppliers. but sometimes retailers cannot pass on the consumer. I would think that for the big box retailers, they'll have a lot of price pressure. They will have to come up with some creative strategy to pass it on to other channel that are not as price elastic."* *"**<u>I don't think they will have a lot of price increase they can pass on to the big box retailers</u>** because they will come up with private brands. They will grow and put intense pressure. The only way is to go after the smaller players."*
Senior Manager Large PBH Customer	*"The challenge comes when its more than 50% savings. **<u>When a product comes in a 50% savings, that's when you lose much more</u>**."*

Source: Spruce Point research

SPRUCE POINT
CAPITAL MANAGEMENT

Removal Of Principal Customers Disclosure

PBH removed its principal customers disclosure and commentary on its ability to capitalize on "a number of important strategic opportunities" from its 2020 Annual Report.

2019 Annual Report

Our strong customer relationships and product recognition allow us to attempt to capitalize on a number of important strategic opportunities, including (i) minimization of slotting fees, (ii) maximization of new product introductions, (iii) maximization of shelf space prominence, and (iv) minimization of cash collection days. We believe that our emphasis on strong customer relationships, speed and flexibility and leading sales technology capabilities, combined with consistent marketing support programs and ongoing product innovation, will continue to maximize our competitiveness in the increasingly complex retail environment.

Key commentary removed

The following table sets forth a list of our primary distribution channels and our principal customers for each channel:

Distribution Channel	Customers	Distribution Channel	Customers
Mass	Meijer	*Drug*	CVS
	Target		Rite Aid
	Walmart		Walgreens
Food	Ahold/Delhaize	*Dollar*	Dollar General
	Kroger		Dollar Tree
	Publix		Family Dollar
	Albertson's/Safeway		
	Wakefern	*Club*	BJ's Wholesale Club
	HEB		Costco
	Wegman's		Sam's Club
Convenience	McLane	*Ecommerce*	Amazon
	HT Hackney		
	Core Mark		

PBH removed the table disclosing its principal customers

Working Capital Metrics Worse Vs Peers

PBH's poor working capital management is a clear outlier versus its peers. This raises significant concerns regarding the financial health of PBH's business.

DSO have grown significantly faster than peers and is 1 of 2 companies with 4 years in a row of increasing DSO

DIO and cash conversion have increased faster than peers and PBH is the only company with multiple years of double-digit increases

	Days Sales Outstanding					Days Inventory Outstanding					Cash Conversion Cycle				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Prestige Brands	**41**	**48**	**48**	**54**	**57**	**90**	**100**	**94**	**105**	**109**	**87**	**98**	**90**	**107**	**110**
Church & Dwight	32	30	31	30	29	50	51	53	57	62	27	20	20	23	22
Clorox	34	34	34	34	35	44	48	50	51	53	28	30	30	33	36
Colgate Palmolive	34	34	34	34	33	71	71	72	72	76	38	38	36	35	40
Edgewell	58	42	39	37	37	141	98	100	103	107	77	72	75	68	74
Energizer	42	39	44	47	42	119	114	117	121	101	84	76	79	84	82
Helen of Troy	55	58	58	62	65	126	126	129	112	110	143	141	140	123	123
Johnson & Johnson	58	57	60	62	63	140	135	121	117	117	74	79	82	78	75
Kimberly Clark	39	40	41	41	40	58	57	54	53	55	17	12	12	5	0
Perrigo	92	82	86	87	89	111	96	99	106	110	135	118	128	136	142
Proctor & Gamble	28	25	25	25	26	58	54	52	51	52	0	(19)	(29)	(32)	(36)
Reckitt Benckiser	45	51	51	52	50	72	72	81	91	93	16	15	19	13	15
Y-o-Y Change															
Prestige Brands	**--**	**7**	**1**	**6**	**3**	**--**	**10**	**(6)**	**11**	**4**	**--**	**11**	**(8)**	**17**	**3**
Church & Dwight	--	(3)	1	(0)	(1)	--	1	1	4	5	--	(7)	0	3	(0)
Clorox	--	0	0	0	1	--	4	2	1	2	--	2	0	3	3
Colgate Palmolive	--	0	(0)	(0)	(1)	--	1	0	0	4	--	(0)	(1)	(1)	5
Edgewell	--	(17)	(3)	(2)	0	--	(43)	2	3	4	--	(5)	2	(7)	6
Energizer	--	(3)	5	3	(5)	--	(6)	4	4	(20)	--	(8)	3	4	(2)
Helen of Troy	--	3	1	4	3	--	(0)	4	(17)	(3)	--	(2)	(1)	(17)	0
Johnson & Johnson	--	(1)	3	2	2	--	(5)	(14)	(4)	0	--	6	3	(4)	(3)
Kimberly Clark	--	1	2	(0)	(1)	--	(2)	(3)	(1)	2	--	(5)	(1)	(6)	(5)
Perrigo	--	(10)	4	1	3	--	(15)	3	8	4	--	(18)	10	8	6
Proctor & Gamble	--	(3)	0	0	1	--	(4)	(2)	(1)	1	--	(19)	(10)	(3)	(4)
Reckitt Benckiser	--	5	0	1	(1)	--	1	8	11	2	--	(1)	4	(6)	2

Source: S&P Capital IQ

Spruce Point Capital Management

Stretched Accounts Receivable

We observe a significant discrepancy between PBH's reported net revenue and accounts receivable growth. A meaningful divergence has occurred since Christine Sacco assumed the role of CFO, as receivables growth has accelerated while revenue growth slows. When revenue declined in 2014, receivables shrunk; however when revenue declined in 2019 and 2020, receivables continued to rise. This raises concerns as accounts receivable growth outpacing revenue growth is a classic sign of potential accounting shenanigans and is often cited as a top red flag to predict accounting scandals.[1,2]

	Pre-Sacco				With Sacco				CAGR	
$ in millions	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	'13-'20	'16-'20 (Sacco)
Net Revenue	$624	$597	$715	$806	$882	$1,041	$976	$963		
Revenue Growth Y-o-Y %	--	*(4.2%)*	*19.6%*	*12.8%*	*9.4%*	*18.0%*	*(6.3%)*	*(1.3%)*	*6.4%*	*4.5%*
Accounts Receivable (A)	$73	$65	$88	$95	$137	$141	$149	$151		
Receivables Growth Y-o-Y %	--	*(11.0%)*	*35.1%*	*8.4%*	*43.6%*	*3.0%*	*5.6%*	*1.2%*	*10.9%*	*12.1%*
Organic Revenue Growth	--	--	*0.2%*	*2.8%*	*1.0%*	*0.8%*	*0.1%*	*1.3%*		*0.8%*
Less: Acquired Receivables (B)	--	--	($26)	($9)	($25)	--	--	--		
Organic Receivables (A-B)	--	--	$62	$86	$111	$141	$149	$151		
Organic Receivables Growth[3]	--	--	*(4.9%)*	*(2.0%)*	*17.0%*	*3.0%*	*5.6%*	*1.2%*		*15.0%*

The divergency has accelerated since Mrs. Sacco was named CFO

1) "How to Predict the Next Fiasco In Accounting and Bail Early", Wall St Journal, Jan 2002
2) "How To Detect And Prevent Financial Statement Fraud", ACFE – Association of Certified Fraud Examiners
3) Organic growth rate calculated based on organic receivables over prior years pro forma accounts receivables

Source: Company filings, Spruce Point analysis

Spruce Point Capital Management

Promotional Provisioning Rising

PBH's financial disclosures show an increase in promotional provisioning (brand marketing, planograms, GPO fees, customer coupons) driven by growth in trade promotions. Additionally, there has been a consistent rise in the spend as a percentage of revenue for its top brands. Based on our conversion with a former PBH employee, the rise in the respective account balances may be indicative of the Company's reaction to pricing pressure.

Former PBH Manager

*"It could be **indicative of price pressure for premium placement or paying large amounts of admin fees**."*

	Pre-Sacco				With Sacco			
$ in millions	FY 2013	FY 2014	FY 2015	FY2016	FY2017	FY2018	FY2019	FY 2020
Net Revenue	$624	$597	$715	$806	$882	$1,041	$976	$963
Sales Returns and Allowance	$33	$38	$35	$41	$41	$63	$56	$58
Trade Promotions (A)	$41	$40	$60	$62	$69	$79	$91	$89
Consumer Coupon Redemptions (B)	$8	$3	$5	$6	$8	$7	$5	$5
Gross Revenue	$706	$678	$815	$916	$1,000	$1,190	$1,128	$1,114
Total Promotional Provisioning (A+B)	**$49**	**$43**	**$66**	**$69**	**$77**	**$86**	**$96**	**$93**
Promotional Provisioning / Gross Revenue	**7.0%**	**6.3%**	**8.0%**	**7.5%**	**7.7%**	**7.2%**	**8.5%**	**8.4%**
Top 5 Brands A&P as % of Sales	--	**13.7%**	**13.4%**	**13.9%**	**15.0%**	**16.4%**	**17.4%**	**17.9%**

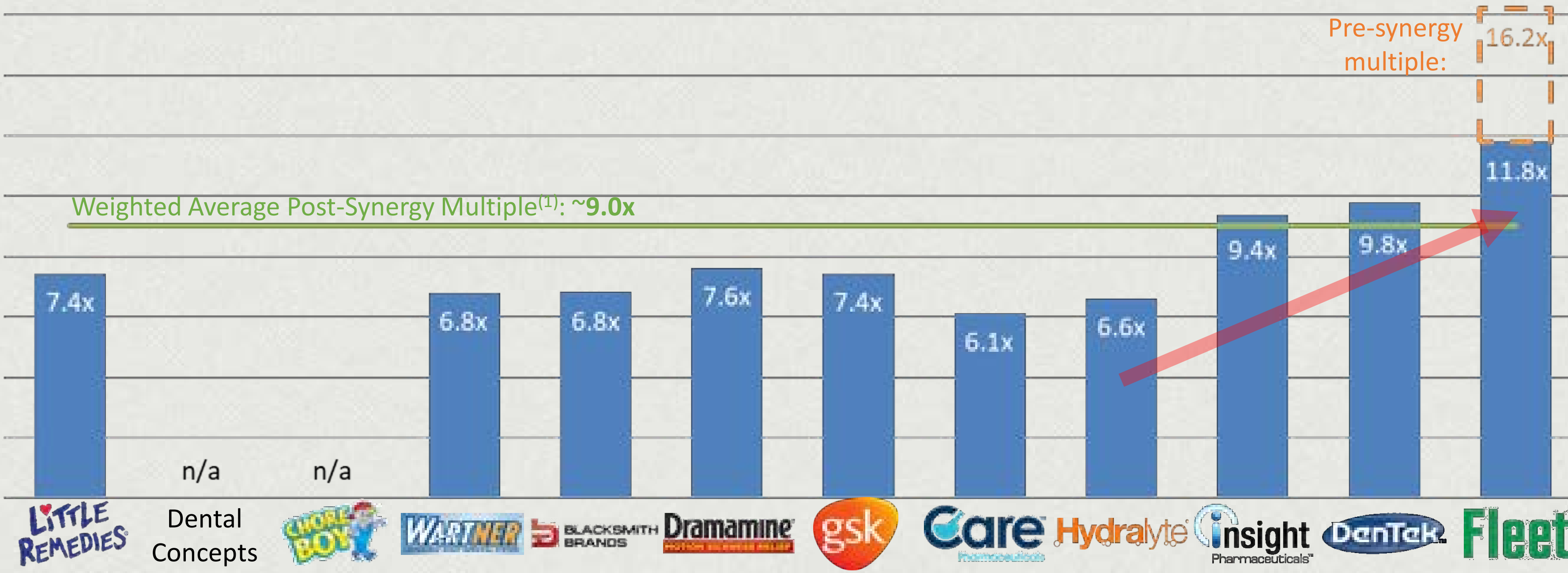
We have conducted a deep review of pricing pressure for PBH products (Section: Pricing Challenges)

Note: Based on provision amount for account balance
Source: Company filings, Spruce Point analysis

Spruce Point Capital Management

Acquisition Multiples Increasing

According to the Company's disclosures, transaction multiples have increased from ~7x EBITDA to 10-12x over the past few deals. However, we believe recent multiples are understated due to the reported "synergy adjusted multiples" which are lower than the comparable multiple. PBH's most recent acquisition of Fleet, while reported at 11.8x post-synergy EBITDA, valued the business at 16.2x its pre-synergy amount. When the Fleet and DenTek deals were announced, management discussed high single-digit revenue growth, yet these acquisitions have resulted in limited organic growth for PBH. As organic growth has disappeared, PBH looks to have become reliant on generating growth through acquisitions, whatever the cost.



	Little Remedies	Dental Concepts	Chore Boy	Wartner	Blacksmith Brands	Dramamine	gsk	Care	Hydralyte	Insight	DenTek	Fleet
TEV	$51	$30	$23	$31	$205	$77	$663	$55	$78	$750	$225	$825
TEV/ Rev	3.2x	1.9x	1.6x	2.8x	2.3x	--	3.3x	2.8x	3.1x	4.3x	3.8x	4.0x
EBITDA Margin	42.5%	--	--	41.8%	33.3%	--	44.6%	45.0%	47.2%	45.7%	38.3%	34.1%

1) Weighted average based on transaction value Note: $ millions Source: Company filings

CFO History & Audit Concerns

Christine Sacco's History At Boulder Brands

Prestige Brand's current CFO was the former CFO of Boulder Brands, another consumer product focused roll-up touting growth, but ultimately collapsed upon disappointment and an unexpected impairment. Since becoming CFO, Christine Sacco has recruited multiple members of her Boulder team to Prestige. In our opinion, Prestige shares many of the same accounting and financial strains that foreshadowed Boulder's collapse.

In February 2013, Prescience Point Research Group, Co-Founded by Spruce Point's Founder and Chief Investment Office Ben Axler, published a "Strong Sell" recommendation on Boulder Brands (NASDAQ: BDBD). Over the next 2 years BDBD shares fell over 50% before being acquired at a discount to BDBD's share price before the report.

Boulder Brands Share Price

Source: Spruce Point analysis, Bloomberg

Boulder Brands Vs. Prestige Brands

	Boulder Brands	Prestige Brands
CFO Christine Sacco	✓	✓
Serial Acquirer	✓	✓
Paid Mgmt. Special Deal Bonuses	✓	✓
Poor Organic Revenue Growth	✓	✓
Increasing Competition In Market	✓	✓
Walmart is a Major Customer	✓	✓
Multiple Signs Of Financial Strain	✓	✓
Weakening Working Capital	✓	✓
Highly Levered	✓	✓
Inadequate Financial Disclosures	✓	✓
Accounting Inconsistencies	✓	✓
Auditor Concerns	✓	✓
Outcome	Acquired Below Price	?

Boulder Brands' Historical Financial Strain

Spruce Point Capital Management

Boulder Brands, under Sacco's financial and accounting leadership, experienced similar financial strain leading up to its collapse as PBH faces today. Prior to its eventual acquisition, Boulder's revenue and EBITDA were declining. Boulder's working capital metrics deteriorated as DSOs, DIOs and cash conversion exploded, and inventory built up on the Company's balance sheet. We believe PBH will likely suffer a similar fate.

Boulder Brands' Financials

$ in millions	2012	2013	2014	2015
Revenue	**$369.6**	**$461.3**	**$516.6**	**$507.0**
Revenue Growth	--	*24.8%*	*12.0%*	*(1.9%)*
EBITDA	**$42.7**	**$68.2**	**$59.7**	**$34.3**
EBITDA Growth	--	*59.7%*	*(12.5%)*	*(42.5%)*
EBITDA margin	*11.6%*	*14.8%*	*11.6%*	*6.8%*
Days Sales Outstanding	**24.9**	**29.9**	**30.2**	**28.4**
Days Inventory Outstanding	**35.6**	**41.5**	**49.8**	**62.2**
Cash Conversion Cycle	**31.5**	**38.1**	**48.7**	**64.7**
Total Inventory	$25.3	$35.9	$52.9	$58.3
Finished Goods	$18.4	$24.0	$38.3	$43.1
Finished Goods as a % of Total Inventory	**72.7%**	**66.9%**	**72.4%**	**73.9%**

Financial Metrics Deteriorated

Source: Capital IQ

A Sacco Staple Disclosure Change

After Sacco joined PBH, the Company changed its revenue disclosure of its major brands from "net revenues" to "total revenues" (gross revenues). In 2014, under Sacco's leadership, Boulder Brands made a similar change to its description of revenue by large customers, switching from "net" sales to "gross" sales. Shortly thereafter, Boulder's CEO resigned. We believe this is a major red flag for PBH and Sacco.

2017

"Net Revenues"

2018

"Revenues"

2019

"Total Revenues"

PBH Major Brands As A % Of Respective Revenue Definition

As % of Revenue	Pre-Sacco		With Sacco			
Revenue Definition	*"Net Revenues"*	*"Net Revenues"*	*"Net Revenues"*	*"Revenues"*	*"Total Revenues"*	*"Total Revenues"*
Year	2015	2016	2017	2018	2019	2020
2015	86.8%	86.8%	70.8%	--	--	--
2016	--	81.7%	75.1%	75.1%	--	--
2017	--	--	78.9%	79.4%	74.5%	--
2018	--	--	--	83.0%	79.1%	79.1%
2019	--	--	--	--	78.6%	78.6%
2020	--	--	--	--	--	80.5%

Boulder Brands Changed Disclosure

2013

"Sales" — Boulder Brands 2013 10-K

We use third party distributors and a network of public warehouses to deliver product from our manufacturers to our customers. Our largest customers in 2013 in terms of sales revenue were United Natural Foods, Inc. and Wal-Mart Stores, Inc., accounting for approximately 20% and 12% of sales, respectively. No other single customer accounted for more than 8% of our sales revenues in 2013.

2014

"Gross Sales" — Boulder Brands 2014 10-K

We use third party distributors and a network of public warehouses to deliver product from our manufacturers to our customers. Our largest customers in 2014 in terms of sales revenue were United Natural Foods, Inc. and Wal-Mart Stores, Inc., accounting for approximately 17% and 12% of gross sales, respectively. No other single customer accounted for more than 10% of our gross sales revenues in 2014.

Source: Company filings

Spruce Point Capital Management

Sacco's SEC Comment Letter

In July 2015, Christine Sacco received a Comment Letter from the SEC in reference to Boulder Brands' disclosure practices. We believe there are similarities between the SEC's comments to Boulder and current weak disclosure practices by PBH. We believe the SEC should investigate Prestige Brands' disclosure practices.

SEC Comment Letter To Boulder Brands – July 30th, 2015

General

1. We note that you have various presentations posted on your website which include tabulations of financial data and non-GAAP measures, although without a reconciliation identifying the differences between your non-GAAP measures and the most comparable financial measures calculated and presented in accordance with GAAP. Please comply with Regulation G, §§244.100(a) and (b), which requires you to disclose, along with all material information including non-GAAP financial measures that you publicly disclose, a reconciliation, as indicated above, and any material facts that are necessary to clarify the presentation.

Spruce Point questions some of PBH's egregious non-GAAP adjustments

Increase revenue disclosures including drivers such as changes in price and volumes and COGS

Increase disclosure for product formulation

PBH's working capital is under pressure as days sales and inventory are rising, negatively impacting operating cash flow. Spruce Point believe PBH should increase its disclosures of working capital drivers

Results of Operations, page 40

2. We note you relate changes in net sales from your reportable segments by quantifying increases and decreases in sales of your product brands. For example, you state the increase in net sales for the Natural segment was related to increases in Udi's products of $43.6 million and EVOL of $41.3 million, partly offset by a decrease in Glutino products of $8 million. Please provide expanded discussion of the underlying reasons for the changes in sales by brand, including quantified information with respect to key drivers such as price, volume and other key variables used in managing your business. In addition, please provide a similar level of detail of the causes for changes in cost of goods sold for the brands referenced in your discussion of costs of goods sold for each of your segments. Refer to the guidance in Item 303(a)(3) of Regulation S-K.

3. You state cost of goods sold for your Balance segment decreased in 2014 primarily due to the decrease in net sales, but the decrease was offset by "an increase in investments in product formulation." Please provide clarifying disclosure to indicate what the term "product formulation" means and identify the types of activities associated with investing in product formulation.

Liquidity and Capital Resources, page 45

4. Please revise your disclosure in this section to discuss the impact of inventory increases on your liquidity, and impact of such increases on cash flow from operations. In that regard, we note your disclosure on page F-16, which indicates a 47.3% increase in inventory from fiscal 2013 to fiscal 2014. In addition, please disclose the underlying reasons for such inventory increases. We note management's discussion in the earnings call held February 26, 2015 regarding an inventory reduction by your largest distributor.

Source: SEC Comment Letter

Spruce Point Capital Management

Sacco's Boulder Team

After joining PBH in September 2016, Christine Sacco brought over multiple members of her former Boulder Brands' team: Senior Manager of Financial Reporting and Corporate Compliance, Controller, Director of FP&A and a new Director of Investor Relations who covered Boulder Brands at his prior firm. Sacco's prior business and personal relationships with multiple members of her team, who were all connected with Boulder Brands raises concerns.

Marie Calderoni

Senior Manager, Financial Reporting and Corporate Compliance
Prestige Consumer Healthcare
Dec 2016 - Present · 3 yrs 6 mos
Tarrytown, New York

Senior Manager, Financial Reporting and Corporate Compliance
Boulder Brands
2009 - 2016 · 7 yrs

Manager, Accounting Projects
The Hertz Corporation
2005 - 2008 · 3 yrs

Manager, Financial Reporting
Unilever
2000 - 2004 · 4 yrs

Manager, Corporate Consolidations
Bestfoods, Inc.
1989 - 2000 · 11 yrs

Senior Accountant
Robert Martin Company
1988 - 1989 · 1 yr

Senior Auditor
EY
1985 - 1988 · 3 yrs
Stamford, CT

St. Thomas Aquinas College
Bachelor of Science (BS), Accounting
1981 - 1985

Christina Calabrese

Vice President, Controller
Prestige Consumer Healthcare
Jul 2017 - Present · 2 yrs 11 mos
Tarrytown, NY

Senior Vice President, Controller and Chief Accounting Officer
Boulder Brands
Mar 2012 - Sep 2016 · 4 yrs 7 mos

Hertz
7 yrs 6 mos

Senior Director Financial Reporting, Accounting Policies and Investor Relations
Jan 2009 - Mar 2012 · 3 yrs 3 mos

Director Financial Reporting
Jan 2006 - Jan 2009 · 3 yrs 1 mo

Manager Financial Reporting
Oct 2004 - Jan 2006 · 1 yr 4 mos

Sr. Financial Reporting Analyst
Cytec
2002 - 2004 · 2 yrs

Audit Manager
Ernst & Young
1995 - 2002 · 7 yrs

Worked at EY with Sacco

Attended same college as Sacco

Dave Wachnuik

Director FP&A
Prestige Consumer Healthcare
May 2017 - Present · 3 yrs 1 mo

VP Financial Systems
Pinnace Foods
Jul 2016 - May 2017 · 11 mos

VP FP&A
Boulder Brands / Smart Balance
Jan 2014 - Jun 2016 · 2 yrs 6 mos

Smart Balance
4 yrs 1 mo

VP Operations Finance
Jan 2011 - Dec 2013 · 3 yrs

Director FP&A
Dec 2009 - Sep 2011 · 1 yr 10 mos

Multiple senior employees from Boulder Brands

Phil Terpolilli

Director, Investor Relations
Prestige Consumer Healthcare
Nov 2016 - Present · 3 yrs 7 mos
Greater New York City Area

Longbow Research
7 yrs 7 mos

Specialty Food & Food Retail Analyst
Dec 2012 - Nov 2014 · 2 yrs
Independence, OH

Senior Equity Analyst focused on the food and food retail industries with independent sell-side equity research firm. Publish research reports, which incorporate Buy, Sell, or Hold recommendations based on company fundamentals, industry trends, and economic momentum.

Coverage responsibilities include:

Food and Supplement Retailers: Whole Foods, The Fresh Market, Natural Grocers Vitamin Cottage, GNC Holdings, Vitamin Shoppe
Food Manufacturers and Distributors: Boulder Brands, Hain Celestial, United Natural Foods, WhiteWave, Flowers Foods, McCormick, Lancaster Colony, Treehouse Foods
Beverages: Keurig Green Mountain, SodaStream, Monster Beverage

Covered Boulder Brands as a sell-side analyst

Source: LinkedIn

No Rock-Star Past Prior To Boulder

Prior to Boulder, Sacco held multiple finance positions of increasing responsibility at Alpharma (NYSE: ALO) under then CFO Matt Farrell. While we acknowledge that some of ALO's issue may have pre-dated her arrival, there is evidence the business got progressively worse under her tenure, culminating in a "non-reliance" on Alpharma's financial statements, multiple restatements, material weaknesses, a DOJ Federal investigate and a covenant breach.

Date	Event Timeline
Nov 2002	**Sacco appointed Senior Manager, Financial Reporting at Alpharma Inc. after Matt Farrell was appointed CFO in April 2002**
Feb 2004	Subsequent to the date of this report, as part of the audit of the financial statements for the year ended December 31, 2003, the Company's auditors communicated to the Company's management and Audit Committee **two reportable conditions in the internal controls** of the USHP division that, when viewed collectively, constitute a material weakness in the Company's internal controls.
March 2004	**The Company is presently being sued by the State of Massachusetts alleging fraud** in connection with these state Medicaid programs and has been notified by several additional states that it is the subject of investigations related to the same subject matter.
May 2004	Alpharma amends SEC filings. **Financial statements for 2003 are being restated to adjust inventory costs related to a vendor contract that was subject to an amendment and letter of intent** in January 2003 ("2003 amendment"). The 2003 amendment included a provision that permitted the vendor, under certain circumstances, to retroactively invoice the company for inventory purchases since January 2003 at a higher price
Feb 2005	On February 16, 2005, Alpharma Inc. (the "Company") was **notified by PricewaterhouseCoopers LLP ("PwC"), the Company's independent registered public accounting firm, that PwC would decline to stand for re-election** as the Company's independent registered public accounting firm at the Company's upcoming 2005 Annual Meeting of Stockholders
April 2005	In connection with its assessment of the effectiveness of internal control over financial reporting as of December 31, 2004, **the Registrant identified the following internal control deficiencies**: Effective controls to ensure the completeness and accuracy or the review and monitoring of customer discount reserves and certain accrual accounts affecting a number of accounts in the U.S. Generic Pharmaceuticals business, including revenues, accounts receivables and accrued expenses, were not maintained at December 31, 2004. Effective controls to ensure the completeness and accuracy of income tax account balances, including the determination of deferred income tax assets and liabilities, income taxes payable, and income tax expense, were not maintained. In connection with the Registrant's disclosure in the Prior 8-K that it did not have effective controls over the determination of proper segment disclosures in conformity with generally accepted accounting principles
April 2005	**The Company has determined that it was not in compliance at December 31, 2004 and 2003 with certain debt covenants** related to its 8 5/8% Senior Notes due 2011(the "Senior Notes") relating to the timely payments of liquidated damages due to its Senior Note holders and timely filing of certain certificates required in the covenants to the Senior Notes at December 31, 2004 and 2003. **As a result of these defaults, on April 28, 2005, the Company's management concluded that the previously issued financial statements for 2003 and 2004 should no longer be relied upon**. As a result of the defaults described above, the Company's has concluded that an additional material weakness in internal control over financial reporting existed as of December 31, 2004. Specifically, the Company did not maintain effective controls to ensure the appropriate review and monitoring of its compliance with certain of its debt covenants at December 31, 2004.
Aug 2006	**Matt Farrell resigns as CFO**
Dec 2006	**SEC Comment Letter**: We believe that your disclosure related to estimates of items that reduce gross revenue such as product returns, chargebacks, customer rebates and other discounts and allowances could be improved as follows, please provide us the following
Feb 2007	On February 28, 2007, the **Company received a subpoena from the U.S. Department of Justice** requesting certain documents relating to KADIAN. The subpoena did not disclose any allegations underlying this request. The Company intends to cooperate with the Department
Jan 2008	**Sacco, now a Vice President and Treasurer, left Alpharma for Smart Balance, Inc. (later known as Boulder Brands)**
March 2010	**DOJ Settlement:** The settlement resolves allegations that, between **January 1, 2000 and December 29, 2008**, Alpharma paid health care providers to induce them to promote or prescribe Kadian and made misrepresentations about the safety and efficacy of the drug, which is used to treat chronic moderate to severe pain.

CFO's Apparent Lack Of Attention To Detail

We question Christine Sacco's attention to detail and oversight of Prestige Brand's financial statements and controls. PBH lists Ms. Sacco as a CPA despite her license being "inactive." This inconsistency looks to show a lack of attention to detail by PBH and its CFO.

Prestige Brands Website

Christine Sacco

Chief Financial Officer

Christine "Chris" Sacco, was appointed to the position of Chief Financial Officer for the Company on September 2016. Chris joined the Company from Boulder Brands, where she served as Chief Financial Officer for four years after serving as Chief Accounting Officer and Controller. Prior to that, she held positions of increasing financial responsibility with Alpharma, Inc., a global specialty pharma company where she last held the position of Vice President, Treasurer. Her background also includes experience in corporate finance, treasury, investor relations, strategic planning, operations and M&A. She holds a B.S. in accounting from St. Thomas Aquinas College and is a Certified Public Accountant.

NAME: **CHRISTINE SACCO**
STATE OF LICENSE: **NY**
LAST UPDATED: **2020-04-26**

	Mail
Address:	CHAPPAQUA, NY,
License/Permit/Certificate Number:	084268
Registration Number:	
License/Permit/Certificate Status:	INACTIVE
License/Certificate Status Details:	Licensee is not allowed to work within the scope of practice.
License Type:	CPA
License Type Details:	Certified Public Accountant
Basis for License:	
Issue Date:	2000-10-20
Expiration Date:	
Enforcement, Non-Compliance or Disciplinary Actions:	State Does Not Provide This Type of Data At This Site

Misrepresenting herself by listing CPA while her license is INACTIVE

Source: Company website, CPA Verify

Spruce Point Capital Management

Who Is Auditing Sacco And PBH?

We have concerns regarding PBH's current Engagement Partner at PwC, Terri-Ann Dautzenberg. Terri became PBH's audit partner in 2018, the first full fiscal year after Sacco became CFO. Based on her other listed current and prior clients, MPM Holdings/Momentive and Eagle Bulk Shipping, her expertise is closer aligned with industrial/chemical businesses and not PBH's industry of consumer products/healthcare. Eagle Bulk is a penny stock that has gone through a bankruptcy and allegations of sanctions violations under Dautzenberg's watch. MPM Holdings was majority owned by private equity investors. We question her experience auditing large public, consumer products companies and believe a new audit partner should be assigned to PBH.

PCAOB Auditor Search

June 10, 2019	Prestige Consumer Healthcare Inc. (PBH | 0001295947)	PricewaterhouseCoopers LLP (238)	2019
April 25, 2019	MPM Holdings Inc. (MPMQ | 0001624826)	PricewaterhouseCoopers LLP (238) other participating firms	2018
April 9, 2019	Momentive Performance Materials Inc. (0001405041)	PricewaterhouseCoopers LLP (238) other participating firms	2018
April 5, 2017	Eagle Bulk Shipping Inc. (EGLE.2, EGLE, EGKPF | 0001322439)	PricewaterhouseCoopers LLP (238)	2014

Momentive is a specialty chemical company which was private equity owned

Eagle Bulk, a shipping penny stock, faced allegations of sanctions violations and later filed bankruptcy

PCAOB Auditor Search

ENGAGEMENT PARTNER	FIRM	YEAR
Terri-Ann Dautzenberg	PricewaterhouseCoopers LLP (238)	2019
Terri-Ann Dautzenberg	PricewaterhouseCoopers LLP (238)	2018
Brian Heber Crane	PricewaterhouseCoopers LLP (238)	2017

Change of audit partner was during Sacco's first full year as CFO

Wall Street Journal

RISK & COMPLIANCE JOURNAL

Subsidiary of Bulk Carrier Settles Allegations of Sanctions Violations

Eagle Shipping International (USA) LLC provided transportation services for a blacklisted Myanmar-based company, the Treasury Department says

The operating arm of a Nasdaq-listed bulk carrier has agreed to settle allegations that it violated U.S. sanctions on Myanmar, the U.S. Treasury Department said Monday.

Eagle Shipping International (USA) LLC, a subsidiary of Eagle Bulk Shipping Inc., a bulk carrier of commodities, will pay about $1.13 million to settle allegations that it provided transportation services from Myanmar to Singapore between 2011 and 2014 for Myawaddy Trading Ltd., a Myanmar-based company that was blacklisted by the U.S. at the time, according to the Treasury's Office of Foreign Assets Control, which enforces U.S. sanctions.

PCAOB Auditor Search

Terri-Ann Dautzenberg	PricewaterhouseCoopers LLP (238)	2014

Eagle Bulk's audit partner during the time period

Eagle Bulk Shipping filed for Chapter 11 bankruptcy

Reuters Article | August 2014

Concerns Of International Auditors

We have concerns with PBH's auditors in the United Kingdom (UK). PBH uses 2 different audit firms, neither the same as its U.S. auditor PwC who audits its Australian entity. Seymour Taylor began auditing Prestige Brands (UK) Limited after Ernst & Young resigned in 2012. In Spruce Point's experience, the same global audit firm is generally used to audit all international subsidiaries. In this case, it is unusual to see that PwC England and Singapore did not audit PBH's entities.

Prestige Brands (UK) Limited

AUDITORS: Seymour Taylor Audit Limited, Statutory Auditor
57 London Road
High Wycombe
Buckinghamshire
HP11 1BS

Auditor's Resignation Letter – Prestige Brands (UK) Limited

ERNST & YOUNG

The Directors
Prestige Brands (UK) Limited
3 Scotlands Drive
Farnham Common
Slough
Berkshire
SL2 3ES

26 June 2012

Dear Sirs

Prestige Brands (UK) Limited

In accordance with section 516 of the Companies Act 2006, we write to notify you of our resignation as auditor of Prestige Brands (UK) Limited. This resignation takes effect from the date on which you receive this letter.

In accordance with section 519(2) of that Act, we confirm that there are no circumstances connected with our resignation which we consider should be brought to the attention of the members or creditors of the company.

Dentek Oral Care Ltd

AUDITORS: Nicklin Audit Limited
Chartered Accountants
Statutory Auditors
Church Court
Stourbridge Road
Halesowen
West Midlands
B63 3TT

C.B. Fleet International (S) PTE LTD

Name of Public Accounting Entity that audited the financial statements
ERNST & YOUNG LLP

Name of Auditor who audited and signed off the financial statements
CHEN WEE TECK

PBH AUSTRALIA HOLDING COMPANY PTY LIMITED

Details of current auditor or auditors

Current auditor

Date of appointment 21-07-2015

Name of auditor PRICEWATERHOUSECOOPERS

Address DARLING PARK TOWER 2
201 SUSSEX STREET
SYDNEY NSW 2000

Source: Companies House (UK), ASIC, ACRA

Fundamentally Struggling Business

Evidence Of Financial Strain

Spruce Point Capital Management

Underperforming Organic Revenue Growth

PBH's organic revenue growth has underperformed relative to management's guidance for 3 out of the past 5 years. Prior to the Q4 benefit of COVID-19, as of Q3 2020, PBH was on pace to achieve flat organic growth for FY 2020. Over the past 4 years, PBH has not achieved its current 2-3% growth target. Years of poor organic growth have been overshowed by debt fueled acquisitions, which stalled in 2019.

March 2, 2020 Investor Presentation – Raymond James Conference

PBH has only achieved this level of growth once over the past 6 years

$ in millions	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GAAP Revenue (A)	$715	$806	$882	$1,041	$976	$963
Less: Acquired Revenue (B)	($120)	($86)	($94)	($175)	--	--
Organic Revenue (A-B=C)	**$595**	**$721**	**$788**	**$866**	**$976**	**$963**
GAAP Revenue (Prior Year) (D)	$597	$715	$806	$882	$1,041	$976
Less: Divested Revenue (Prior Year) (E)	$0	$0	($26)	($23)	($63)	($20)
Less: Foreign Currency Impact (Prior Year) (F)	($4)	($14)	$0	$0	($4)	($4)
Prior Year Comparable Revenue (D-E-F=G)	**$594**	**$701**	**$780**	**$859**	**$975**	**$951**
Organic Revenue Growth (C/G)	***0.2%***	***2.8%***	***1.0%***	***0.8%***	***0.1%***	***1.3%***
Organic Revenue Growth Guidance	***Low Single Digits***	***2%-3%***	***1.5%-2.5%***	***2%-2.5%***	***0.5%-1.5%***	***Flat***
GAAP Revenue Growth	***19.6%***	***12.8%***	***9.4%***	***18.0%***	***(6.3%)***	***(1.3%)***

Source: Company filings, Spruce Point analysis

Organic EBITDA Growth Declining

Since the $750 million acquisition of Insight Pharma in September 2014, we estimate organic EBITDA has been declining. Acquisitions may have been used to obscure declining profitability over this time period. Our analysis shows that organic EBITDA growth has declined for the past 6 years, however the company reported EBITDA growth experienced declines in only 2019 and 2020, ironically the two years without the impact of an acquisition.

$ in millions	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Company Adjusted EBITDA	$204	$252	$289	$305	$355	$331	$328
Acquisition / Divesture Related Expenses[1]	($2)	($24)	($5)	($21)	($6)	($4)	($9)
Spruce Point Adjusted EBITDA (A)	**$202**	**$228**	**$284**	**$283**	**$349**	**$327**	**$319**
Less: Acquired EBITDA **(B)**	--	($43)	($58)	($24)	($68)	--	--
Add: Divested EBITDA[2] **(C)**	--	$5	--	$20	--	$12	--
Organic Adjusted EBITDA (A+B+C=D)	--	**$190**	**$226**	**$279**	**$281**	**$339**	**$319**
Organic Adjusted EBITDA Growth[3] (D/A^{Y-1})	--	***(6.0%)***	***(1.1%)***	***(1.7%)***	***(0.7%)***	***(2.9%)***	***(2.5%)***
Company Adjusted EBITDA Growth	--	*23.4%*	*14.8%*	*5.3%*	*16.7%*	*(6.8%)*	*(1.0%)*

1) Spruce Point believes it is aggressive for a highly acquisitive company to addback acquisition/divesture related costs
2) Spruce Point estimates
3) Organic growth rate calculated based on organic EBITDA over prior years pro forma EBITDA

Source: Company filings, Spruce Point analysis

Non-GAAP Adjustments Driven By Acquisition Related Costs

Over time, there has been a substantial delta between GAAP and non-GAAP net income and EPS. We believe it is not appropriate to ignore acquisition related costs while PBH was building its business. Now as the Company is disposing assets, management wants investors to again ignore these costs.

Moody's comments on PBH's aggressive add-backs

Moody's – December 9, 2019

» EBITDA add-backs. Very aggressive; includes uncapped pro forma cost savings, synergies and operating expense reductions resulting from transactions and expected to be taken within 18 months, determined in good faith by Parent.

$ in millions	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GAAP Net Income (A)	**$78.3**	**$99.9**	**$69.4**	**$339.6**	**($35.8)**	**$142.3**
Transition and other costs associated with warehouse	--	--	--	--	--	$9.2
Acquisition related costs	$23.7	$3.8	$21.3	$5.5	$4.4	$0.0
Tax adjustment associated with acquisition in G&A	$2.9	--	--	$0.7	--	--
Costs associated with CEO transition	--	$1.4	--	--	--	--
Accelerated amortization of debt origination costs	$0.2	--	$1.7	$0.4	$0.7	--
Additional expense as a result of debt refinancing	--	--	$9.2	$0.3	--	--
Goodwill and tradename impairment	--	--	--	$99.9	$229.5	--
Loss on extinguishment of debt	--	$18.0	$1.4	$2.9	--	$2.2
Gain on divestiture	($1.1)	--	$51.8	--	($1.3)	--
Loss on disposal of assets	--	--	--	--	--	$0.4
Tax impact of adjustments	($6.0)	($7.6)	($28.0)	($38.8)	($57.9)	($3.0)
Normalized tax rate adjustment	--	--	($0.2)	($272.2)	$6.1	$0.3
Total Adjustments (B)	**$19.8**	**$15.6**	**$57.2**	**($201.3)**	**$181.6**	**$9.1**
Non-GAAP Net Income (A+B=C)	**$98.0**	**$115.5**	**$126.6**	**$138.3**	**$145.8**	**$151.3**
Total Adjustments as % of Non-GAAP Net Income (B/C)	**20.2%**	**13.5%**	**45.2%**	**(145.6%)**	**124.6%**	**6.0%**

Source: Company filings

SPRUCE POINT
CAPITAL MANAGEMENT

Egregious "Non-GAAP Free Cash Flow" Adjustments

PBH reports "non-GAAP adjusted free cash flow." Spruce Point believes this is particularly egregious and aggressive, as the Company adds back integration and transition costs, therefore ignoring the costs of M&A but wanting to show investors all the benefits. In addition, the company adds back refinancing costs, which is also a non-standard and aggressive add back.

June 2020 Investor Presentation

Adjusted Free Cash Flow

	2012	2013	2014	2015	2016	2017	2018	2019	2020
GAAP Net Income	$ 37,212	$ 65,505	$ 72,615	$ 78,260	$ 99,907	$ 69,395	$339,570	$(35,800)	$ 142,281
Adjustments									
Adjustments to reconcile net income to net cash provided by operating activities as shown in the statement of cash flows	35,674	59,497	52,562	65,998	98,181	92,613	(113,698)	233,400	66,041
Changes in operating assets and liabilities, net of effects from acquisitions as shown in the statement of cash flows	(5,434)	12,603	(11,945)	13,327	(21,778)	(13,336)	(15,762)	(8,316)	8,802
Total adjustments	30,240	72,100	40,617	79,325	76,403	79,277	(129,460)	225,084	74,843
GAAP Net cash provided by operating activities	**67,452**	**137,605**	**113,232**	**157,585**	**176,310**	**148,672**	**210,110**	**189,284**	**217,124**
Purchases of property and equipment	(606)	(10,268)	(2,764)	(6,101)	(3,568)	(2,977)	(12,532)	(10,480)	(14,560)
Non-GAAP Free Cash Flow	**66,846**	**127,337**	**110,468**	**151,484**	**172,742**	**145,695**	**197,578**	**178,804**	**202,564**
Premium payment on 2010 Senior Notes	-	-	15,527	-	-	-	-	-	-
Premium payment on extinguishment of 2012 Senior Notes	-	-	-	-	10,158	-	-	-	-
Accelerated payments due to debt refinancing	-	-	4,675	-	-	9,184	182	-	-
Integration, transition and other payments associated with acquisitions, divestitures and other transitions	-	-	512	13,563	2,461	10,448	10,358	10,902	4,203
Pension contribution	-	-	-	-	-	6,000	-	-	-
Additional income tax payments associated with divestitures	-	-	-	-	-	25,545	-	12,656	-
Total adjustments	-	-	20,714	13,563	12,619	51,177	10,540	23,558	4,203
Non-GAAP Adjusted Free Cash Flow	**$66,846**	**$127,337**	**$131,182**	**$165,047**	**$185,361**	**$196,872**	**$ 208,118**	**$202,362**	**$206,767**

Source: Company filings

Spruce Point Capital Management

Cash Conversion Deteriorating

PBH's working capital has been under pressure as days sales outstanding (DSO) and days inventory outstanding (DIO) have been increasing. As sales declined in 2019, DSO increased from 54 to 57 days. Cash conversion cycle (DSO + DIO – DPO) has been rising since the acquisition of Fleet and since Sacco became CFO. This is further evidence of weakness in PBH's business and another sign of strain on free cash flow.

$ in millions	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Days Sales Outstanding	37	42	38	41	48	48	54	57
Days Inventory Outstanding	75	88	83	90	100	94	105	109
Days Payable Outstanding	51	68	55	44	49	52	52	55
Cash Conversion	**61**	**62**	**67**	**87**	**98**	**90**	**107**	**110**

Worsening Days Sales Outstanding and Days Inventory

Cash conversion exploding

$ in millions	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Days Sales Outstanding	42	45	48	50	50	51	52	59	56	54	57	55	55	53
Days Inventory Outstanding	99	91	95	97	89	96	96	106	107	107	117	117	111	111
Days Payable Outstanding	41	43	53	58	54	48	57	70	49	47	51	60	54	56
Cash Conversion	**100**	**93**	**91**	**90**	**84**	**99**	**92**	**95**	**114**	**113**	**123**	**112**	**111**	**109**

Source: S&P Capital IQ

Spruce Point Capital Management

Working Capital Metrics Worse Vs Peers

PBH's poor working capital management is a clear outlier versus its peers. This raises significant concerns regarding the financial health of PBH's business.

DSO have grown significantly faster than peers and is 1 of 2 companies with 4 years in a row of increasing DSO

DIO and cash conversion have increased faster than peers and PBH is the only company with multiple years of double-digit increases

	Days Sales Outstanding					Days Inventory Outstanding					Cash Conversion Cycle				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Prestige Brands	**41**	**48**	**48**	**54**	**57**	**90**	**100**	**94**	**105**	**109**	**87**	**98**	**90**	**107**	**110**
Church & Dwight	32	30	31	30	29	50	51	53	57	62	27	20	20	23	22
Clorox	34	34	34	34	35	44	48	50	51	53	28	30	30	33	36
Colgate Palmolive	34	34	34	34	33	71	71	72	72	76	38	38	36	35	40
Edgewell	58	42	39	37	37	141	98	100	103	107	77	72	75	68	74
Energizer	42	39	44	47	42	119	114	117	121	101	84	76	79	84	82
Helen of Troy	55	58	58	62	65	126	126	129	112	110	143	141	140	123	123
Johnson & Johnson	58	57	60	62	63	140	135	121	117	117	74	79	82	78	75
Kimberly Clark	39	40	41	41	40	58	57	54	53	55	17	12	12	5	0
Perrigo	92	82	86	87	89	111	96	99	106	110	135	118	128	136	142
Proctor & Gamble	28	25	25	25	26	58	54	52	51	52	0	(19)	(29)	(32)	(36)
Reckitt Benckiser	45	51	51	52	50	72	72	81	91	93	16	15	19	13	15
Y-o-Y Change															
Prestige Brands	**--**	**7**	**1**	**6**	**3**	**--**	**10**	**(6)**	**11**	**4**	**--**	**11**	**(8)**	**17**	**3**
Church & Dwight	--	(3)	1	(0)	(1)	--	1	1	4	5	--	(7)	0	3	(0)
Clorox	--	0	0	0	1	--	4	2	1	2	--	2	0	3	3
Colgate Palmolive	--	0	(0)	(0)	(1)	--	1	0	0	4	--	(0)	(1)	(1)	5
Edgewell	--	(17)	(3)	(2)	0	--	(43)	2	3	4	--	(5)	2	(7)	6
Energizer	--	(3)	5	3	(5)	--	(6)	4	4	(20)	--	(8)	3	4	(2)
Helen of Troy	--	3	1	4	3	--	(0)	4	(17)	(3)	--	(2)	(1)	(17)	0
Johnson & Johnson	--	(1)	3	2	2	--	(5)	(14)	(4)	0	--	6	3	(4)	(3)
Kimberly Clark	--	1	2	(0)	(1)	--	(2)	(3)	(1)	2	--	(5)	(1)	(6)	(5)
Perrigo	--	(10)	4	1	3	--	(15)	3	8	4	--	(18)	10	8	6
Proctor & Gamble	--	(3)	0	0	1	--	(4)	(2)	(1)	1	--	(19)	(10)	(3)	(4)
Reckitt Benckiser	--	5	0	1	(1)	--	1	8	11	2	--	(1)	4	(6)	2

Source: S&P Capital IQ

Stretched Accounts Receivable

We observe a significant discrepancy between PBH's reported net revenue and accounts receivable growth. A meaningful divergence has occurred since Christine Sacco assumed the role of CFO, as receivables growth has accelerated while revenue growth slows. When revenue declined in 2014, receivables shrunk; however when revenue declined in 2019 and 2020, receivables continued to rise. This raises concerns as accounts receivable growth outpacing revenue growth is a classic sign of potential accounting shenanigans and is often cited as a top red flag to predict accounting scandals.[1,2]

	Pre-Sacco				With Sacco				CAGR	
$ in millions	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	'13-'20	'16-'20 (Sacco)
Net Revenue	$624	$597	$715	$806	$882	$1,041	$976	$963		
Revenue Growth Y-o-Y %	--	***(4.2%)***	***19.6%***	***12.8%***	***9.4%***	***18.0%***	***(6.3%)***	***(1.3%)***	***6.4%***	***4.5%***
Accounts Receivable **(A)**	$73	$65	$88	$95	$137	$141	$149	$151		
Receivables Growth Y-o-Y %	--	***(11.0%)***	***35.1%***	***8.4%***	***43.6%***	***3.0%***	***5.6%***	***1.2%***	***10.9%***	***12.1%***
Organic Revenue Growth	--	--	***0.2%***	***2.8%***	***1.0%***	***0.8%***	***0.1%***	***1.3%***		***0.8%***
Less: Acquired Receivables **(B)**	--	--	($26)	($9)	($25)	--	--	--		
Organic Receivables **(A-B)**	--	--	$62	$86	$111	$141	$149	$151		
Organic Receivables Growth[3]	--	--	***(4.9%)***	***(2.0%)***	***17.0%***	***3.0%***	***5.6%***	***1.2%***		***15.0%***

The divergency has accelerated since Mrs. Sacco was named CFO

1) "How to Predict the Next Fiasco In Accounting and Bail Early", Wall St Journal, Jan 2002
2) "How To Detect And Prevent Financial Statement Fraud", ACFE – Association of Certified Fraud Examiners
3) Organic growth rate calculated based on organic receivables over prior years pro forma accounts receivables

Source: Company filings, Spruce Point analysis

Evidence Of Ballooning Inventory

By examining the composition of PBH's inventory accounts, we observe finished goods and obsolete inventory make up an increasing percentage of the overall balance. In our opinion, this suggests that inventory is building up and not selling-through to customers.

	Pre-Sacco			With Sacco			
$ in millions	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Packaging and Raw Materials	$3.1	$7.6	$7.6	$10.0	$13.1	$17.1	$9.8
Work in Progress	--	--	--	$0.4	$0.2	$0.2	$0.4
Finished Goods	$62.5	$66.4	$83.7	$105.3	$105.3	$102.6	$105.9
Total Inventory	**$65.6**	**$74.0**	**$91.3**	**$115.6**	**$118.5**	**$119.9**	**$116.0**
Obsolete Inventory	$1.1	$4.1	$4.8	$6.6	$4.2	$5.5	$6.5
% of Total Inventory							
Packaging and Raw Materials	4.7%	10.3%	8.3%	8.6%	11.1%	14.2%	8.4%
Work in Progress	--	--	--	0.3%	0.1%	0.1%	0.3%
Finished Goods	**95.3%**	**89.7%**	**91.7%**	**91.0%**	**88.8%**	**85.6%**	**91.2%**
Obsolete Inventory	**1.7%**	**5.5%**	**5.3%**	**5.7%**	**3.5%**	**4.6%**	**5.6%**

Increasing % of Total Inventory

Source: Company filings, Spruce Point analysis

Evidence Of Ballooning Inventory (cont.)

We observe inventory purchase obligations as a percentage of revenue increasing. This further strengthens our belief that inventory is building up and not selling-through to customers.

	Pre-Sacco			With Sacco			
$ in millions	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net Revenue	$597	$715	$806	$882	$1,041	$976	$963
Ending Inventory	$66	$74	$91	$116	$119	$120	$116
Purchase Obligations - Inventory Costs	**$58**	**$86**	**$120**	**$132**	**$335**	**$157**	**$170**
% of Net Sales	**9.8%**	**12.0%**	**14.8%**	**14.9%**	**32.2%**	**16.1%**	**17.6%**
% of Ending Inventory	**89%**	**116%**	**131%**	**114%**	**283%**	**131%**	**146%**

Increasing as a % of Sales & Inventory

Source: Company filings, Spruce Point analysis

Spruce Point Capital Management

Overhyped Logistics Transition

Over the past year, PBH has spent $9.2 million for the transition to a new 3rd party logistics provider. Management wants investors to ignore the costs by removing them from adjusted financials, but likely plans to include the benefit from the transition. As of January 2020, half of revenues have been transferred, but management has still been unable to provide clear, quantifiable guidance to investors.

Q1 2020 Earnings Call – August 1, 2019

Ronald Lombardi: *"I'd like to comment on our upcoming transition around logistics, mentioned in today's press release. Following the divestiture of our Household Cleaning business, we performed an extensive analysis to determine the most optimal location and partner for our nationwide third-party distribution center to best service our retail partners. The result of this review was a decision to transition to a new third-party logistics provider and warehouse near Indianapolis with an expected completion in the spring of next year. We will provide additional information and updates during the year as we make progress on the transition. Chris will provide additional details on the financial aspects of this change as well."*

Christine Sacco: *"Last, regarding the transition to the new third-party logistics provider Ron discussed earlier, we expect to incur approximately $10 million in onetime costs over the balance of fiscal '20."*

Q3 2020 Earnings Call – February 6, 2020

Christine Sacco: *"Through January, we have transitioned more than half of our revenues to the new warehouse. And are on track to complete the transition in the first quarter of fiscal '21."*

Management has been unable to quantify the benefit of the logistics transition

Q4 2020 Earnings Call – May 7, 2020

Sturdivant & Co Analyst: *"And then last question for me is, you said that you successfully transitioned to your third-party logistics provider. **Can you just remind us as to what your expected benefits will be from this new logistics provider?** And also, how should we think about the benefit from a gross margin perspective as well?"*

Ronald Lombardi: *"Phil, you want to answer..."*

Phil Terpolilli Director of IR: *"I'll take that. Yes. I'll take that one, Anthony. So the expected benefit, we talked about a 2- to 3-year payback period and about **$10 million in onetime costs, and you see those stripped out in our fiscal '20**. As Ron mentioned earlier, we largely completed this at year-end, but the expected timing of the cost savings really doesn't begin till the second half of fiscal '21 as you really get ramped in terms of efficiencies."*

How can management or investors measure the ROI of switch without understanding the economic benefit?

Source: Company filings, Earnings Earnings call transcripts

Service Provider XPO Sues Prestige For Withholding Payments

According to a lawsuit filed by XPO Logistics (NYSE: XPO) in June 2020, PBH has failed to continue payments to XPO for warehousing and transportation services provided under a 2012 deal. According to XPO, PBH used the impending end of the contract in June 2020 as an opportunity to stop paying for services. PBH was transitioning away from XPO's services as it planed to close the Missouri facility XPO operated. Spruce Point views the pending legal battle as a sign of PBH's poor business practices to not uphold its end of the obligation and worst-case scenario is part of a last-ditch effort to preserve cash as revenue and cost pressure intensifies. We believe if this practice of withholding supplier payments becomes more prevalent, it could explain the increase in days payable outstanding.

Westfair News Article – June 21, 2020

XPO Logistics sues Prestige Brands for $7 million

XPO Logistics of Greenwich, Connecticut, is suing Prestige Brands Inc., the Elmsford consumer products company, for $7 million for allegedly withholding payments from the warehousing company for more than a year.

XPO Logistics' affiliates filed the complaint June 9 in U.S. District Court in White Plains.

Prestige Brands "accepted the benefit of XPO's services ... without objection, protest or rejection," the complaint states, "yet failed to compensate XPO for the reasonable value of its services."

Source: Press

SPRUCE POINT CAPITAL MANAGEMENT

Claims Of Customers Destocking

Management has attributed some of PBH's recent struggles to customers destocking, the process of reducing the level of inventory held on retailers' balance sheets. The combination of struggling retail sales and improved inventory management has resulted in greater inventory on PBH's balance sheet. However, we believe this trend has not had a negative impact on the past year's performance as customers' inventory levels have remained relatively flat.

Ronald Lombardi Q2 2020 Call October 31, 2019

*"The drug channels, front of store performance has been declining for a long period of time. So they're running downhill, trying to catch up with this declining business and **reduce inventory to keep up with lower sales. So that's hitting us**."*

Ronald Lombardi Q3 2020 Call February 6, 2020

*"Our we haven't seen any meaningful changes in the factors that are causing the retailers to take these actions. So at this point, **we would anticipate the level to be fairly similar next year to what we've realized this year**."*

Customers' Days Inventory Outstanding

	2015	2016	2017	2018	2019	Change Since 2015	Change Over Past Year
Target	59.0	62.8	60.3	62.0	61.5	2.5	(0.5)
Walmart	45.3	44.2	42.4	41.7	41.0	(4.3)	(0.7)
CVS	35.3	35.1	35.5	29.3	29.2	(6.1)	(0.1)
Rite Aid	64.5	45.8	39.1	39.5	40.2	(24.3)	0.7
Walgreens	36.8	36.6	33.4	32.3	31.7	(5.1)	(0.6)

Minimal change in days inventory for select PBH customers over the past year

Ronald Lombardi Q4 2020 Call May 7, 2020

*"So far, in Q1, we've seen a **pretty steady level of dollars of inventory for the retailers**, so it's hard to predict what they'll do going forward."*

Source: Company filings, Earnings Earnings call transcripts, Spruce Point analysis

Spruce Point Capital Management

Promotional Provisioning Rising

PBH's financial disclosures show an increase in promotional provisioning (brand marketing, planograms, GPO fees, customer coupons) driven by growth in trade promotions. Additionally, there has been a consistent rise in the spend as a percentage of revenue for its top brands. Based on our conversion with a former PBH employee, the rise in the respective account balances may be indicative of the Company's reaction to pricing pressure.

Former PBH Manager

*"It could be **indicative of price pressure for premium placement or paying large amounts of admin fees**."*

	Pre-Sacco				With Sacco			
$ in millions	FY 2013	FY 2014	FY 2015	FY2016	FY2017	FY2018	FY2019	FY 2020
Net Revenue	$624	$597	$715	$806	$882	$1,041	$976	$963
Sales Returns and Allowance	$33	$38	$35	$41	$41	$63	$56	$58
Trade Promotions (A)	$41	$40	$60	$62	$69	$79	$91	$89
Consumer Coupon Redemptions (B)	$8	$3	$5	$6	$8	$7	$5	$5
Gross Revenue	$706	$678	$815	$916	$1,000	$1,190	$1,128	$1,114
Total Promotional Provisioning (A+B)	**$49**	**$43**	**$66**	**$69**	**$77**	**$86**	**$96**	**$93**
Promotional Provisioning / Gross Revenue	**7.0%**	**6.3%**	**8.0%**	**7.5%**	**7.7%**	**7.2%**	**8.5%**	**8.4%**
Top 5 Brands A&P as % of Sales	--	**13.7%**	**13.4%**	**13.9%**	**15.0%**	**16.4%**	**17.4%**	**17.9%**

We have conducted a deep review of pricing pressure for PBH products (Section: Pricing Challenges)

Note: Based on provision amount for account balance
Source: Company filings, Spruce Point analysis

Signs Of Declining Efficiency

Despite management claims that PBH's business model is a scalable and efficient platform, we have found a decline in revenue and adjusted EBITDA per full-time employee (FTE) over the past two years.

Are there dissynergies management has not disclosed?

Ronald Lombardi
CEO
Investor Day
May 25, 2016

"Our value proposition also includes a scalable and efficient platform that has not only been able to adapt to the tripling in the size of our business since 2010, but also has us well-positioned to support future growth."

$ in millions	**FY 2018**	**FY 2019**	**FY 2020**
FTE	**530**	**520**	**520**
Revenue Per Avg. FTE	$1.98	$1.86	$1.85
% Change	--	*(6.3%)*	*(0.4%)*
Reported Adjusted EBITDA Per Avg. FTE	$0.68	$0.63	$0.63
% Change	--	*(6.8%)*	*(0.1%)*

Note: Average FTE calculated based on the average of the disclosure figure for each time period
Source: Company filings, Spruce Point analysis

Aggressive Depreciation Assumptions

In Spruce Point's experience, when a Company changes its depreciation assumptions, it is a classic sign of financial stress. Following Christine Sacco's appointment as CFO, PBH increased the length of its depreciation schedule for its fixed assets, lowering expenses and boosting earnings. Since the change, PBH has seen a decline in depreciation as a percentage of gross property, plant and equipment (PP&E).

2017 Annual Report

	Years
Building	17
Machinery	5
Computer equipment and software	3
Furniture and fixtures	7
Leasehold improvements	*

2018 Annual Report

	Years
Building	15 - 40
Machinery	3 - 15
Computer equipment and software	3 - 5
Furniture and fixtures	7 - 10
Leasehold improvements	*

$ in millions	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
PP&E, Gross	$30	$71	$83	$90	$102
Accumulated Depreciation	($15)	($20)	($30)	($39)	($46)
PP&E, net	$16	$51	$53	$51	$56
Depreciation Expense	--	6	10	10	9
As a % of Prior Year Gross PPE	--	***19.8%***	***14.3%***	***12.1%***	***9.8%***
Benefit Per Diluted Share	--	--	**+$0.05**	**+$0.03**	**+$0.03**
Adjusted EPS Impact	--	--	**+2.1%**	**+1.3%**	**+1.1%**

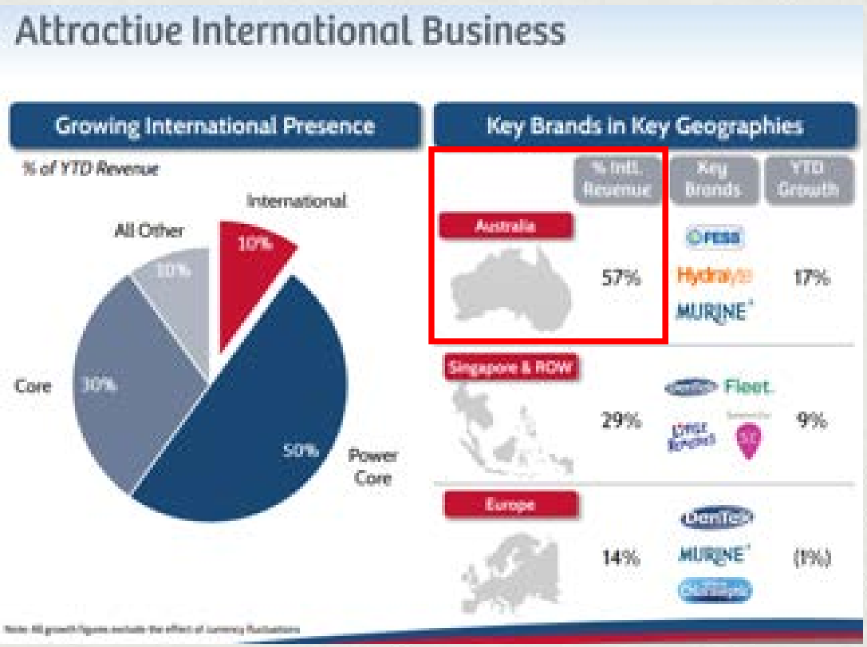
Source: Company filings, Spruce Point analysis

International Weakness

Australia Is Key International Market

Based on Australian filings, PBH Australia's revenue growth is slowing. This would contradict management's prior comments regarding the growth opportunity in the region, lead by well-positioned brands and acquisitions. We believe PBH may be stretching to deliver on its promises.

February 6, 2020 – 3rd Quarter Earnings Call



Ron Lombardi
CEO
Q3 2020 Call
February 6, 2020

*"Our International business makes up about 10% of our sales. **It's highly concentrated with over 50% of International sales in Australia**, primarily from 3 well positioned brands that we have there: Hydralyte, FESS nasal sprays and Murine eye care in excess of 20%."*

PBH AUSTRALIA HOLDING COMPANY PTY LIMITED

PBH Australia Holding Company Pty Limited
Consolidated statement of comprehensive income
For the year ended 31 March 2019

	Notes	2019 $	2018 $
Revenue from continuing operations	4	70,116,109	68,603,476

$ in millions	FY 2017	FY 2018	FY 2019
PBH Australia Revenue (AUD)	A$64.0	A$68.6	A$70.1
Revenue Growth	--	*7.2%*	*2.2%*
Exchange Rate (USD/AUD)(1)	*0.753*	*0.774*	*0.730*
PBH Australia Revenue (USD)	$48.2	$53.1	$51.2
International Revenue (USD)	$73.3	$91.7	$93.5
Australia as % of Int'l Revenue	**65.7%**	**56.1%**	**52.5%**
Australia as % of Total PBH Revenue	**5.5%**	**4.9%**	**5.0%**

Australia's revenue growth is slowing

1) Per Bloomberg
Source: Company filings. Earnings Earnings call transcripts, ASIC

Australia Showing Signs Of Financial Strain

Analyzing PBH's Australian filings, we find evidence of financial strain as working capital as a percentage of revenue is growing. Similar to PBH's consolidated financials, PBH Australia's trade receivables are growing significantly faster than revenue. We believe this may be due to more customer friendly payment terms as PBH tries to meet its high international growth targets.

PBH Australia Financials

AUD in millions	FY 2017	FY 2018	FY 2019
Revenue	$64.0	$68.6	$70.1
Revenue Growth	--	*7.2%*	*2.2%*
Current Assets	$56.4	$31.7	$38.2
Less: Cash and Equivalents	($33.6)	($9.8)	($14.4)
Current Assets (ex-Cash)	$22.8	$21.9	$23.9
Current Liabilities	$32.0	$9.9	$8.7
Working Capital	**($9.3)**	**$12.0**	**$15.2**
As a % of Revenue	*(14.5%)*	*17.5%*	*21.6%*
Trade Receivables	**$22.0**	**$12.0**	**$15.5**
Receivables Growth	--	*(3.0%)*	*22.5%*

Receivables growth is ballooning relative to revenue growth

Working capital as a % of revenue is increasing

While PBH reported an uptick in international growth in FY2020, we question if the growth came at the expense of looser customer terms and further ballooning receivables

Source: Company filings, ASIC

Spruce Point Capital Management

Singapore & UK Entities Show Strains

Analyzing C.B. Fleet International (Singapore) and Prestige Brands (UK) Limited foreign filings, we find similar evidence of financial strain as working capital and trade receivables are growing. C.B. Fleet Singapore is experiencing similar outsized receivables growth relative to revenue growth. While PBH UK does not disclose revenue, these working capital and receivables trends are in line with PBH and PBH Australia.

C.B. Fleet Singapore Financials

$ in millions	FY 2018	FY 2019
Revenue	$12.5	$15.4
Revenue Growth	--	23.0%
Current Assets	$11.0	$17.0
Less: Cash and Equivalents	($2.5)	($3.1)
Current Assets (ex-Cash)	$8.5	$13.9
Current Liabilities	($1.9)	($3.7)
Working Capital	**$6.6**	**$10.2**
As a % of Revenue	*52.6%*	*66.5%*
Trade Receivables	**$2.5**	**$3.9**
Receivables Growth	--	*52.2%*

Prestige Brands (UK) Financials

$ in millions	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	--	--	--	--
Current Assets	$3.4	$4.0	$2.3	$4.0
Less: Cash and Equivalents	($1.8)	($1.7)	($0.2)	($0.1)
Current Assets (ex-Cash)	$1.65	$2.32	$2.15	$3.92
Current Liabilities	($0.9)	($1.0)	($1.0)	($1.5)
Working Capital	**$0.77**	**$1.35**	**$1.20**	**$2.42**
As a % of Revenues	--	--	--	--
Trade Receivables	$0.9	$0.9	$0.9	$1.3
As a % of Revenues	--	--	--	--

Receivables growth is ballooning relative to revenue growth

Working capital as a % of revenue is increasing

Source: Company filings, Companies House (UK)

Pricing Challenges

Data Shows PBH Losing To Private Label

Data provided by Nielsen shows PBH's prices and volumes are declining Y-o-Y while private label brands have experienced positive price and volume growth

PBH

Exhibit 5 - PBH $ Sales % Y/Y

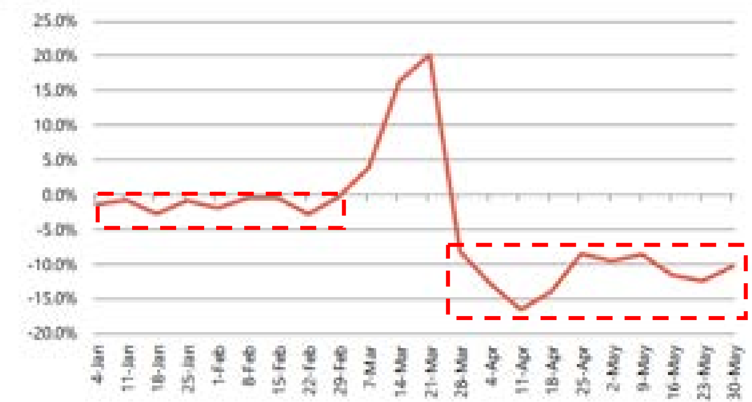
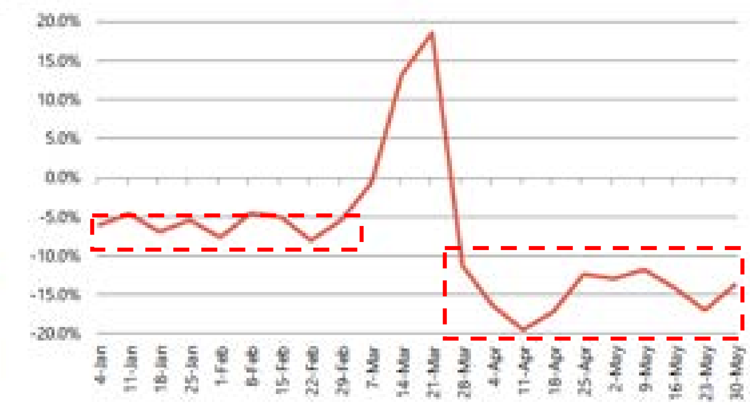


Exhibit 6 - PBH Unit Sales % Y/Y



Since the initial benefit of COVID-19, price and volume are declining ~10-15% Y-o-Y

Private Label

Exhibit 9 - Private Label Market $ Sales % Y/Y

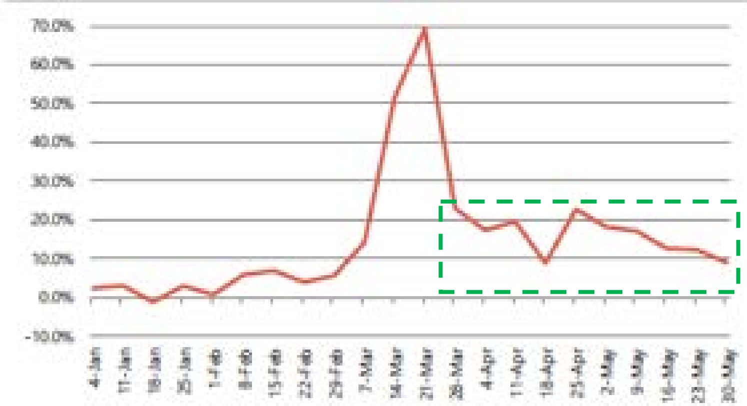
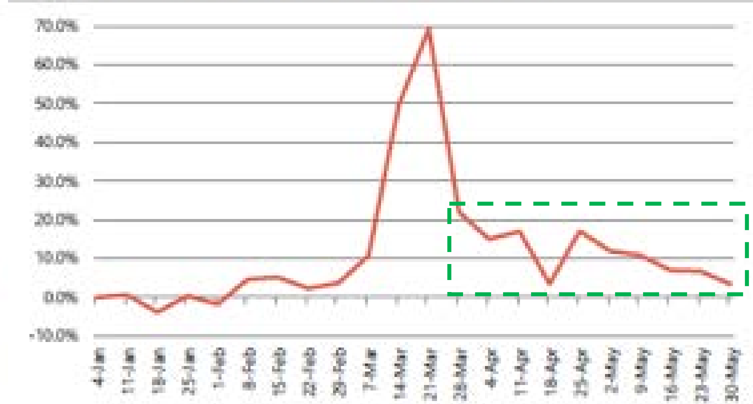


Exhibit 10 - Private Label Market Unit Sales % Y/Y



Private label brands remain positive

Source: Jefferies research (Nielsen data)

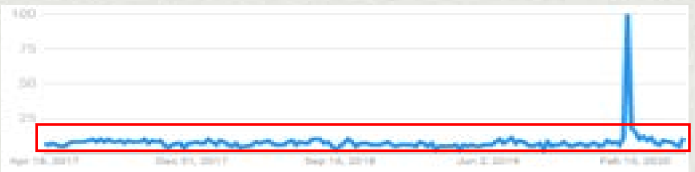
SPRUCE POINT
CAPITAL MANAGEMENT

Google Trends Data Signals Flat Unit Growth

Analyzing Google Trends data over the past three years shows the interest in PBH's brands are flat. Limited demand combined with limited opportunity for pricing power will result in sluggish revenue growth going forward and hinder PBH's ability to achieve its targets.

Monistat

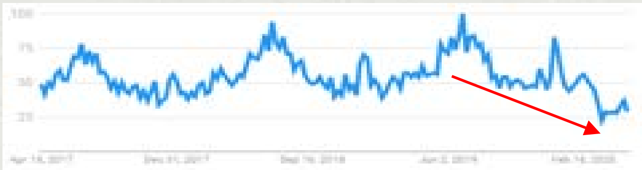
Summer's Eve



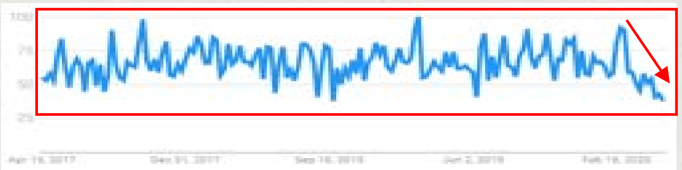
DenTek

Clear Eyes

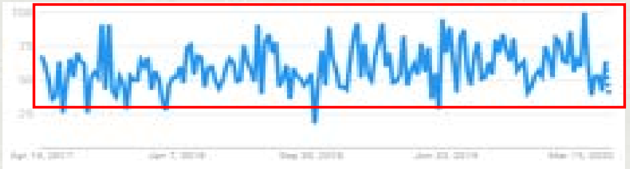
Dramamine



Fleet Enemas



BC Powder



Chloraseptic

Compound W

Nix Lice Treatment

Source: Google Trends

Management In Denial Of Pricing Pressure

Despite evidence of increasing promotional provisioning, margin pressure and our conversations with former employees and industry experts, management has denied any sort of pricing pressure. Recent Nielsen data contradicts management's statements on recent earnings calls.

Q2 2020 Earnings Call – October 31, 2019

Ron Lombardi	*"So pricing has essentially been flat for us. It's still a tough pricing environment. Although with leading -- many leading brands with a 50% share, we tend to be well positioned to put them in place if needed. So pricing, again, has tended to be pretty flat. In terms of market share versus private label, we continue to gain share and win, in general, as we have for a very long period of time."*

Nielsen tracks an ~65%-70% of distribution. Recent Nielsen data contradicts management's comments about stable pricing and gaining share versus to private label

Q4 2019 Earnings Call – May 9, 2019

William Blair Analyst	*"I want to take another just a quick stab at the earlier question on the margins in OTC being down -- gross margin being down in the quarter. Is that a mix issue?* **Is there any kind of pricing pressure you're experiencing?** *Or is it really just kind of a stranded overhead kind of issue that lingers, I guess, because of the household divestiture? I would think the stranded overhead would be more of a G&A impact as opposed to a gross margin impact?"*
Ron Lombardi	*"In terms of pricing, we continue to see fairly consistent pricing out there. So we're not necessarily being negatively impacted by that."*
William Blair Analyst	*"Okay. Fairly consistent, can I interpret that as just kind of across the portfolio and aggregate uniform -- pretty uniform pricing across-the-board? And also if you could just comment, Ron, maybe on promotion intensity, but frequency in depth, any changes there in any of the channels?*
Ron Lombardi	*"Yes, it is consistent across the portfolio. Then again, one of the benefits of our portfolio and the needs-based nature of our products and our leadership #1 position in so many categories is we don't face those competitive pricing pressures that many other categories face. And we've talked about this a number of times over the years, so we have that benefit. In terms of promotion, again, if it's needs-based, promoting it doesn't cause people to buy the product, either you need it or you don't. So we're not seeing any change in our promotional efforts.*

Q4 2018 Earnings Call – May 10, 2018

Raymond James Analyst	*"In terms of your pricing, you mentioned earlier you're not really seeing much in the way of private-label encroachment, by private label, it sounds like, is losing share in your categories. But are you feeling any pricing pressure in your categories from retailers looking to drive traffic at all?*
Ron Lombardi	*"Not necessarily, Joe. And again, it's really a function of the fact that we have leading brands in categories. So we're not facing the same kind of pricing headwinds that you hear many other CPG companies talk about. So we're not necessarily realizing that."*

Source: Company transcripts

Product Prices Are Not Competitive

Based on our research, PBH's products are at a competitive disadvantage to store brands (e.g. CVS, Walgreens, Walmart's Equate) based on pricing and product placement. Analyzing prices across many of the Company's largest distribution channels, we believe the level of competition results in <u>no pricing power</u> for PBH. We found prices differ across retailers, with Walmart having the lowest prices across the board. Given Walmart is PBH's largest customer and the choice for the most cost-conscious customer, we believe there is significant pressure on PBH's prices. Historically, PBH would balance price pressure from big box customers by passing it onto smaller customers. As larger customers account for a greater percentage of PBH's sales, this practice may no longer be able to offset the pressure and margins will decline.

Former PBH Employee	*"The biggest risk is pricing pressure. I would say big pricing pressure from the retailers. Also, supply chain distribution is another risk. **<u>I would say price pressure will eat up their margin because they are over exposed to big box retailers</u>**."*
Former PBH Employee	*"As far as the big box stores, **<u>the pricing for the past 10 years has been very flat</u>**. There has been some growth in certain segments, such as C stores where they have seen some growth on the pricing side. But for the big box stores, the <u>price changes were very flat because of reason like allowances, they would give a lot of concessions</u>."*
Former PBH Employee	*"I am worried about the supply chain disruption because sometimes they can absorb the price increase from the suppliers. but sometimes retailers cannot pass on the consumer. I would think that for the big box retailers, they'll have a lot of price pressure. They will have to come up with some creative strategy to pass it on to other channel that are not as price elastic."* *"**<u>I don't think they will have a lot of price increase they can pass on to the big box retailers</u>** because they will come up with private brands. They will grow and put intense pressure. The only way is to go after the smaller players."*
Senior Manager Large PBH Customer	*"The challenge comes when its more than 50% savings. **<u>When a product comes in a 50% savings, that's when you lose much more</u>**."*

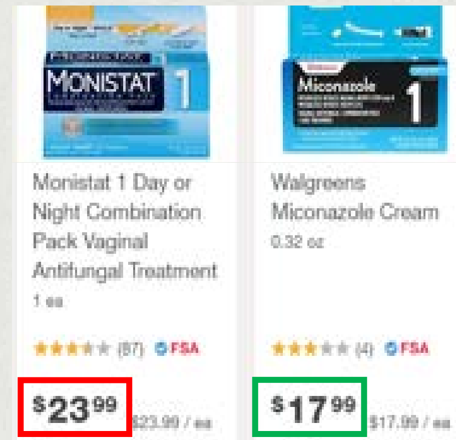
Source: Spruce Point research

Monistat

Women's Health is PBH's largest segment representing 26% of sales. Monistat and Summer's Eve are the segments two largest brands.

Walgreens

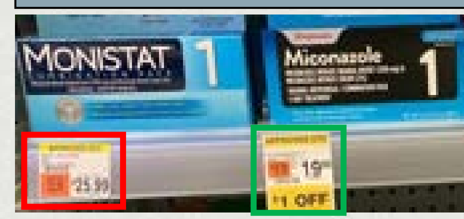
Walgreens.com



Walmart

CVS

Duane Reade



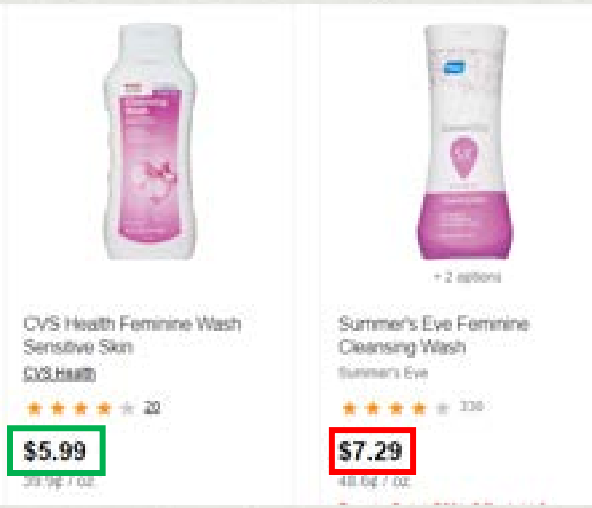
Price per Unit					
	Walgreens 1 Day Combo Pack	Walgreens 1 Day Antifungal	Walmart 3 Day Combo Pack	CVS 1 Day Antifungal	Duane Reade 1 Day Combo Pack
PBH Product	$23.99	$21.99	$13.97	$23.79	$25.99
Store Brand	$17.99	$16.99	$5.97	$18.99	$18.99
PBH Premium	33%	29%	134%	25%	42%

Source: Spruce Point research

Summer's Eve

Women's Health is PBH's largest segment representing 26% of sales. Monistat and Summer's Eve are the segments two largest brands. CVS product labels state "compare to Summer's Eve."

CVS.com



CVS Health Feminine Wash Sensitive Skin
15 OZ, 1.16 lbs. Item # 421418
Hypoallergenic. Intimate cleanser. Compare to Summer's Eve Sensitive Skin Cleansing Wash

Price per fl oz	
PBH Product (15 fl oz)	49¢
Store Brand (15 fl oz)	40¢
PBH Premium	**22%**

CVS

Price per fl oz	
PBH Product (9 fl oz)	$1.05
Store Brand (12 fl oz)	63¢
PBH Premium	**67%**

Walmart

Equate 15 fl oz

PBH 12 fl oz

Equate 9 fl oz

Price per fl oz		
	Equate 15 fl oz	Equate 9 fl oz
PBH Product	35¢	35¢
Store Brand	18¢	22¢
PBH Premium	**93%**	**61%**

Source: Spruce Point research

Spruce Point
Capital Management

Clear Eyes

Walgreens

Price per Unit	
PBH Product	$4.99
Store Brand	$4.29
PBH Premium	16%

Rite Aid

Price per Unit	
PBH Product	$5.99
Store Brand	$4.69
PBH Premium	28%

Duane Reade

Price per Unit	
PBH Product	$5.99
Store Brand	$3.99
PBH Premium	50%

Source: Spruce Point research

DenTek

PBH paid $225 million for DenTek in 2016. While management was highly promotional of DenTek's leading market position and "high single-digit" growth prospects, we believe it overpaid for a highly commoditized product.

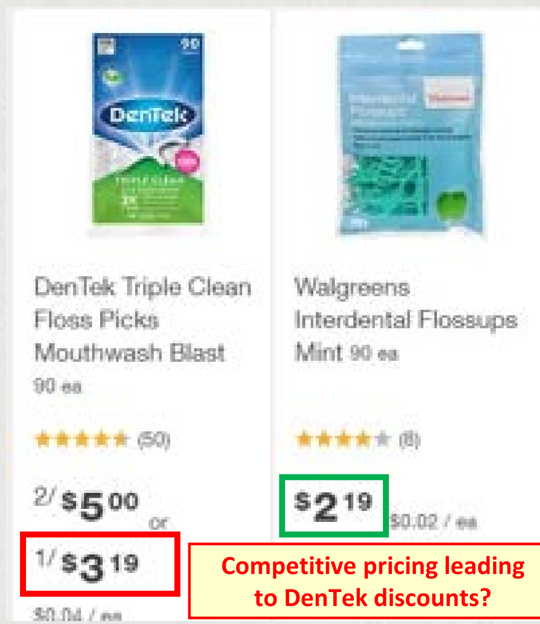
Ronald Lombardi CEO M&A Call Nov 23, 2016

"We plan to meaningfully increase investments in brand building, A&P and new product development to build a base for continued long-term growth." "We've got a very well-defined M&A criteria that always starts with brand building and long-term growth profile. And we think that this is a very good long-term growth opportunity." "So the category and DenTek have had very high single-digit growth trends over the last couple of years and we like the makeup of the competitive environment here."

Walmart

Price per Unit	
PBH Product (1 guard)	$19.98
Store Brand (2 guards)	$7.24
PBH Premium	1.8X

Walgreens.com



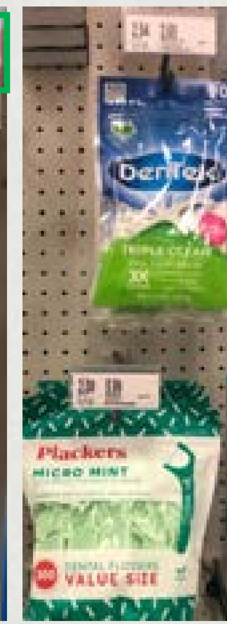
Competitive pricing leading to DenTek discounts?

Price per Unit	1/$3.19	2/$5
PBH Product	3.5¢	2.8¢
Store Brand	2.4¢	2.4¢
PBH Premium	46%	14%

Rite Aid

Price per Unit	Picks	Orabrush
PBH Product	4.8¢	$7.79
Store Brand	2.5¢	$6.79
PBH Premium	47%	15%

Target



Price per Unit	
PBH	2.9¢
Other	2¢
Premium	47%

Source: Spruce Point research

Fleet

CVS

Price per Bottle		
	Regular	50% Deal
PBH Product	$1.82	$1.82
Store Brand	$1.60	$1.20
PBH Premium	14%	52%

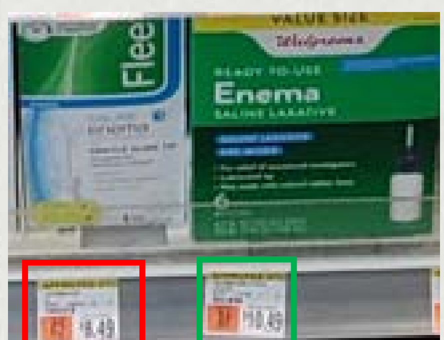
Walgreens

Price per Unit	
PBH Product	14¢
Store Brand	9¢
PBH Premium	56%

Walmart

Price per Bottle	
PBH Product	99¢
Store Brand	71-73¢
PBH Premium	35-39%

Duane Reade



Price per Bottle	
PBH Product	$2.12
Store Brand	$1.75
PBH Premium	21%

Source: Spruce Point research

Chloraseptic

CVS

Price per Unit	
PBH Product	$1.60
Store Brand	$1.08
PBH Premium	**48%**

Walgreens

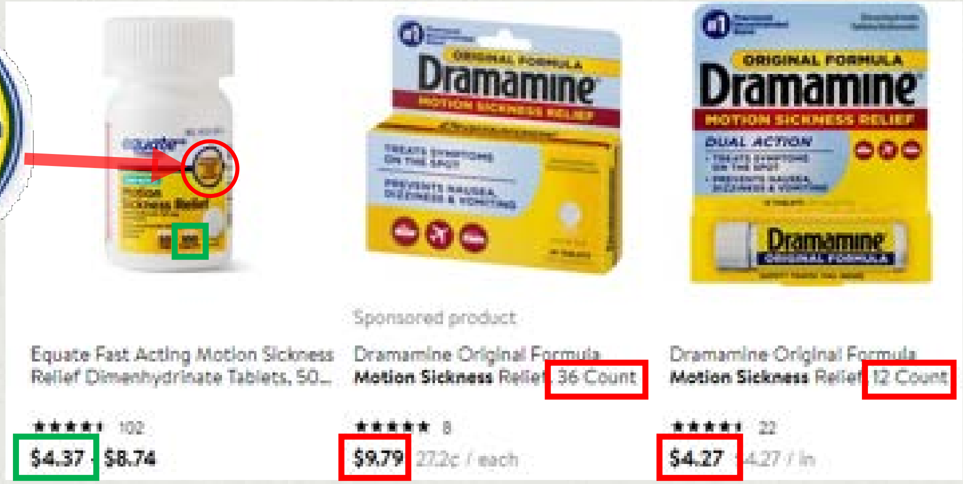
Price per Unit	
PBH Product	$1.47
Store Brand	$0.97
PBH Premium	**52%**

Source: Spruce Point research

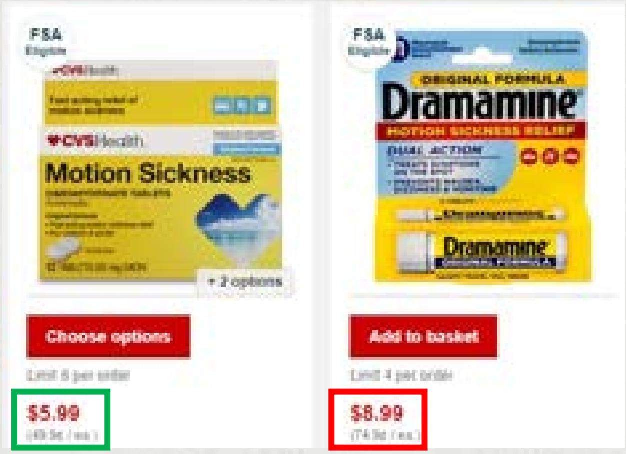
Dramamine

Walmart

Equate directly calls out and compares itself to Dramamine



CVS



Target

Rite Aid

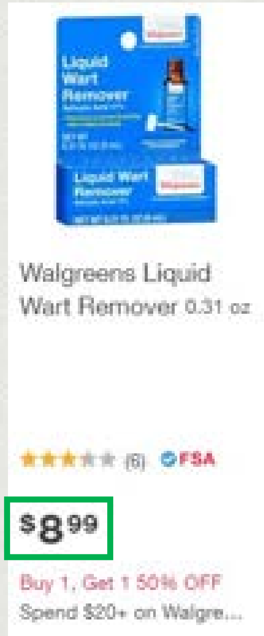
Walgreens

Price per Unit					
	Walmart	CVS	Target	Rite Aid	Walgreens
PBH Product	27-37¢	75¢	29¢	77¢	71¢
Store Brand	4¢	50¢	19¢	29-58¢	19¢
PBH Premium	5X – 7X	50%	56%	33%-1.7X	2.8X

Source: Spruce Point research

Compound W

Walgreens.com	CVS	Walmart



Price per Unit	
PBH Product (0.31 fl oz)	$11.99
Store Brand (0.31 fl oz)	$8.99
PBH Premium	33%

Price per Unit	
PBH Product (0.31 fl oz)	$13.99
Store Brand (0.5 fl oz)	$10.79
PBH Premium	52%

Price per Unit	
PBH Product (0.31 fl oz)	$6.96
Store Brand (0.31 fl oz)	$3.23
PBH Premium	54%

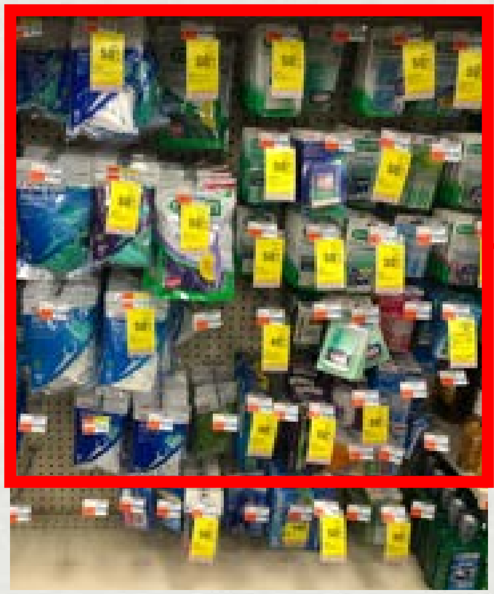
Source: Spruce Point research

Distribution Channels

Named Brands Are At A Disadvantage

During our channel checks, we found stores that do not carry PBH's product in favor of other options. In these scenarios for highly competitive products, the retailer typically only sells its generic store brand or one additional named brand (typically the market leader) on its shelves.

Spruce Point	*"I cannot find any Dentex floss pick. Do you carry them?"*
CVS Sales Associate NY Store	*"Let me check… We **only seem to carry the generic brand**."*
Spruce Point	*"What about Clear Eyes?"*
CVS Sales Associate NY Store	*"I believe **we only carry the generic for that as well**."*



We found this CVS store no longer carries two of PBH's "Power Core" brand products and favors its generic CVS brand

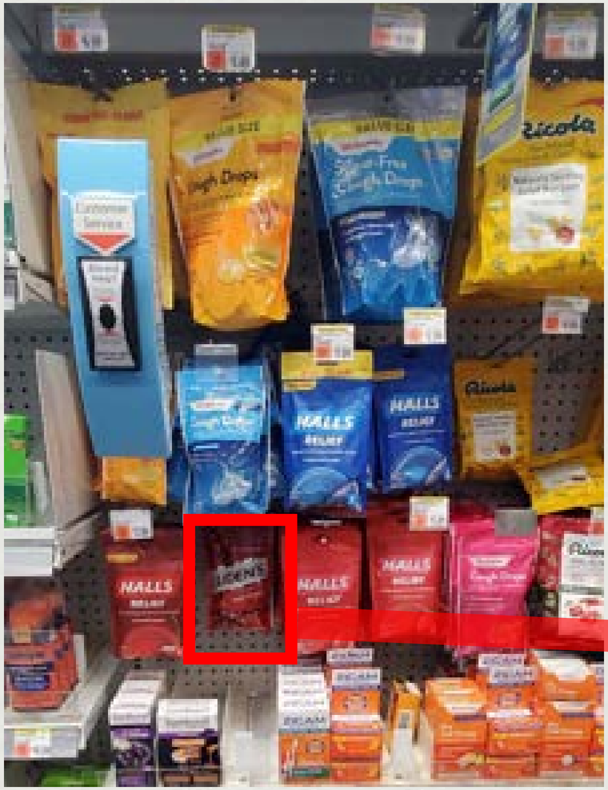
Source: Spruce Point research

Spruce Point Capital Management

Recent Evidence of Losing Market Share?

During our channel checks, we found instances where PBH's products have been removed from shelves and replaced with store brand alternatives. We believe this is a signal PBH is losing share within its competitive product markets. In 2017, the Company removed its disclosure of individual product's market share from the annual report, furthering concerns of this potential long-standing trend.

Duane Reade – May 6, 2020



Duane Reade - May 27, 2010

Luden's was replaced with store brand

?

Source: Spruce Point research

Store Brands Compare To PBH's Brands

Across retailers, we found store brand's typically compare themselves to PBH's brands on their products. Given the highly competitive competitive market of OTC healthcare products, we question how PBH will be able to compete with brands who can advertise results comparable to PBH's higher priced offerings.

Chloraseptic Competitor

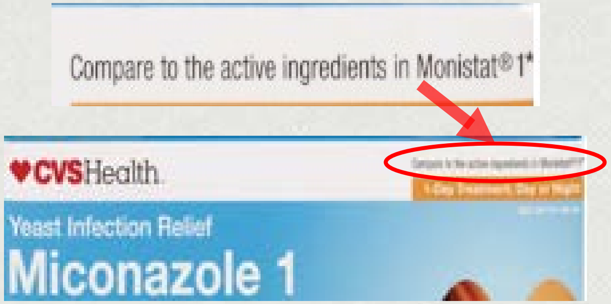
Fleet Competitor

Dramamine Competitor

Compound W Competitor

How can PBH compete with lower priced competitors that use PBH's brand names as advertising on its store brand product packaging?

Monistat Competitor



Poor Product Placement

For highly competitive products such as cough drops, we found PBH's "Luden's" brand at a disadvantage to its competitors due to its poor shelf placement on the floor. We believe it is difficult for PBH to compete for shelf space when its rivals are owned by larger competitors (i.e. Halls' parent company Mondelez).

CVS

Target

Walgreens

Walmart

Bottom shelf product placement at multiple distributors

Source: Spruce Point research

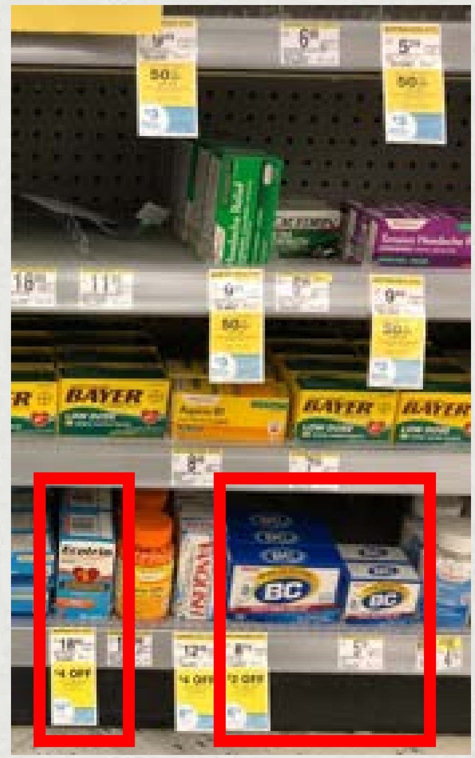
Poor Placement For "Power Core" Brands: Pain Relief

We find the same holds true for PBH's pain relief products BC, Goody's and Ecotrin. BC/Goody's is one of PBH's power core brands (top five brands representing ~50% of sales). The products are positioned close to the floor and away from the consumers eye level. We believe poor shelf positioning relative to cheaper alternatives is a factor in Ecotrin's struggles and declining growth.

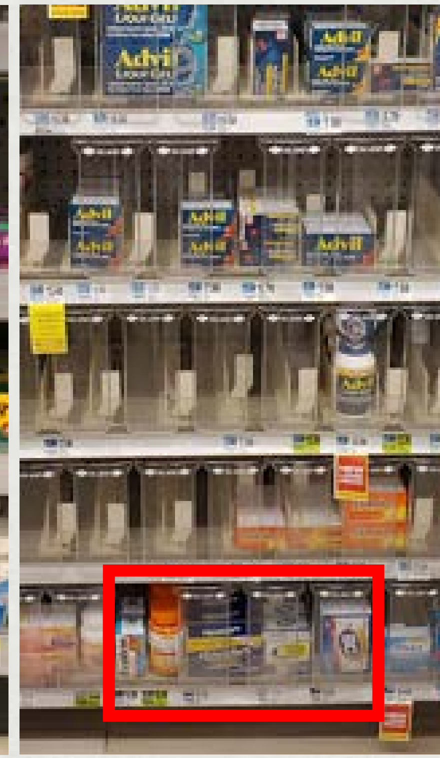
Walmart

CVS

Walgreens



Rite Aid



Products placed on the floor
For people seeking pain relief, having to bend over for PBH's product may increase discomfort and aggravation

Source: Spruce Point research

Poor Placement For "Power Core" Brands: Feminine Hygiene

Walmart

Monistat above eye level

Competitor products at eye level

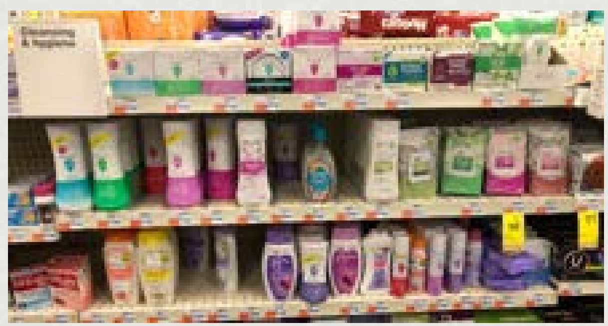
Summers Eve below eye level

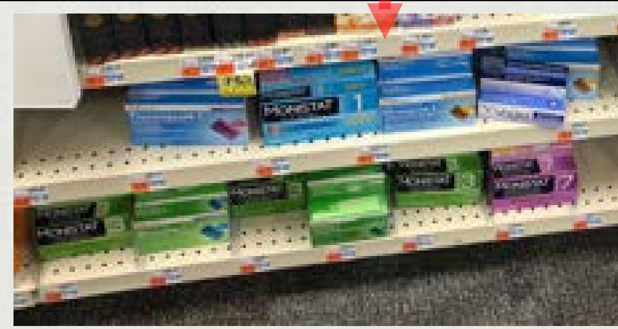
Target

Summer Eve found on lower shelves while competitors' products are found on the premium shelves

Monistat is often found on the lowest shelves and always intermingled with the store brand

CVS





Summers Eve products found intermingled with store brand equivalents

Source: Spruce Point research

Poor Placement For "Power Core" Brands: Oral & Eye Care

Walmart

DenTek products on top of display above eye level

DenTek floss picks near floor and below competitors' offerings

Clear Eyes products are intermingled with competitors with poor shelf placement

Source: Spruce Point research

Distribution Channel Concentration

PBH's top distribution channels and largest customers account for the bulk of the Company's sales. As the reliance on these customers increases concentration risk, we believe there will be increased pressure on PBH's prices. Additionally, many of the top customers produce their own private label brands which compete with PBH's brands.

2020 Annual Report

Channel of Distribution	Percentage of Gross Sales (1) 2020	2019	2018
Mass	36.5	37.4	37.2
Drug	25.6	26.4	24.6
Food	15.4	15.5	15.8
Dollar	6.6	6.8	9.0
Convenience	3.9	4.0	3.2
Club	1.4	1.6	1.6
Other (2)	10.6	8.3	8.6

(1) Includes estimates for some of our wholesale customers that service more than one distribution channel.

(2) Includes e-commerce retailers such as Amazon.

During 2020, 2019, and 2018, Walmart accounted for approximately 23.1%, 23.7%, and 23.8%, respectively, of our gross revenues. We expect that for future periods, our top ten customers, including Walmart, will, in the aggregate, continue to account for a large portion of our sales.

Mass and Drug distribution channels account for 62% of sales, up from 54% in 2017

Walmart's share of sales has grown, and management expects this trend to continue

2019 Annual Report

The following table sets forth a list of our primary distribution channels and our principal customers for each channel:

Distribution Channel	Customers	Distribution Channel	Customers
Mass	Meijer	*Drug*	CVS
	Target		Rite Aid
	Walmart		Walgreens
Food	Ahold/Delhaize	*Dollar*	Dollar General
	Kroger		Dollar Tree
	Publix		Family Dollar
	Albertson's/Safeway		
	Wakefern	*Club*	BJ's Wholesale Club
	HEB		Costco
	Wegman's		Sam's Club
Convenience	McLane	*Ecommerce*	Amazon
	HT Hackney		
	Core Mark		

These distribution channels are dominated by a small number of powerful customers

PBH removed the table disclosing its principal customers from its 2020 annual report *(Disclosures Weakening)*

Walmart: Bigger Threat Than Believed To Be

Historically, when large customers such as Walmart, Target or Costco would pressure PBH's prices, PBH would be able to transfer the "associated cost" to smaller retailers whose customers are less price sensitive. As larger customers continue to grow their share of PBH's revenue, it may become more difficult for PBH to offset the pricing pressure by raising other customers' pricing.

Spruce Point	*"As Walmart and other large retailers continue to grow share is that something that would worry you?"*
Former PBH Employee	*"Always. It's always a concern. **Walmart, they're the big 800-pound gorilla. They are a big customer, so price is always a concern.** So for a Walmart customer, it's very difficult to tell them the value [of named brand products]. For some mid tier stores we could **give some concessions**. So if price was not delivered, we'll come up with some other ways with volume rebates, IRC, coupons to drive those kinds of things to make up the margin."*
	*"**For Walmart there is a lot of price pressure there and there's a lot of price pressure on off-invoice discounts**. You can't get too creative with Walmart because **you need them** to help grow your top line. You can be creative with out mid-tier segments, but you can't be too creative with Walmart. **Their expansion was hitting our margin with those big retailers**."*

Source: Spruce Point research

Spruce Point Capital Management

Walmart's Equate

We have found numerous news sources that promote Walmart's store brand Equate over brand name products. According to the FDA, generic drugs must have the same active ingredients, strength and dosage as the named brands. Compared to their generic peers such as Equate, CVS and Walgreens, we believe PBH's products have no competitive advantage, limited barriers to entry and are at a disadvantage.

Business Insider – March 19, 2019

7 times you should buy the Walmart house brand — and 6 times you should skip it

Sharon Feierabend Mar 19, 2019, 2:52 PM

Buy: Medication from Equate

"By law, over the counter and generic drugs must be similar to their brand name counterparts," certified financial planner Reshell Smith told Business Insider. "The FDA says these drugs are required to have the same active ingredients, strength, and dosage as the brand name. Consumers can take comfort in using Equate brand medications as they tend to be regulated by law and the effects of the medication should be equal to the name brand."

CBS News – August 16, 2016

The best generic brands to save money

AUGUST 16, 2016 / 11:00 AM / GOBANKINGRATES

7. Walmart Equate

"To get a good deal on health and beauty products, consider Walmart's Equate brand. Equate over-the-counter medications, in particular, offer significant savings over brand-name equivalents, Greutman said.

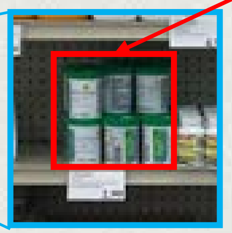
For example, a bottle of Equate Ibuprofen with 500 tablets costs $6.98 at Walmart. A bottle of Advil with half as many tablets -- 225 -- costs twice as much -- $13.99.

According to the Food and Drug Administration, generic drugs are required to have the same active ingredient, strength and dosage as the brand-name product. This means you won't get a lesser product -- just a more affordable one."

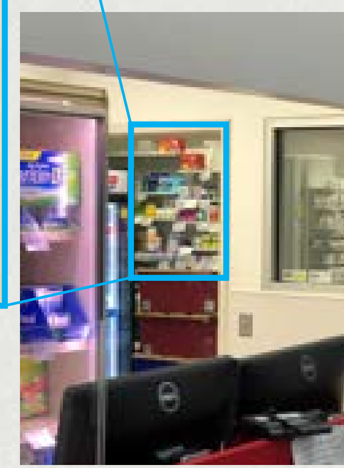
SPRUCE POINT
CAPITAL MANAGEMENT

Costco: Hidden Products

At Costco we found PBH's products behind the pharmacy counter, requiring the assistance of a pharmacist to purchase an OTC product. This results in limited visibility for customers.



PBH's products are behind the pharmacy counter with limited visibility for customers



Large floor display for competing brand Ricola

Source: Spruce Point research

Challenges At Supermarkets

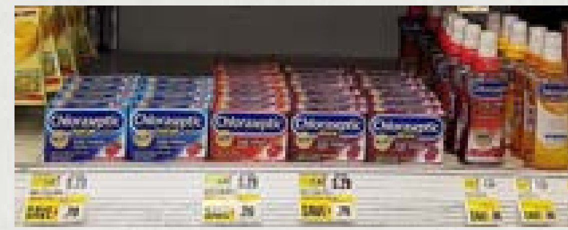
Spruce Point believes PBH is challenged in the food store channel, which represents ~15% of sales, due to poor product placement and pricing. Many products next to, or positioned worse, relative to competing products. Many of PBH's products have the least desirable, bottom row placement.

Wegmans

Summer's Eve products below competitor Vagisil and Monistat mixed in with store brand

Stop & Shop

ShopRite



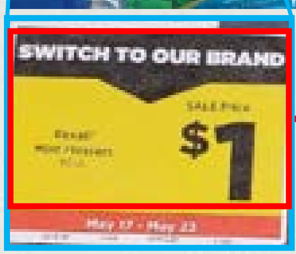
Multiple products with poor placement across retailers

Source: Spruce Point research

Challenges At Dollar Stores

Spruce Point believes PBH is also challenged in the Dollar Store channel where cost conscious customers can purchase comparable house brands at cheaper prices. PBH's products are between 60%-150% higher than Dollar General's store brand. PBH has seen a decline in its sales at dollar stores, falling from 9% to 6.6% of gross sales over the past 3 years.

Dollar General



Promoting customers to switch to store brand

Price per Unit				
	DenTek	Compound W	Monistat 7-Day	Efferdent
PBH Product	2.7¢	$7.00	$7.95	$5.00
Store Brand	1.1¢	$3.50	$5.00	$3.00
PBH Premium	150%	100%	59%	67%

Source: Spruce Point research

History Of Pressure From Distributors

Given the concentration of PBH's distribution channels and the size of the retailers, we believe there is little chance for pricing pressure to alleviate.

CNBC – December 11, 2019

Kroger and Walgreens want to buy products together to cut supplier costs

Retailers have historically pushed back on suppliers

Spruce Point View

As pressure on retailers increases and they can offer private label brands, why wouldn't retailers continue to pressure suppliers' prices?

Parallels From Dynamics In The Food Industry

Wall Street Journal – August 31, 2017

Wal-Mart is pushing hard to lower prices to compete. Executives at the world's largest retailer by revenue have told suppliers that its prices should be 15% lower than competitors' 80% of the time. At the same time, Wal-Mart is spending billions to drop prices strategically on certain products, eating into its own margins to lower prices, sometimes without telling brands in advance, according to managers at large consumer-goods companies that sell through Wal-Mart. When one retailer drops prices, that can challenge brands because other retailers will ask suppliers to match.

Big Food Faces Pressure From Retailers Demanding Discounts

Campbell says failed talks with big retailer on soup promotions will hurt sales

Warren Buffett, an investor and board member of Campbell's rival Kraft Heinz Co., KHC 2.60% ▲ said Wednesday that the struggle between brands and retailers has been going for decades, but as grocers such as Wal-Mart, Costco Wholesale Corp. and Amazon get stronger, brands have less power to negotiate. "Right now, the retailers, they're doing better in this round of the fight," he said in an interview with CNBC.

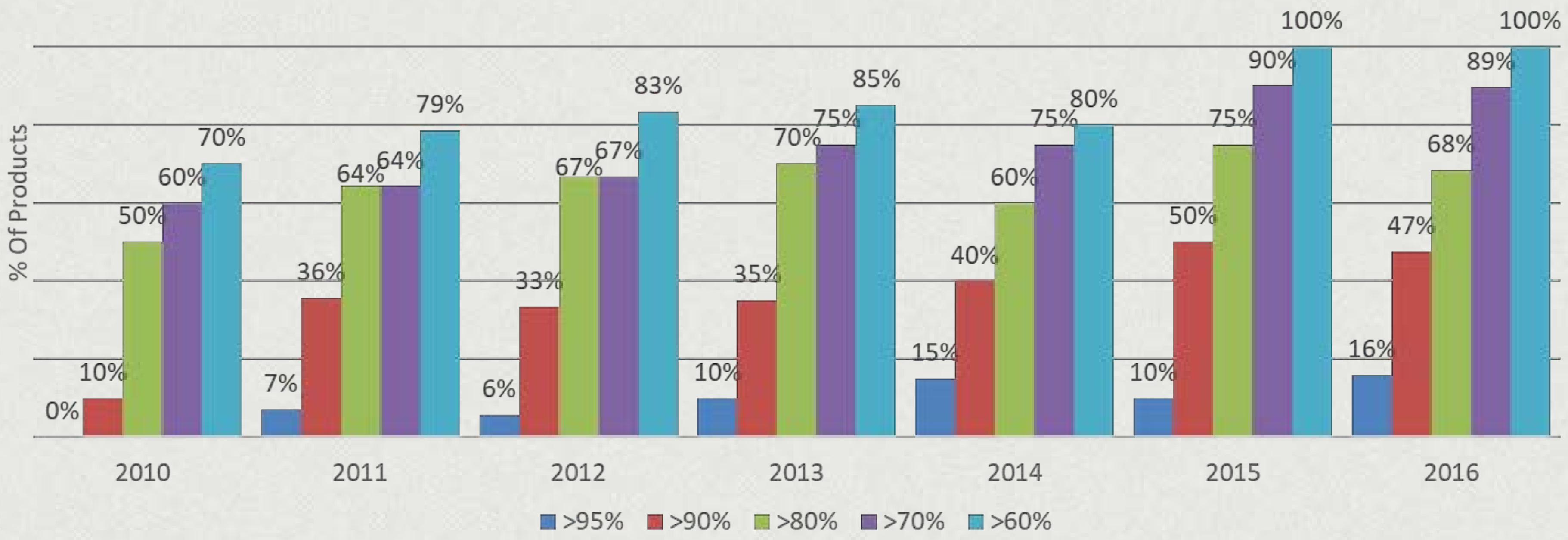
The food industry has already experienced pressure from large retailers given the current competitive landscape. It is easy to imagine this trend continuing in the OTC healthcare space where there are no barriers to entry

Spruce Point Capital Management

Signs Of High Market Penetration

In 2016, when PBH removed its ACV[1] disclosure, the Company's brands were showing signs of being heavily penetrated. ACV % implies the percentage of stores which sell the product. As ACV increases the opportunity for growth by offering products in additional stores decreases and organic growth is limited to growing same store sales. In 2016, there is evidence PBH struggled to increase market penetration, evident by relatively flat ACVs.

Percentage Of Products With ACV Greater Than…



1) ACV refers to the All Commodity Volume Food Drug Mass Index. ACV measures the ratio of the weighted sales volume of stores that sell a particular product to all the stores that sell products in that market segment generally

Source: Company filings, PBH's ACV data

Spruce Point Capital Management

Shift To E-Commerce

As traditional distribution channels became saturated, PBH began to sell direct to consumers (B2C) and through online distribution channels such as Amazon. Management as touted its growing success in e-commerce which accounts for 5% of sales. We find PBH will face similar struggles as retail. While this reduces the cost of a middleman, overall margins do not improve significantly due to new additional costs such as shipping and administrative. Although still a small percentage of sales, our research shows that PBH faces the same challenges with Amazon and online retail.

Christine Sacco
CFO
Q4 2020 Call
May 7, 2019

*"During the fourth quarter, we continued to **benefit from our ongoing investments and focus on ecommerce**. Our e-comm business grew over 60% in the quarter as we benefited from consumers shifting to online purchasing. Notably, our consumption growth was about 7% driven by these factors for the quarter after previously trending at about 2% prior to March, which was consistent with our expectations for the year."*

While management hypes up e-commerce growth, the economics are in-line with brick-and-mortar and sales cannibalize traditional channels

Ronald Lombardi
Q4 2020 Call

*"**The financial profile of our online business is pretty consistent with brick-and-mortar**. So although we have different tactics, the overall cost of connecting and winning with consumers is fairly similar for us."*

Former PBH Employee

*"In 2016 there was a big push to go to B to C, so to go with a third-party logistic company that will do the fulfillment. **They started to diversify their channels because the traditional channels were kind of getting a little bit saturated**. So they tried B2C, then health food premium stores, then direct selling to consumers."*

"For Amazon, our margins would be slightly better or the same. We don't have the middleman, but when we sell direct to the consumer, the cost of the transaction goes a bit higher. For example, shipping. Shipping and returns you have to account for. The damage allowance from let's say Walmart is significantly lower than direct customers. Shipping and handling was an issue and that's why we went with a third-party logistic company. We had more markets and newer channels, but then the administrative costs or the other costs, the hidden cost of shipping, handling and the logistics would rise a little bit. So we had to come up with creative ways to find of a cushion that gap."

SPRUCE POINT
CAPITAL MANAGEMENT

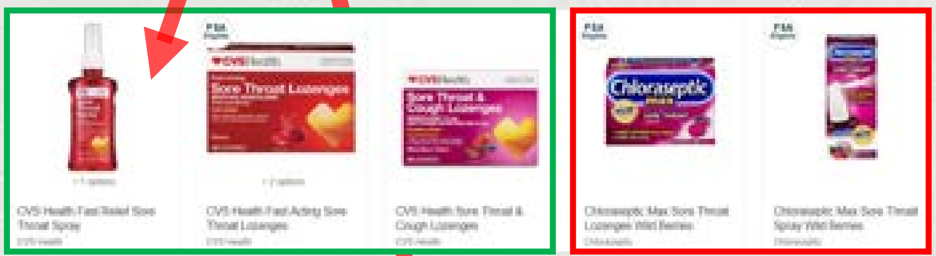
Keyword Searches Create Uphill Battle

Online retailers have a clear advantage over suppliers such as PBH. Retailers can select the order of product offerings on their sites, driving traffic to its own brands.

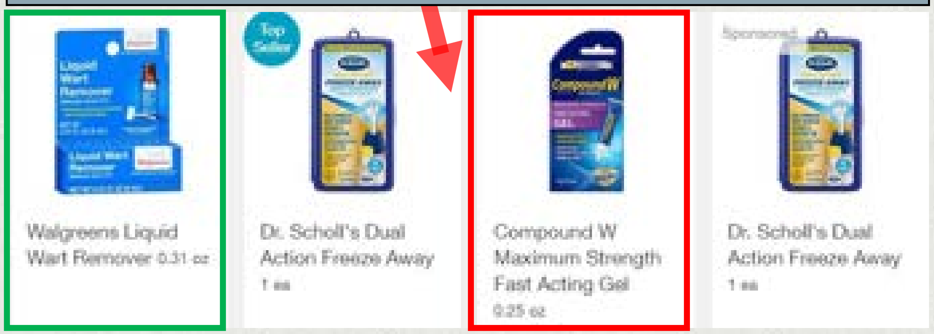
Keyword searches on retailers' websites first directs customers to the store brand before PBH's brands

Amazon directs customers to its own brands on the first page

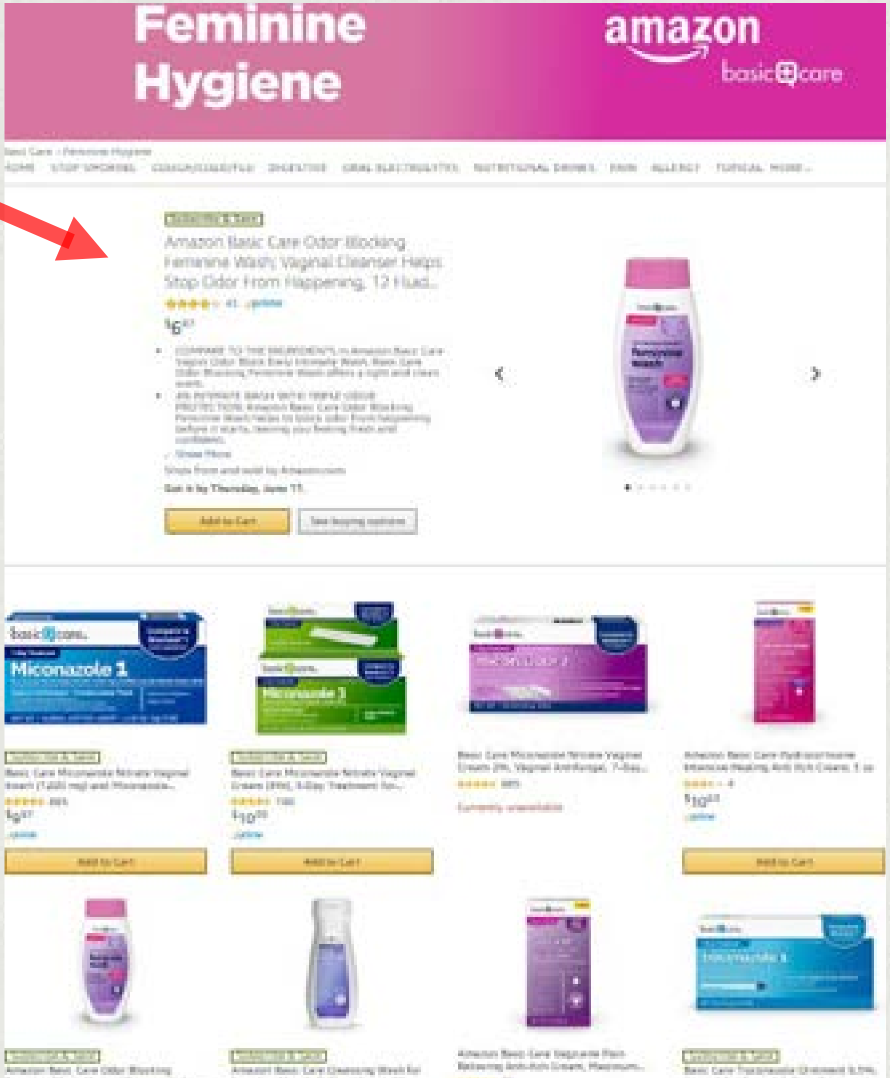
Key Word: "Sore Throat"



Key Word: "Wart Remover"



Selecting "Feminine Hygiene" On Amazon



Source: CVS.com, Walgreens.com, Amazon Basic Care

Amazon Basic Care: *"PBH Killer"*

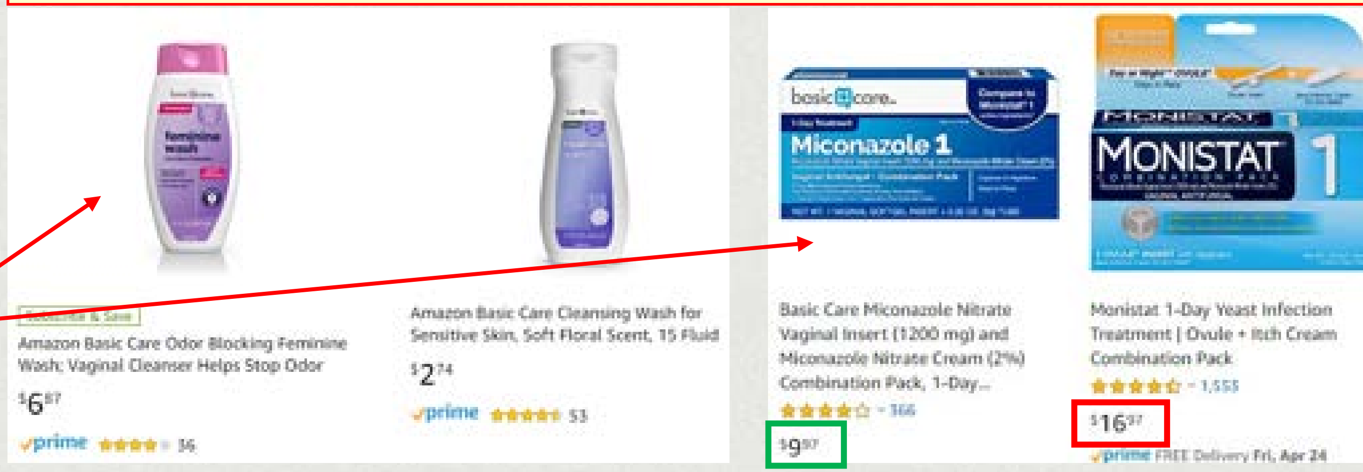
Amazon is in the early stages of growing its "Basic Care" line of over-the-counter health products. Amazon already has products competing with PBH including its two top women's healthcare brands, Monistat & Summer's Eve. Women's healthcare represents 27% of PBH's sales. We found that Amazon's pricing for its "Basic Care" products is significantly lower than on other retailers' offerings. As Amazon grows its product lines, we believe it will be nearly impossible for PBH to compete in the e-commerce landscape.

"Amazon has quietly launched an exclusive line of over-the-counter health products"

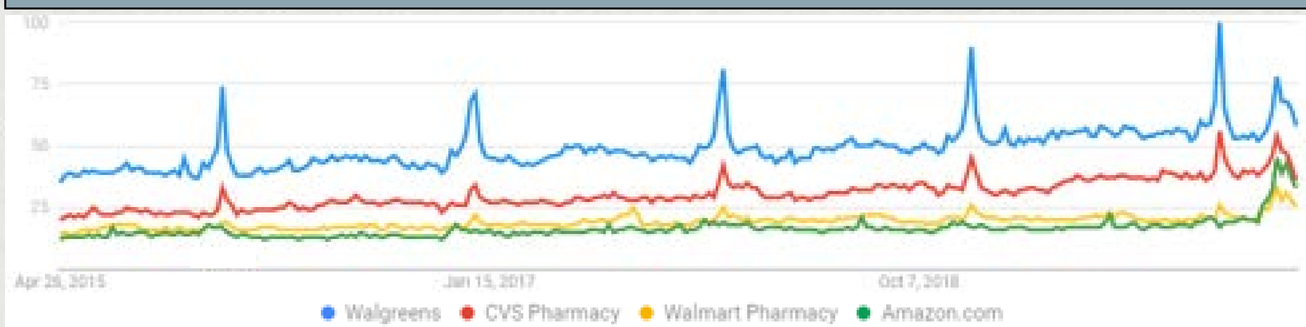
CNBC Article | February 20, 2018

Amazon's Basic Care offers generic versions of PBH's largest brands, Monistat and Summer's Eve

Amazon Basic: Competing Products And Further Pricing Pressure



Google Trends Health Category Data



As consumers gravitate towards Basic Care and Amazon Pharmacy, we believe consumers will be more inclined to purchase Basic Care products

Amazon's health business is gaining further traction relative to its peers, with assistance from COVID-19

Source: Amazon Basic Care, Google Trends, CNBC

Busted M&A Strategy & Poor Capital Allocation

Deal Summary

As PBH has grown through larger acquisitions, the Company has been paying higher multiples for businesses with lower margins. PBH currently trades at a premium to the average EBITDA multiple of its acquisition targets.

Target	Deal Close	Deal Price	Revenue	Post Synergies EBITDA	EBITDA Margin	EV / Revenue	EV / EBITDA
Medtech	Feb 2004	$244	--	--	--	--	--
Spic and Span	Mar 2004	$30	--	--	--	--	--
Bonita Bay	Apr 2004	$727	--	--	--	--	--
Little Remedies / Vetco	Oct 2004	$51	$16	$6.8	43%	3.2x	7.4x
Dental Concepts	Nov 2005	$30	$16	--	--	1.9x	--
Chore Boy	Nov 2005	$23	$14	--	--	1.6x	--
Wartner	Sep 2006	$31	$11	$5	42%	2.8x	6.8x
Blacksmith Brands	Nov 2010	$205	$90	$30	33%	2.3x	6.8x
Dramamine	Jan 2011	$77	--	$10	--	--	7.6x
GlaxoSmithKline	Apr 2012	$663	$200	$89	45%	3.3x	7.4x
Care Pharmaceuticals	Jul 2013	$55	$20	$9	45%	2.8x	6.1x
Hydralyte	May 2014	$78	$25	$12	47%	3.1x	6.6x
Insight Pharmaceuticals	Sep 2014	$750	$175	$80	46%	4.3x	9.4x
DenTek Oral Care	Feb 2016	$225	$60	$23	38%	3.8x	9.8x
CB Fleet	Mar 2017	$825	$205	$70	34%	4.0x	11.8x
Total(1)	--	**$3,012**	**$832**	**$334**	**~41%**	**~3.6x**	**~9.0x**
Average(1)	--	**$251**	**$76**	**$33**	**--**	**--**	**--**

1) Includes disclosed data. Excludes Medtech, Spic and Span, Bonita Bay. Weighted average based on transaction value

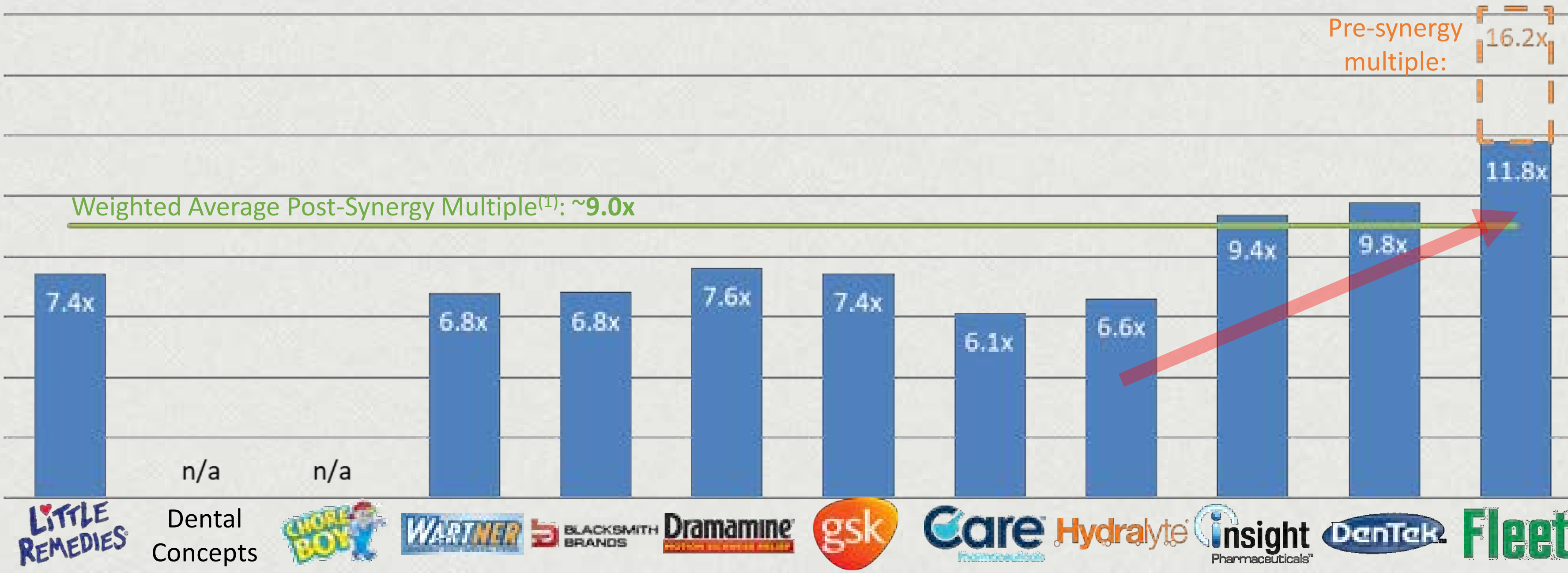
Note: $ millions

Source: Company filings

Spruce Point Capital Management

Acquisition Multiples Increasing

According to the Company's disclosures, transaction multiples have increased from ~7x EBITDA to 10-12x over the past few deals. However, we believe recent multiples are understated due to the reported "synergy adjusted multiples" which are lower than the comparable multiple. PBH's most recent acquisition of Fleet, while reported at 11.8x post-synergy EBITDA, valued the business at 16.2x its pre-synergy amount. When the Fleet and DenTek deals were announced, management discussed high single-digit revenue growth, yet these acquisitions have resulted in limited organic growth for PBH. As organic growth has disappeared, PBH looks to have become reliant on generating growth through acquisitions, whatever the cost.



	Little Remedies	Dental Concepts	Chore Boy	Wartner	Blacksmith Brands	Dramamine	gsk	Care	Hydralyte	Insight	DenTek	Fleet
TEV	$51	$30	$23	$31	$205	$77	$663	$55	$78	$750	$225	$825
TEV/ Rev	3.2x	1.9x	1.6x	2.8x	2.3x	--	3.3x	2.8x	3.1x	4.3x	3.8x	4.0x
EBITDA Margin	42.5%	--	--	41.8%	33.3%	--	44.6%	45.0%	47.2%	45.7%	38.3%	34.1%

1) Weighted average based on transaction value Note: $ millions Source: Company filings

"Post-Synergy" Deal Multiples

We believe PBH's disclosure of post-synergy multiples distorts the true purchase price of its acquisitions. By not disclosing its target's EBITDA or pre-synergy multiple, PBH is able to justify overpaying for acquisitions. The Company's lack of disclosures post-close has prevented investors from analyzing management's execution of its stated promises.

Fleet Acquisition Investor Presentation – December 23, 2016

Prestige Brands announced an agreement to acquire C.B. Fleet Company, Inc. ("Fleet") for $825 million
- Fleet has Revenue of approximately $205[1] million
- Purchase price represents ~11x Pro Forma Adjusted EBITDA, including expected synergies
- Expected to be immediately accretive to EPS and Cash Flow from Operations exclusive of transaction, integration, and purchase accounting items

DenTek Acquisition Investor Presentation – November 23, 2015

Prestige Brands announced an agreement to acquire DenTek Holdings, Inc. ("DenTek") for $225 million
- DenTek has Revenue of approximately $60 million
- Purchase price represents approximately 9.8x DenTek's Pro Forma Adjusted EBITDA of $23[1] million, including expected synergies

Insight Pharma & Hydralyte Acquisitions Investor Presentation – April 25, 2014

Prestige Brands announced an agreement to acquire Insight Pharmaceuticals Corporation ("Insight") for US$750 million
- As part of the transaction, Prestige will acquire tax attributes with a present value of approximately $100 million, which would result in an effective purchase price of approximately $650 million
- Purchase price represents approximately 8x Pro Forma Adjusted EBITDA, including synergies and expected supply-chain efficiencies, and net of present value of tax benefits

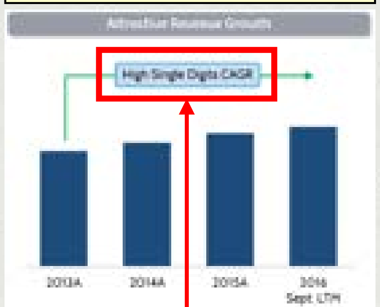
As announced on April 15th, Prestige also acquired Hydralyte™ ("Hydralyte") for an undisclosed sum

Source: Company filings

Fleet: Overvalued, Deteriorating Asset

Our analysis shows evidence of Fleet's revenue growth declining after the deal. Management continued to sell investors on optimistic growth forecasts and claimed everything was going as planned, while PBH ended up taking an impairment charge related to the Fleet acquisition. Spruce Point believes Fleet's poor performance considering management's special "*integration bonus*" raises questions of management's interests.

Fleet Deal Presentation December 23, 2016



Growth Slowed in H2 2017

Fleet Revenue	$m
LTM Q2 FY 2017	$205.0
1st Half FY2017	($102.1)
2nd Half FY2016	$102.9
2nd Half FY2017	$104.0
Growth Y-o-Y	***1.1%***

Management sold investors on historical "high single digits" growth but we find evidence this growth may have quickly slowed after the acquisition

Declining Growth Following The Deal

$ in millions	FQ1	FQ2	FQ3	FQ4	FY
Fiscal Year 2017					
Pro Forma Revenue	$260.8	$266.0	$273.1	$249.6	$1,049.5
Legacy PBH Revenue	($209.6)	($215.1)	($216.8)	($202.0)	($882.1)
Fleet Revenue	$51.2	$50.9	$56.4	$47.6	$167.4
Fiscal Year 2018					
Fleet Revenue	$56.9	$51.7	$54.1	Not Disclosed	
Y-o-Y Change	***7.2%***	***1.5%***	***(4.0%)***	***???***	***???***

Stopped disclosing less than 12 months after closing

Q3 2018 Earnings Call – February 1, 2018

Ron Lombardi CEO	*"Lastly, as a reminder, last week marked the one-year anniversary of our Fleet ownership. The acquisition continues to perform in line with our expectations, and our focus has fully shifted towards our long-term brand-building strategy."*	**Claims "in-line with expectations" while y-o-y revenue declined**
Raymond James	*"If you look at Fleet this quarter, you mentioned consumption still pretty strong: mid-single-digits plus. Fleet sales were down 1% in this quarter. They are up 3% year to date."*	**Needing a strategy shift due to poor performance**
Christine Sacco CFO	*"Yes, so from a sales perspective for Fleet, US sales continue to be strong. It's the international sales, where we primarily work through a distributor business. And we see sales variability with distributor businesses from quarter to quarter on a regular basis. So again, that's why we take you back to the mid- to high-single-digit consumption trends for Fleet overall, which we feel comfortable with."*	**CFO Sacco did not answer the analyst's question and resorted to talking up higher than realized growth numbers**

Source: Company filings, Spruce Point analysis

Spruce Point Capital Management

The Need For M&A In A Competitive Market

PBH's growth has been dependent on successful acquisitions. As the market for targets becomes more competitive, as evident with the Fleet deal, PBH has been required to pay higher premiums in competitive auctions. While PBH justifies its successful high bid to win the auction, we have found evidence of Fleet's struggles after the deal.

Ron Lombardi
CEO
Fleet Deal Call
December 23, 2016

*"So what we understand is that the PE owner **received a number of inbounds for Fleet and it led them to consider a process. So this was an auction** and we believe that we were able to be successful in it because of, one, our meaningful ability to have a good cost of capital associated with financing the business and the meaningful synergies and cost savings that we have by folding the businesses into our operating structure."*

2020 Annual Report – Risks

Our inability to successfully identify, negotiate, complete and integrate suitable acquisition candidates and to obtain necessary financing could have an adverse impact on our growth and our business, financial condition and results of operations.

Achievement of our strategic objectives requires the acquisition, or potentially the disposition, of certain brands or product lines, and these acquisitions and dispositions may not be successful.

The majority of our growth has been driven by acquiring other brands and companies. At any given time, we may be engaged in discussions with respect to possible acquisitions that are intended to enhance our product portfolio, enable us to realize cost savings, and further diversify our category, customer and channel focus. Our ability to successfully grow through acquisitions depends on our ability to identify, negotiate, complete and integrate suitable acquisition candidates and to obtain any necessary financing. However, we may not be able to identify and successfully negotiate suitable strategic acquisitions at attractive valuations, obtain financing for future acquisitions on satisfactory terms, or otherwise complete future acquisitions. These acquisition efforts could also divert the attention of our management and key personnel from our business operations. All acquisitions entail various risks such that after completing an acquisition, we may also experience:

Growth has been driven by acquisitions

Fleet acquisition is evidence overpaying has become a reality

Source: Company filings

Limited Financial Flexibility

Moody's rating action is based on the belief PBH will not complete a debt financed acquisition and revenue growth will remain flat to positive. This provides PBH with limited financial flexibility at a time when there is limited organic growth potential and no opportunity to acquire growth as they have in the past. Given our belief that revenue and earnings will begin to experience a terminal decline, we believe Moody's rating does not reflect the most likely outcome.

Rating Action: Moody's changes Prestige's outlook to positive; CFR affirmed at B2

15 Nov 2019

New York, November 15, 2019 -- Moody's Investors Service ("Moody's") today changed the rating outlook for Prestige Brands, Inc.'s ("Prestige") to positive from stable. At the same time, Moody's affirmed Prestige's Corporate Family Rating ("CFR") at B2, its Probability of Default at B2-PD and its senior secured term loan at Ba3 (LGD2). Moody's also upgraded Prestige's existing senior unsecured notes to B3 (LGD5) from Caa1 (LGD5). Concurrently, Moody's assigned a B3 (LGD5) rating to the company's proposed $400 million unsecured notes due 2028. Proceeds from the new notes will be used to refinance the company's existing $400 million notes due 2021. Prestige's Speculative Grade Liquidity Rating remains at SGL-2. The rating outlook is positive.

The change in the rating outlook to positive from stable reflects Moody's view that Prestige's financial leverage will continue to improve over time with debt to EBITDA dropping below 5.0x over the next 12-18 months. The outlook also reflects Moody's belief that the company will not engage in large debt financed acquisitions for the foreseeable future. Prestige will continue to generate flat to low-single digit organic revenue growth.

The affirmation of the B2 CFR reflects Moody's expectation that financial leverage will remain high at 5.5x, though improve by about ½ turn to about 5.0x over the next 12 months. It also reflects Moody's expectation that Prestige's operating performance will remain stable.

The upgrade of the existing unsecured note ratings by one notch to B3 from Caa1 reflects the shift in the debt mix toward unsecured debt as the company continues to pay down its secured term loan. This shift enhances recovery prospects for unsecured debt in the event of a default.

No ability to acquire

Minimal at best organic growth

Source: Moody's

Spruce Point Capital Management

Cash Flow Hype Creates Perverse Incentive To Overpay For Deals

PBH's aggressive acquisition strategy assigns a significant portion of the purchase price to goodwill and intangible assets (G&I). For transactions identified as tax deductible for U.S. purposes, 89% of combined enterprise values have been ascribed to G&I. This creates incentives to overpay for deals to mark-up G&I to drive greater tax deductions. As deductibility is over 15 years, the benefits of PBH's earliest acquisitions are beginning to roll off.

Target	Close Date	Goodwill Deductible For Tax Purposes?	Goodwill	Intangibles	Purchase Price	Goodwill + Intangibles / Purchase Price
Medtech	2004	--	$55	$209	$244	**108%**
Spic and Span	2004	--	$0	$28	$30	**93%**
Bonita Bay	2004	No	$217	$353	$727	**78%**
Little Remedies / Vetco	2004	Yes	$22	$27	$51	**97%**
Dental Concepts	2005	Yes	$6	$22	$30	**95%**
Wartner	2006	Yes	$12	$30	$31	**132%**
Blacksmith Brands	2010	Yes	$43	$165	$205	**102%**
Dramamine	2011	--	$0	$76	$77	**98%**
GlaxoSmithKline	2012	Yes	$20	$624	$663	**97%**
Care Pharmaceuticals	2013	No	$23	$32	$57	**96%**
Hydralyte	2014	No	$1	$74	$78	**96%**
Insight Pharmaceuticals	2014	No	$103	$707	$753	**108%**
DenTek Oral Care	2016	No	$77	$207	$228	**124%**
CB Fleet	2017	No	$269	$748	$824	**123%**

Note: $ in millions
Source: Company filings, Spruce Point analysis

FCF Conversion Does Not Give The Entire Picture For Every Roll-Up

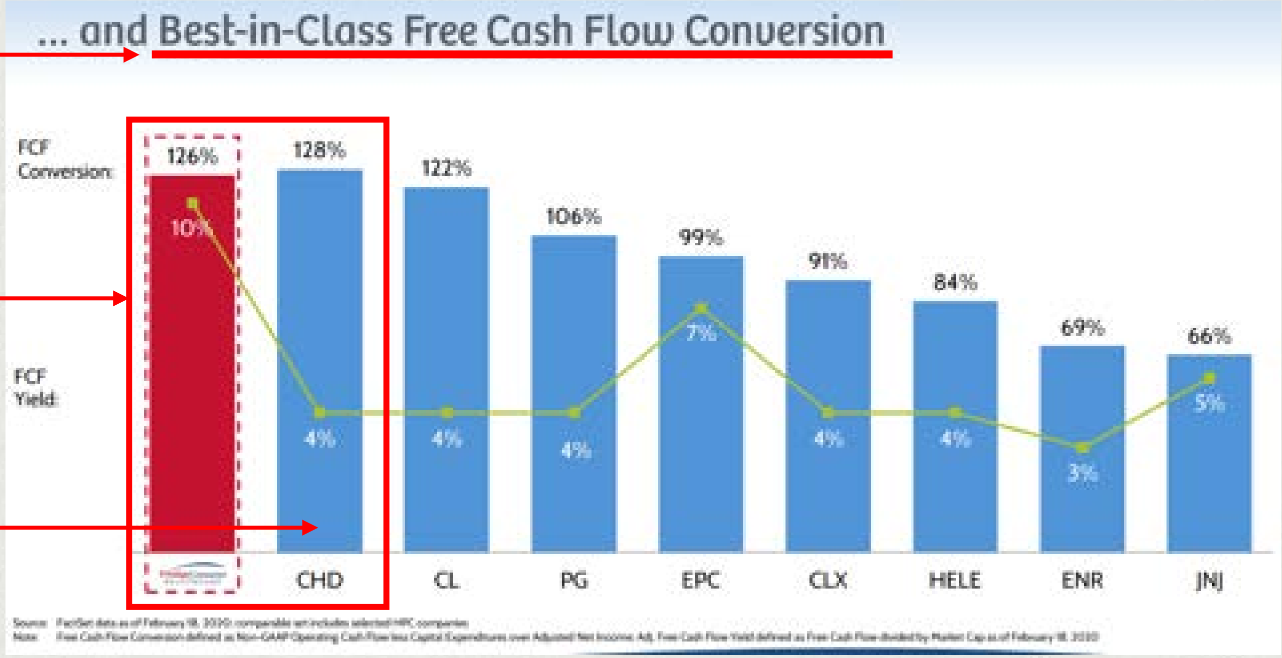
Management touts PBH's "best-in-class free cash flow conversion," however, we fell this is not a fair apples-to-apples comparison due to its roll-up strategy, under-investment in its brands, and ability to deduct substantial intangible expenses. According to PBH's investor presentation, Prestige and Church & Dwight (CHD) have the highest FCF conversion among peers. Coincidently, CHD is another example of a Company that has been a serial acquiror to coverup declining organic growth. PBH's capital investment as a percentage of sales is among the worst in its peer group, and even slightly worse than CHD.

It is easy to achieve best-in-class FCF conversion when you underspend on capital expenditures and obscure R&D spend

Rollups underspend on capital expenditures and rely on acquisitions for growth

CHD is a rollup that has relied on acquisitions to fuel topline growth

March 2, 2020 Investor Presentation – Raymond James Conference



Ronald Lombardi
Q4 2020 Call – May 8,2020

"Our cash generation and free cash flow conversion remain best-in-class."

Management does not mention its "worst-in-class" organic growth as a result of underinvesting in its business

Source: Investor presentation

Underinvesting In Its Core Business

We believe PBH has underinvested in its existing brands and core business, relying on acquisitions for growth. While the Company's filings state its competitors have substantially greater research and development (R&D) resources, PBH is the only peer that does not disclose its R&D expense. We believe the combination of underspending on capital expenditures and R&D has benefited PBH's historic cash flow but will result in increasing financial struggles as acquisitions stall.

	Capex			R&D			Capex + R&D		
As a % of Sales	FY 2018	FY 2019	FY 2020	FY 2018	FY 2019	FY 2020	FY 2018	FY 2019	FY 2020
Procter & Gamble	5.2%	5.6%	4.9%	2.9%	2.9%	2.7%	8.1%	8.4%	7.7%
Johnson & Johnson	4.3%	4.5%	4.3%	13.9%	13.2%	13.8%	18.1%	17.7%	18.1%
Reckitt Benckiser	3.0%	3.5%	3.4%	1.6%	1.8%	2.0%	4.7%	5.3%	5.4%
Clorox	3.9%	3.2%	3.3%	2.3%	2.2%	2.2%	6.1%	5.3%	5.5%
Edgewell	3.0%	2.8%	2.7%	2.9%	2.7%	2.5%	5.9%	5.5%	5.2%
Energizer	1.4%	1.3%	2.2%	1.3%	1.2%	1.3%	2.7%	2.6%	3.5%
Colgate	3.6%	2.8%	2.1%	1.8%	1.8%	1.8%	5.4%	4.6%	3.9%
Church & Dwight	1.2%	1.5%	1.7%	1.9%	2.2%	2.1%	3.1%	3.6%	3.8%
Helen of Troy	0.9%	1.7%	1.0%	0.9%	0.8%	1.0%	1.8%	2.5%	2.1%
Peer Median	**3.0%**	**2.8%**	**2.7%**	**1.9%**	**2.2%**	**2.1%**	**5.4%**	**5.3%**	**5.2%**
Prestige Brands	**1.2%**	**1.1%**	**1.5%**	**?**	**?**	**?**	**?**	**?**	**?**

Note: Peer companies' financials based on fiscal year closest aligned with PBH's fiscal year end
Source: Company filings, Spruce Point analysis

Spruce Point Capital Management

Change In Capital Allocation Plan

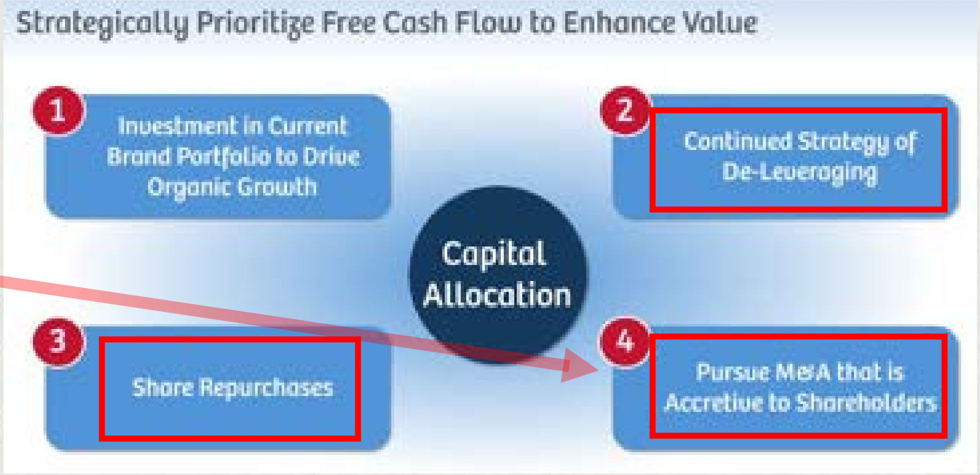
We believe the change in the Company's capital allocation plan signals two key points: 1) an abandonment of its prior priorities including first de-leveraging and then strategic M&A, and 2) a lack of acquisition opportunities. Two months after telling investors its priorities were paying down debt followed by M&A, the Company instituted a repurchase program. CFO Sacco stated on the call the program would not hinder the ability to delever and pursue future M&A, however leverage remains above its target level and no acquisitions have been completed. We believe the share repurchase program conflicted with promises to investors and was <u>used as a method to boost EPS</u>. The entire $50 million authorization was used during following quarter and a $25 million program was imitated in March 2020.

March 6, 2018 Investor Presentation – Raymond James Conference

Long-Term Positioning

- 1. Paydown debt to enable capital allocations options
- 2. Seek strategic M&A
  - Seek brands and portfolios with long-term sustainable brand-building capability
  - ROIC is key financial decision factor
  - Successfully allocated over $1.7 billion in capital since 2013
- 3. Stock buybacks when opportunistic and leverage-appropriate

May 5, 2018 Investor Presentation – FY2018 Earnings Call



Christine Sacco
CFO
Q4 2018 Call
May 10, 2018

"As we look to fiscal '19, we believe there is a unique opportunity to deliver value to our stakeholders beyond M&A by returning capital to shareholders through the announced $50 million share repurchase. We see this as an incremental way to add shareholder value ***without inhibiting our long-term ability to invest in brand building, <u>delever</u> and pursue <u>future M&A opportunities</u>.****"*

Why does leverage remain high?

Why has PBH not completed another acquisition?

Source: Investor presentations, earnings calls

Spruce Point Capital Management

Overpaying For Its Own Shares

PBH is buying back its own shares at a 1-2x premium relative to the valuation it purchased the underlying businesses. Why would it make sense to pay a premium for the "PBH platform" which is experiencing zero organic growth? Spruce Point believe there should be no "platform" premium applied to PBH given the Company's poor performance and prospects.

$ in millions except per share	FY 2019	FY 2020
Average Repurchase Price Per Share	$34.47	$31.22
Average Diluted Shares	52.1m	51.1m
Implied Market Capitalization	$1,795	$1,597
Average Net Debt	$1,866	$1,721
Implied Enterprise Value	**$3,661**	**$3,318**
Adjusted EBITDA	$331	$328
Implied EBITDA Multiple	**11.0x**	**10.1x**
Average Acquisition Multiple(1)	9.0x	9.0x
Premium	**2.0x**	**1.1x**

1) Prior deal average multiple

Source: Company filings, Spruce Point analysis

Corporate Governance Concerns

Weak Financial Disclosures

SPRUCE POINT CAPITAL MANAGEMENT

Additional Precedent From B&G Foods

B&G Foods, another roll-up of stagnant consumer brands, received two Comment Letters from the SEC regarding its revenue disclosures, in 2013 and 2017. The SEC's interest in B&G's disclosures sets a precedent for PBH to increase the level of its revenue disclosures for individual key brands and new product innovations. We find similarities between the SEC comments for B&G and PBH's lacking financial disclosures. PBH's segment breakdown does not include per brand or product revenue which we believe is material due to the varying growth prospects of individual brands and products and the large number of acquisition PBH has completed to grow its offerings.

SEC Letter To B&G Foods December 4, 2013

Please note the interpretive guidance in FRC §501.12.b.1, emphasizing the importance of providing context or a frame of reference that allows readers to understand the effects of material changes and events, known material trends and uncertainties, and their relative importance. For example, the meaningfulness of reporting changes in sales for individual brands or tiers would be enhanced by also disclosing total sales of those brands or tiers. Similarly, note the interpretive guidance in FRC §501.12.b.3, emphasizing the importance of addressing the indicative value of your reported financial information in the course of identifying material trends, demands, commitments, events and uncertainties. As explained in this guidance, one of the principle objectives of MD&A is to provide information about the quality and potential variability of earnings and cash flows. For example, it would be helpful to disclose the manner by which product investments are made for individual brands or tiers based on brand profitability or growth prospects and to clarify the relationship with growth in sales. Tell us how you propose to address this guidance on MD&A.

"Allows the readers to understand the effects of material changes"

Importance of disclosing sales by brand

Product investments for individual brands or what we may call "product innovation"

SEC Letter To B&G Foods May 31, 2017

Referencing your 2016 earnings call transcript, we note that you launched a number of new innovative products in 2016, and expect to have additional new products in 2017. Please expand your discussion to describe the new products launched and their impacts on your results of operations, including the extent of product development costs incurred and the line items affected, or to clarify if the effects have not been material.

Additionally, describe the new products you plan to launch in fiscal 2017 and any known trends or uncertainties that are reasonably likely to have a material impact on your future results of operations. Refer to the guidance in Item 303(a)(3) of Regulation S-K, Instructions 3 and 4 to paragraph 303(a), and Section III of SEC Release No. 33-8350.

Importance of disclosing impact of new products and development costs if material

"Material impact"

Weak Revenue And Product Disclosures

PBH does not disclose the effect of pricing and volumes on revenue. We believe this is a key component to understanding the struggles of PBH's business. In addition, the Company does not disclosure sales by product or brand for its "Big 5" brands which contribute to 50% of total sales. We are concerned by the lack of disclosure. As management mentions a tough pricing environment, we question the Company's ability to be gaining market share with its premium price point and flat revenue growth.

Inadequate revenue disclosures
PBH has poor revenue disclosure practices and fails to disclose pricing or volume

2020 Annual Report

Total segment revenues for 2020 were $963.0 million, a decrease of $12.8 million, or 1.3%, versus 2019. The $12.8 million decrease was primarily related to the sale of our Household Cleaning segment on July 2, 2018.

North American OTC Healthcare Segment

Revenues for the North American OTC Healthcare segment decreased $3.1 million, or 0.4%, during 2020 versus 2019. The $3.1 million decrease was primarily attributable to inventory reductions at certain key retailers, partly offset by increased consumption in part due to the immediate reaction to the COVID-19 demand which we do not expect to continue indefinitely.

International OTC Healthcare Segment

Revenues for the International OTC Healthcare segment increased $10.1 million, or 10.8%, during 2020 versus 2019. The $10.1 million increase was primarily attributable to increased consumption and geographic expansion of product distribution, partly offset by the impact of unfavorable foreign currency exchange rates.

Household Cleaning Segment

Due to the sale of our Household Cleaning segment on July 2, 2018, there were no related revenues in the year ended March 31, 2020.

PBH discusses a tough pricing environment but does not disclosure a metric over time to investors

Ronald Lombardi
CEO
Q2 2020 Call
November 1, 2019

"So pricing has essentially been flat for us. It's still a tough pricing environment. Although with leading -- many leading brands with a 50% share, we tend to be well positioned to put them in place if needed. So pricing, again, has tended to be pretty flat."

*"We spend a lot of time talking about our **power core brands,** the big 5 that make up 50% of our revenue. We've got another dozen or so core brands."*

Management discusses its "Big 5" brands that make up 50% of revenues but does not disclosure revenue on a per brand or product basis for these KEY brands

Source: Company filings, Earnings call transcripts

Spruce Point Capital Management

Peers Use Best-In-Class Revenue Disclosures

We find many of PBH's peer companies use best-in-class revenue disclosure practices of breaking out and quantifying the effects of price and volume on revenue. PBH should follow best-in-class practices of disclosing price, volumes, product mix and foreign currency effect. PBH's filings do not disclose the impact of "volume" on revenues, instead the Company refers to "consumption".

Church & Dwight Annual Report 2019

Net Sales - Consolidated	December 31, 2019
Product volumes sold	1.0%
Pricing/Product mix	3.4%
Foreign exchange rate fluctuations / Other	(0.5%)
Volume from acquired product lines (net of divestiture) (1)	1.2%
Net Sales increase	5.1%

Johnson & Johnson Annual Report 2019

Sales increase/(decrease) due to:	2019	2018
Volume	3.7%	8.5%
Price	(0.9)	(2.2)
Currency	(2.2)	0.4
Total	0.6%	6.7%

Colgate Palmolive Annual Report 2019

Net Sales

Worldwide Net sales were $15,693 in 2019, up 1.0% from 2018, as volume growth of 2.5% and net selling price increases of 2.0% were partially offset by negative foreign exchange of 3.5%. The Company's acquisition of Filorga increased volume by 0.5%. Organic sales (Net sales excluding, as applicable, the impact of foreign exchange, acquisitions and divestments), a non-GAAP financial measure as discussed below, increased 4.0% in 2019.

Energizer Annual Report 2019

Organic net sales increased 1.3% primarily due to:

Favorable pricing across several markets increased net sales by 1.5%;

Investments made for our portfolio optimization in the back half of fiscal 2017 benefited our top-line in fiscal 2018 accounting for 0.7% of the organic sales increase;

Distribution gains across both segments and increased volumes at existing customers, primarily in North America, contributed 0.4% to the organic increase; and

Partially offsetting the increase was lapping of storm volume from prior year of 0.9% and the May 2017 divestiture of the non-core promotional sales business acquired with the 2016 auto care acquisition negatively impacted net sales by 0.4%.

Procter & Gamble Annual Report 2019

Net sales increased 1% to $67.7 billion on a 3% increase in unit volume. Foreign exchange had a negative 4% impact on net sales.

Clorox Annual Report 2019

Net sales in fiscal year 2019 increased by 1%, reflecting sales growth in the Lifestyle and Cleaning reportable segments, partially offset by lower sales in the Household and International reportable segments. Volume increased by 2%, primarily driven by higher shipments in the Lifestyle reportable segment, which

Source: Company filings

No Disclosure For Impact Of New Products

Management avoids the analyst's question about new product performance. As stated in the SEC's letter to B&G Foods, information regarding new product development is material and should be disclosed to investors. Per the risk factor added in 2015, it is key to the financial performance of the Company. Instead of discussing performance, CEO Ronald Lombardi uses the time as an opportunity to promote their innovative ability.

Sturdivant & Co Analyst

"Do you guys track revenue from new product innovation over any period of time? I mean, could you talk to how maybe your new products did this quarter versus a year ago? Or the size of your new product efforts?

Ronald Lombardi CEO Q2 2020 Call November 1, 2019

*"Sure. **We do track it. We track it by brand**. But for us, in our categories, new products can be everything from -- we're doing a study to have new claims on a package, and we update our packaging to have those claims to better connect with consumers to actual new technologies like Compound W, Nitro freeze or Nix Ultra, where we actually have new formulas and new products over time. So we have a very broad definition of it. And **we keep an eye on the velocity and how those individual SKUs are performing out there**. **We don't publicly talk about a freshness index or having a target of having 20% of our sales come from new products**, but just track on a granular basis the improvements in performance of every SKU that we launch every single year, whether it's updated packaging or new technology. So we'd rather manage it on that level, Mitch, than in total with a much narrower definition."*

If new products and product line extensions do not gain widespread customer acceptance or are otherwise discontinued, the Company's financial performance could be impacted.

The Company's future performance and growth depends on its ability to successfully develop and introduce new products and product line extensions. We cannot be certain that we will achieve our innovation goals. The successful development and introduction of new products involves substantial research, development, marketing and promotional expenditures, which the Company may be unable to recover if the new products do not gain widespread market acceptance. New product development and marketing efforts, including efforts to enter markets or product categories in which the Company has limited or no prior experience, have inherent risks. These risks include product development or launch delays, competitor actions, regulatory approval hurdles and the failure of new products and line extensions to achieve anticipated levels of market acceptance.

Management avoids the question of new product performance despite having a risk factor regarding new products

Source: Company filings, Earnings call transcripts

Acquired R&D Labs, Yet No Disclosures

When PBH acquired Fleet, management discussed the benefits of acquiring Fleet's R&D Labs and potential for new product development. PBH continues to not disclose new product revenue contributions or R&D costs. According to the SEC's letter to B&G, if material, this information must be disclosed.

Fleet M&A Call (December 23, 2016)	**Ronald Lombardi**	*"They have an* ***on-site R&D lab that can support new product development and launches****. So we are excited about this not only for its ability to potentially manufacture Prestige products from our current portfolio but as well as having access to the R&D lab and the new product support for Prestige as well. So this is a perfect fit for what we have got going on here and it is a great segue for the future for us."*
	B. Riley Analyst	*"And then you mentioned that it sounds like they have kind of better innovation capabilities in R&D and that you will apply that to your own existing portfolio to enhance innovation. What areas of your current portfolio do you think will benefit most from having that enhanced capability?"*
	Ronald Lombardi	*"So at the* ***Lynchburg facility they had a research and development and new product launch lab there*** *and all that that entails. We don't have those in-house resources and we rely on third parties for those resources.* ***So when I announced this to our organization yesterday, there was applause when we announce that we would have our first factory and that it came with an R&D lab****. So that tells you the excitement that the organization has to finally have those in-house capabilities. Right now those in-house capabilities are focused around the Fleet portfolio, so liquid products, the GI products, and a bit around the pastes and creams for the Boudreaux's Butt Paste.* ***We would love to expand those resources over time to better match our total portfolio and what we might think about doing there at the factory****."*
	Raymond James Analyst	*"In your press release you alluded to expanding production to include current Prestige products and other initiatives. I'm just curious what the other initiatives you might have in mind."*
	Ronald Lombardi	*"That is the* ***R&D and new products lab****."*
Q4 2017	**Ronald Lombardi**	*"We have a* ***dedicated team devoted solely to new product development****, which, following the Fleet acquisition, now includes an in-house* ***R&D lab*** *at our Lynchburg, Virginia, manufacturing site. Our new product team is composed of people with a wide range of innovative backgrounds,* ***focused on creating a pipeline of 3 to 5 meaningful new product introductions each year****."*
Q1 2018	**Ronald Lombardi**	*"As we look ahead, we see opportunities to develop Fleet's strong portfolio of brands. We've launched a number of new Summer's Eve products and have additional new product innovation identified across the portfolio."*

Source: Earnings call transcripts

Removal Of Principal Customers Disclosure

PBH removed its principal customers disclosure and commentary on its ability to capitalize on "a number of important strategic opportunities" from its 2020 Annual Report.

2019 Annual Report

Our strong customer relationships and product recognition allow us to attempt to capitalize on a number of important strategic opportunities, including (i) minimization of slotting fees, (ii) maximization of new product introductions, (iii) maximization of shelf space prominence, and (iv) minimization of cash collection days. We believe that our emphasis on strong customer relationships, speed and flexibility and leading sales technology capabilities, combined with consistent marketing support programs and ongoing product innovation, will continue to maximize our competitiveness in the increasingly complex retail environment.

The following table sets forth a list of our primary distribution channels and our principal customers for each channel:

Distribution Channel	Customers	Distribution Channel	Customers
Mass	Meijer	*Drug*	CVS
	Target		Rite Aid
	Walmart		Walgreens
Food	Ahold/Delhaize	*Dollar*	Dollar General
	Kroger		Dollar Tree
	Publix		Family Dollar
	Albertson's/Safeway		
	Wakefern	*Club*	BJ's Wholesale Club
	HEB		Costco
	Wegman's		Sam's Club
Convenience	McLane	*Ecommerce*	Amazon
	HT Hackney		
	Core Mark		

Key commentary removed

PBH removed the table disclosing its principal customers

Spruce Point Capital Management

Removing Brand Market Share Disclosure

Given the strain on PBH's business, we are concerned by the Company's removal of its brand market share and ACV[(1)] data. We believe many of PBH's major brands are losing share to private label and generic alternatives.

2016 Annual Report

Major Brands	Market Position [(1)]	Market Segment [(2)]	Market Share [(3)] (%)	ACV [(4)] (%)
North American and International Over-the-Counter Healthcare:				
Chloraseptic®	#1	Sore Throat Liquids/Lozenges	48.4	94.9
Clear Eyes®	#1	Eye Allergy/Redness Relief	28.6	96.7
Compound W®	#1	Wart Removal	37.8	88.4
Dramamine®	#1	Motion Sickness	48.0	94.0
Efferdent®	#2	Denture Cleanser Tablets	25.1	98.6
Little Remedies®	#8	Pediatric Healthcare	3.5	92.3
Luden's®	#3	Cough Drops	6.4	94.6
The Doctor's® NightGuard®	#3	Bruxism (Teeth Grinding)	15.0	65.8
The Doctor's® Brushpicks®	#2	Disposable Dental Picks	12.6	62.0
BC® Goody's®	#1	Analgesic Powders	97.2	79.8
Beano®	#1	Gas Prevention	80.1	92.9
Debrox®	#1	Ear Wax Removal	53.3	86.1
Gaviscon ® [(5)]	#2	Upset Stomach Remedies	16.0	96.0
Dermoplast®	#2	Pain Relief Sprays	21.0	79.4
New-Skin®	#1	Liquid Bandages	62.8	88.2
Fess ® [(6)]	#1	Nasal Saline Spray	55.4	—
Hydralyte® [(6)]	#1	Oral Rehydration	85.7	—
Monistat®	#1	Vaginal Treatment-Anti-Fungal	55.1	90.5
e.p.t™	#3	Pregnancy Test Kits	9.0	75.5
Nix®	#2	Lice/Parasite Treatments	14.4	78.8
DenTek®	#2	Peg Oral Care	24.5	89.4
Household Cleaning:				
Comet®	#1	Abrasive Tub and Tile Cleaner	38.7	98.5

Removed in 2017

1) ACV refers to the All Commodity Volume Food Drug Mass Index. ACV measures the ratio of the weighted sales volume of stores that sell a particular product to all the stores that sell products in that market segment generally

Source: Company filings

Signs Of Losing Market Share

Prior to removing brand market share data, there was an increase in the number of brands losing share relative to those gaining share.

Change in %	2010	2011	2012	2013	2014	2015	2016
OTC Healthcare:							
Chloraseptic	(0.3)	2.1	2.1	(0.3)	1.2	3.7	1.0
Clear Eyes	(0.4)	0.2	1.0	2.7	1.1	(0.5)	8.1
Compound W	2.2	3.1	(0.1)	1.6	(0.3)	(2.4)	3.0
Dramamine	--	--	(1.8)	1.4	1.7	0.6	6.9
Efferdent	--	--	(1.3)	1.3	(0.9)	(3.5)	(2.1)
Little Remedies	(0.3)	1.2	1.2	(0.5)	(0.5)	(0.8)	0.1
Luden's	--	--	1.2	(1.2)	1.0	0.2	(0.3)
The Doctor's NightGuard	(11.1)	(3.7)	1.3	2.7	(6.4)	(1.9)	(9.0)
The Doctor's Brushpicks	1.9	(5.0)	(1.1)	(0.9)	(0.4)	0.7	(2.7)
BC/Goody's	--	--	--	0.7	(0.8)	0.7	(1.7)
Beano	--	--	--	7.1	(8.8)	(2.8)	(2.1)
Debrox	--	--	--	19.6	2.6	4.9	(2.1)
Gaviscon	--	--	--	(0.6)	1.2	(0.1)	(0.3)
Dermoplast	0.6	(0.4)	0.2	1.3	0.1	0.9	3.7
New-Skin	9.9	1.4	0.5	7.5	3.5	0.9	(5.4)
Fess	--	--	--	--	--	0.0	(8.6)
Hydralyte	--	--	--	--	--	--	0.2
Monistat	--	--	--	--	--	--	1.7
e.p.t	--	--	--	--	--	--	(1.0)
Nix	--	--	--	--	--	--	1.1
DenTek	--	--	--	--	--	--	--
Fiber Choice	--	--	--	--	(0.6)	(0.7)	Removed
Ecotrin	--	--	--	--	(0.5)	(0.1)	Removed
PediaCare	--	--	2.0	0.1	(1.7)	Removed	--
Murine	(8.5)	(1.1)	(1.1)	0.9	(0.2)	Removed	--
Wartner	(3.4)	(0.8)	(0.1)	(1.3)	(0.4)	Removed	--
Household Cleaning:							
Comet	2.2	0.6	(1.4)	4.4	(0.1)	0.8	0.8
Chore Boy	1.5	(3.9)	(3.7)	(10.5)	0.2	(3.3)	Removed
Spic and Span	0.3	0.3	(0.3)	(1.6)	(0.4)	0.4	Removed
Personal Care:							
Cutex	(1.0)	Removed	--	--	--	--	--
Denorex	Removed	--	--	--	--	--	--
Positive Change (A)	**7**	**7**	**8**	**13**	**9**	**10**	**10**
Negative Change[1] (B)	**8**	**7**	**9**	**8**	**14**	**13**	**15**
Positive – Negative (A-B)	**(1)**	**0**	**(1)**	**5**	**(5)**	**(3)**	**(5)**

1) Includes brands removed from disclosure Source: Company filings, Spruce Point analysis

Mixed Results Across Leading Brands

Per PBH's January 2020 investor presentation, we find mixed results over the past 3 years since the Company removed its market share disclosure from the 10K.

	Market Position	2016 Market Share	2019 Market Share	Change in Market Share
Summer's Eve	#1	--	55%	New
Monistat	#1	--	60%	New
BC®/Goody's	#1	97%	100%/5%[1]	n/a
Clear Eyes	**#1**	**29%**	**25%**	**(4%)**
DenTek	#2	25%	25%	1%
Dramamine	#1	48%	50%	2%
Luden's	**#3**	**6%**	**5%**	**(1%)**
Fleet	#1	--	50%	New
Compound W	#1	38%	45%	7%
Chloraseptic	**#1**	**48%**	**45%**	**(3%)**
Nix	#1	14%	20%	6%
Hydralyte	#1	--	90%	New

1) Represents share in analgesic powders and analgesic tabs/powders respectively

Source: Company filings, Investor presentation

Organic Revenue Disclosure

During FY2018, PBH changed its organic revenue disclosure to “organic & proforma revenue growth” to include the benefit of the acquired brands growth. We believe investors should not give management credit for the high growth of PBH’s recently acquired brands.

2017 Fourth Quarter Investor Presentation

Organic Revenue Growth

	Three Months Ended Mar. 31, 2017	Three Months Ended Mar. 31, 2016	Twelve Months Ended March. 31, 2017	Twelve Months Ended March. 31, 2016
GAAP Total Revenues	$ 240,670	$ 207,855	$ 882,060	$ 806,247
Adjustments:				
Revenues associated with acquisitions	(43,125)	-	(94,293)	-
Revenues associated with divested brands	-	(12,460)	-	(26,002)
Total adjustments	(43,125)	(12,460)	(94,293)	(26,002)
Non-GAAP Organic Revenues	$ 197,545	$ 195,395	$ 787,767	$ 780,245
Organic Revenue Growth	1.1%		1.0%	

2018 Fourth Quarter Investor Presentation

Organic & Proforma Revenue Growth

(In Thousands)	Three Months Ended Mar. 31, 2018	Three Months Ended Mar. 31, 2017	Year Ended Mar. 31, 2018	Year Ended Mar. 31, 2017
GAAP Total Revenues	$ 255,965	$ 240,670	$ 1,041,179	$ 882,060
Revenue Growth	6.4%		18.0%	
Adjustments:				
Revenue associated with acquisitions	(14,699)	-	(175,391)	-
Revenues associated with divested brands	-	(116)	-	(23,021)
Non-GAAP Organic Revenues	$ 241,266	$ 240,554	$ 865,788	$ 859,039
Non-GAAP Organic Revenue Growth	0.3%		0.8%	
Non-GAAP Organic Revenues	$ 241,266	$ 240,554	$ 865,788	$ 859,039
Revenues associated with acquisitions	14,699	9,464	175,391	164,966
Non-GAAP Proforma Revenues	$ 255,965	$ 250,018	$ 1,041,179	$ 1,024,005
Non-GAAP Proforma Revenue Growth	2.4%		1.7%	

Addition of “proforma revenue growth”

Source: Investor presentations

Executive Compensation

Spruce Point Capital Management

Salaries Growing Faster Than Revenue

Despite poor organic revenue growth, management has seen healthy increases in its base salary. Why is management being rewarded while investors suffer?

PBH Executives Base Salary

$	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
Ronald Lombardi - Chairman & CEO	$735,479	$800,000	$850,000	$850,000	$875,000	
Timothy Connors – Former EVP of Marketing	$451,233	$465,750	$490,000	$507,000	--	
Christine Sacco – CFO	--	$261,575	$487,000	$505,000	$522,675	
William P'Pool – SVP, General Counsel	--	$151,233	$410,000	$425,000	$457,750	
Jeffrey Zerillo – SVP of Operations	--	--	--	$296,125	$296,125	
Adel Mekhail – EVP Sales & Marketing	--	--	--	--	$390,076	
Growth Rate	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**CAGR(1)**
Ronald Lombardi	58.0%(2)	**8.8%**	**6.3%**	**0.0%**	**2.9%**	**4.4%**
Timothy Connors	6.0%	**3.2%**	**5.2%**	**3.5%**	--	**4.0%**
Christine Sacco	--	--	n/a	**3.7%**	**3.5%**	**3.6%**
William P'Pool	--	--	n/a	**3.7%**	**7.7%**	**5.7%**
Jeffrey Zerillo	--	--	--	--	**7.0%**	**7.0%**
Adel Mekhail	--	--	--	--	--	--
Organic Revenue Growth	***2.8%***	***1.0%***	***0.8%***	***0.1%***	***1.3%***	***0.8%***

(1) CAGR from FY2016 or first full year
(2) In connection with his election to CEO
Source: Company proxy statements

Executive Compensation Is Not Tied To Strategic Objectives

We believe PBH's executive compensation plan does not align management's interests with the Company's top priorities of 1) long-term 2-3% organic growth and 2) cash generation. If debt reduction is a priority, management should be incentivized to maximize free cash flow available for debt repayment.

Source: Investor presentation

	Current Compensation Plan	Spruce Point Suggestions
Financial Guidance Issued to Investors	Sales, Free Cash Flow, EPS	
Performance Metrics for Management Bonus	✗ Net sales ✗ Adjusted EBITDA	✓ Organic sales growth ✓ Cash flow available to repay debt
Plan Rewards	✗ Management has been paid bonuses despite falling short of organic growth guidance ✗ Compensation determined by metrics (EBITDA) despite not issuing as part of guidance	✓ Strong organic growth ✓ Cash flow generation ✓ Debt reduction
Spruce Point's Opinion	✗ Management has been paid bonuses despite falling short of organic growth guidance ✗ Management never issues EBITDA guidance but is compensated based on the metric	✓ Plan will reward objectives most important to shareholders: organic growth and debt reduction ✓ Management will benefit only when its performance is aligned with shareholders' interests

Compensation Not Aligned With Strategic Objectives: Handsome Bonuses Despite Falling Short Of Organic Growth & FCF Estimates

**Management has collected ~~$35 million dollars in performance compensation~~ ... **

Management has collected <u>~$35 million dollars in performance compensation</u>[1], growing at an 11% CAGR vs. organic growth CAGR of ~1%, tied to revenue and EBITDA targets while PBH has <u>missed organic growth estimates for 4 out of 5 years and missed FCF guidance in 3 out of 5 years</u> between 2015 – 2019. If PBH used organic revenue growth, which we view is a more appropriate measure of the Company's performance, management would have not received its large bonuses over the lackluster period.

	$ in millions	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
Spruce Point Suggestion	Organic Revenue Growth	0.2%	2.8%	1.0%	0.8%	0.1%	1.3%	
	Organic Revenue Growth Guidance	Low Single Digits	2%-3%	1.5%-2.5%	2%-2.5%	0.5%-1.5%	0.0%	
	Achieved Guidance?	**Miss**	**In-line**	**Miss**	**Miss**	**Miss**	**Beat[2]**	
	Free Cash Flow (Operating Cash Flow – Capex)	$150	$171	$146	$198	$179	$203	
	Free Cash Flow Guidance	$150	$175	$185	$200	$215	$200	
	Achieved Guidance?	**In-line**	**Miss**	**Miss**	**In-line**	**Miss**	**Beat[2]**	
Current Plan	Reported Net Sales	$605	$796	$865	$1,041	$976	$963	
	Target Net Sales	$609	$796	$860	$1,049	$1,000	$955	
	Performance vs Target	**($4)**	**($0)**	**$5**	**($8)**	**($24)**	**$8**	
	Reported Adjusted EBITDA	$210	$290	$307	$355	$331	$330	
	Target EBITDA	$209	$290	$308	$360	$349	$328	
	Performance vs Target	**$1**	**$0**	**($1)**	**($4)**	**($18)**	**$2**	
	Total AIP + Stock Awards	**$3.8**	**$10.5**	**$3.3**	**$4.9**	**$5.8**	**$6.4**	**$34.7**
	% Growth	**--**	**178%**	**(68%)**	**46%**	**20%**	**10%**	**11%[3]**

1) Includes annual cash incentive compensation (total $10.7m) and stock awards (total $24.0m)
2) FY2020 beat was a result of strong Q4 due to COVID-19. As of Q3, Company was on pace to miss guidance
3) CAGR from 2015-2020

Source: Company proxy statements, Company filings, Earnings call transcripts

SPRUCE POINT CAPITAL MANAGEMENT

CEO's "Key Achievements"

We believe management was over compensated due to an over representation of PBH's key achievements. The 2020 Proxy highlights a "flawless transition to a new more efficient, primary logistics and warehouse provider." Our research challenges this statements as PBH is currently in a legal battle with a supplier related to the transition.

2020 Proxy Statement

The following table reflects each named executive officer's target bonus and actual payout.

Name	Target Bonus	Company Performance Payout (105.5% of Target Bonus)	Individual Performance Adjustment	Total Payout
Mr. Lombardi	$ 875,000	$923,125	$131,875	$1,055,000
Ms. Sacco	$ 313,605	$330,853	$ 63,147	$ 394,000
Mr. Mekhail	$194,700*	$205,409	$ 19,591	$ 225,000*
Mr. P'Pool	$ 228,875	$241,463	$ 23,537	$ 265,000
Mr. Zerillo	$ 126,690	$133,658	$ 19,342	$ 153,000

* Mr. Mekhail's Target and Total Bonus Payout reflects a proration from his start date of May 13, 2019.

Performance compensation increased 10% in FY2020 despite organic revenue growth of 1.3%

Lombardi received bonus compensation above his target level, including an individual performance adjustment of $132k, despite a current lawsuit related to the logistics transition

Key achievements by our named executive officers considered by the Compensation and Talent Management Committee for 2020 included:

- For Mr. Lombardi, our President and Chief Executive Officer, (a) contribution to driving the company's financial performance with results ahead of budget for Sales, Gross Margin, EBITDA and EPS, (b) flawless transition to a new more efficient, primary logistics and warehouse provider with no interruption to the business, (c) strong sales and profit growth in international markets and ecommerce channels, (d) successfully executed $400 million debt refinancing with attractive long-term interest rates, (e) delivered cash flow in excess of $200 million with significant debt paydown, and (f) important work to strengthen our leadership team through development and recruitment.

Current lawsuit with XPO Logistics proves the transition was not "flawless"

Source: Company proxy statements

Spruce Point Capital Management

Transaction Bonus For Troubled Deals

PBH's management received an *"integration bonus"* for its acquisition of Fleet, despite evidence that the acquired business underperformed. Spruce Point believes paying management a special bonus when its job, and Company strategy, is to roll-up and acquire companies is not in shareholders' best interests. We recall that Boulder Brands paid a "special transaction bonus" in 2011. While we believe there are circumstances when a transaction related bonus could be beneficial, for a Company's with the ongoing strategy of acquiring and integrating businesses and brands, a transaction bonus further pays management for doing its job and incentivizes potentially poor acquisitions.

Why was management further compensated for carrying out its job and PBH's strategy of rolling-up additional brands?

2017 Proxy Statement

Fleet Integration Bonus. In determining annual bonuses for 2017, the Compensation and Talent Management Committee also considered the significant effort required and put forth by our management team, including each of the named executive officers (excluding Mr. Marberger), to execute the Fleet Acquisition and the efforts necessary to achieve a successful integration following the Fleet Acquisition. In light of the foregoing, the Compensation and Talent Management Committee determined to award to every bonus-eligible employee, including the named executive officers (excluding Mr. Marberger), an additional bonus amount equal to 10% of his or her target bonus prorated for length of service, as follows: Mr. Lombardi, $80,000; Ms. Sacco, $15,675 (prorated based on Ms. Sacco's start date of September 12, 2016); Mr. Connors, $27,945; Mr. Parkinson, $11,874; and Mr. Heye, $14,000. These additional bonus awards to our named executive officers also are set forth in the "Bonus" column of the Summary Compensation table on page 45 of this Proxy Statement.

Boulder Brand's Transaction Bonus

Prestige took one out of Boulder's playbook by offering a special transaction bonus

Smart Balance (Boulder Brands) 2012 Proxy Statement

Special Transaction Bonus: On October 25, 2011, the Companys compensation committee awarded special one-time discretionary bonuses to certain executive officers below the CEO level in recognition of their extraordinary efforts in connection with the Companys Glutino acquisition as follows: $227,500 for Mr. Matar, $87,500 for Mr. Gever, $35,000 for Mr. Dray and $35,000 for Mr. Schulke. Mr. Hughes was also considered for a bonus in connection with the Glutino acquisition, but he declined to receive such a bonus.

Source: Company proxy statements

Incentivizing Inorganic Growth

We find additional red flags in PBH's executive compensation when analyzing the Company's proxy statements. For 2019 annual cash incentive compensation, the weighting was changed to favor sales and deprioritize margin growth. For PBH's performance stock units (PSU), the proxy states it is based on "cumulative" adjusted EBITDA and sales. This cumulative metric gives management the benefit of inorganic growth.

2018 Proxy Statement

Metric	Weighting	Definition
AIP net sales	20%	Total revenues
AIP Adjusted EBITDA	80%	Operating income plus depreciation and amortization, integration, transition, purchase accounting, legal and various other costs associated with acquisitions and divestitures, tradename impairment and tax adjustment associated with acquisitions.

2019 Proxy Statement

Metric	Weighting
AIP net sales	50%
AIP Adjusted EBITDA	50%

In 2019, AIP target weighting was changed to favor "Total Revenues" and rewards lower margin growth

2020 Proxy Statement

Vesting Criteria for Equity Awards

Performance Stock Units	• Vest at the end of three years if company achieves pre-established goals relative to cumulative adjusted EBITDA and cumulative Net Sales (each weighted 50%) • Participants can earn up to 200% of the target number of shares with exceptional performance • If performance is below target, but above threshold, participants can earn 50% of their award • If performance is below threshold, participants earn 0% of their award
Stock Options	Vest ratably* over three years based on service
Restricted Stock Units	Vest ratably* over three years based on service

Cumulative sales does not exclude the impact of acquisitions

Source: Company proxy statements

Spruce Point Capital Management

Favorable Change To Compensation Target

PBH's recent changes to its Executive Compensation program support the Company's focus on growth over profitability and cash flow. We question this recent decision to change the weighting of its compensation targets as the Company has never achieved its organic growth targets. Based on PBH's disclosed peer group, its revenue weighting of 50% is the only company above 35% and double the peer group median of 25%.

Change of compensation targets put a heavier weight on sales over EBITDA

2018 Proxy Statement

Metric	Weighting	Performance Level / Payout (mil) Threshold (50%)	Target (100%)	Maximum (200%)
Net Sales	20%	$ 944.1	$ 1,049.0	$ 1,153.9
Adjusted EBITDA	80%	$ 323.6	$ 359.5	$ 395.5

2019 Proxy Statement

Metric	Weighting	Performance Level / Payout (mil) Threshold (50%)	Target (100%)	Maximum (200%)
Net Sales	50%	$ 899.6	$ 999.6	$ 1,099.6
Adjusted EBITDA	50%	$ 314.4	$ 349.3	$ 384.2

Largest sales weight relative to peers

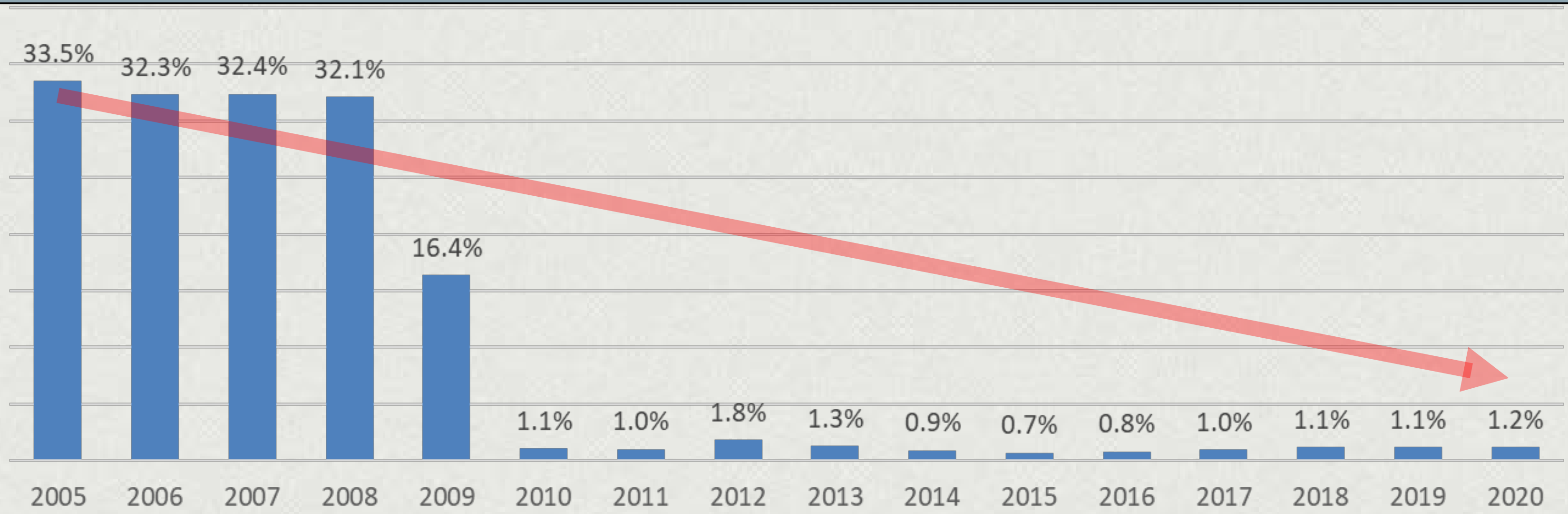
Peer Group	Sales Weight	Compensation Breakdown
B&G Food	0%	Adjusted EBITDA, Excess cash
Calavo Growers	0%	Net income (100%)
Hain Celestial Group	0%	Adjusted EBITDA (100%)
Helen of Troy	20%	Adjusted income (80%), Net sales (20%)
Church & Dwight	25%	Sales (25%), Gross margin (25%), Adjusted EPS (25%), Operating margin (25%)
Energizer	25%	Net Sales (25%), Adj. SG&A as % of sales (25%), Adj. operating profit (25%), Adj. FCF (25%)
Revlon	25%	Adjusted EBITDA (50%), Net sales (25%), Working capital as % of sales (25%)
Lancaster Colony	30%	Operating income (70%), Net sales (30%)
Vista Outdoor	34%	Sales (34%), EBIT (33%), FCF (33%)
Edgewell Personal Care	35%	Adj. EBITDA (40%), Adj. sales growth (35%), Adj. net working capital as % of sales (25%)
Peer Group Median	**25%**	
Prestige Brands	**50%**	**Net sales (50%), Adjusted EBITDA (50%)**

Source: Company proxy statements

Insider Ownership Has Declined Since IPO

We are not surprised to see a significant decline of insider ownership since the IPO. We have found management's interests are aligned with its compensation and achieving performance targets rather than long-term, sustained share price appreciation. PBH's "private equity" like acquisition strategy appears built for an exit and not long-term sustained growth.

Insider Ownership As A % Of Common Shares Outstanding



Source: Company proxy statements

Spruce Point Capital Management

PBH's Share Price Performance Appears Better By "Flattening The Curve"

As PBH's share price performance has underperformed since 2016, the Company has constantly altered its peer group resulting in stronger relative performance. PBH's filings states "The New Peer Group Index is a <u>self-constructed</u> peer group consisting of companies in the consumer products industry with comparable revenues and market capitalization", yet one of its peers Akorn is a sub-$40 million penny stock. We believe this *"self-constructed"* group is tailored to have PBH best represented relative to its peers.

2017 Annual Report

	March 31,					
Company/Market/Peer Group	2011	2012	2013	2014	2015	2016
Prestige Brands Holdings, Inc	$ 100.00	$ 152.00	$ 223.39	$ 236.96	$ 372.96	$ 464.26
Russell 2000 Index	100.00	99.82	116.09	145.00	156.90	141.59
S&P SmallCap 600 Index	100.00	105.03	121.98	155.90	169.50	164.07
New Peer Group Index (1)	100.00	137.30	150.81	190.99	289.57	265.33
Old Peer Group Index (2)	100.00	145.71	153.51	201.94	310.29	287.07

2018 Annual Report

	March 31,					
Company/Market/Peer Group	2013	2014	2015	2016	2017	2018
Prestige Brands Holdings, Inc.	$ 100.00	$ 106.07	$ 166.95	$ 207.82	$ 216.27	$ 131.26
Russell 2000 Index	100.00	124.90	135.15	121.96	153.94	172.09
S&P MidCap 400 Index	100.00	121.24	136.03	131.14	158.57	175.97
New Peer Group Index (1)	100.00	119.98	157.68	150.83	144.68	136.53
Old Peer Group Index (2)	100.00	126.65	192.01	175.94	181.78	194.19

2019 Annual Report

	March 31,					
Company/Market/Peer Group	2014	2015	2016	2017	2018	2019
Prestige Consumer Healthcare Inc.	$ 100.00	$ 157.39	$ 195.93	$ 203.89	$ 123.74	$ 109.76
Russell 2000 Index	100.00	108.21	97.65	123.25	137.78	140.61
S&P MidCap 400 Index	100.00	112.20	108.16	130.79	145.14	148.90
New Peer Group Index (1)	100.00	130.60	114.08	119.42	114.83	118.68
Old Peer Group Index (2)	100.00	131.42	125.71	120.59	113.80	128.86

2020 Annual Report

	March 31,					
Company/Market/Peer Group	2015	2016	2017	2018	2019	2020
Prestige Consumer Healthcare Inc.	$ 100.00	$ 124.48	$ 129.54	$ 78.62	$ 69.74	$ 85.52
Russell 2000 Index	100.00	90.24	113.90	127.33	129.94	98.77
S&P MidCap 400 Index	100.00	96.40	116.57	129.36	132.72	102.84
Peer Group Index	100.00	87.35	91.43	87.92	90.87	76.58

Despite changing its peer group, PBH did not disclose change in performance as it did in prior years

Source: Company filings

Valuation & Downside Risk

Prestige Brands Comps

Although Prestige Brands may appear cheap vs its peers on a P/E and EBITDA multiple basis, PBH trades at a premium to its operating cash flow and sales. Earnings and sales growth expectations are modest, but we believe still too overly optimistic. PBH is also weighed down by a heavy debt load, limiting any upside to shareholders. As a result, we believe it should trade at a discount to its better positioned peers.

$ in mm, except per share amounts

Name (Ticker)	Stock Price 6/29/20	Adj Ent. Value	'20E-'21E Sales Growth	'20E-'21E EPS Growth	'21E-'22E Sales Growth	'21E-'22E EPS Growth	P/E 2020E	P/E 2021E	Enterprise Value EBITDA 2020E	Enterprise Value EBITDA 2021E	Enterprise Value Sales 2020E	Enterprise Value Sales 2021E	Enterprise Value OCF 2020E	Price/ Book	Net Debt EBITDA	Div Yield
Kimberly Clark	$139.45	$55,696	(0.0%)	2.8%	0.9%	3.5%	18.6x	18.1x	12.7x	12.2x	3.0x	3.0x	16.4x	NM	1.7x	3.1%
Church & Dwight	$76.72	$21,158	2.6%	6.7%	3.5%	8.7%	28.2x	26.4x	18.9x	18.2x	4.5x	4.4x	23.3x	6.8x	1.7x	1.3%
Perrigo	$54.56	$10,580	1.7%	8.3%	1.9%	7.3%	13.5x	12.5x	11.4x	10.7x	2.0x	2.0x	10.3x	1.3x	3.3x	1.6%
Energizer	$46.18	$6,315	1.3%	20.1%	1.2%	15.0%	16.6x	13.9x	10.7x	9.9x	2.4x	2.3x	21.9x	8.6x	5.2x	2.6%
Helen of Troy	$188.22	$5,098	3.4%	13.6%	3.4%	13.6%	23.3x	20.5x	18.9x	17.4x	3.0x	2.9x	27.1x	4.1x	1.3x	NA
Edgewell Personal Care	$30.71	$2,530	(2.2%)	4.1%	0.1%	10.3%	10.4x	10.0x	7.1x	7.1x	1.3x	1.3x	14.5x	1.2x	2.4x	NA
		Max	3.4%	20.1%	3.5%	15.0%	28.2x	26.4x	18.9x	18.2x	4.5x	4.4x	27.1x	8.6x	5.2x	3.1%
		Average	1.2%	9.3%	1.8%	9.7%	18.4x	16.9x	13.2x	12.6x	2.7x	2.7x	18.9x	4.4x	2.6x	2.1%
		Min	(2.2%)	2.8%	0.1%	3.5%	10.4x	10.0x	7.1x	7.1x	1.3x	1.3x	10.3x	1.2x	1.3x	1.3%
Prestige Brands	**$36.63**	**$3,536**	**0.4%**	**4.3%**	**NA**	**NA**	**12.2x**	**11.7x**	**10.9x**	**10.8x**	**3.7x**	**3.7x**	**16.9x**	**1.6x**	**5.2x**	**NA**

Note: Financials based on calendar year
Source: Wall Street estimates, Bloomberg

Spruce Point Capital Management

Optimistic Analysts' Estimates

Our research shows flat revenue and stable margins are optimistic at best. With consumption growth of 2%, lack of pricing power and increased competition, we view the company's 2-3% revenue growth guidance as unattainable. Combined with a rising cost structure, we believe PBH's organic earnings will experience an unpreventable terminal decline. We expect revenue to decline and margins to contract.

$ in millions, except EPS	FY 2019	FY 2020	FY 2021E	FY 2022E
Consensus Revenue	**$976**	**$963**	**$945**	**$956**
% Growth	--	*(1.3%)*	*(1.9%)*	*1.1%*
Spruce Point Revenue	--	--	**$944**	**$925**
% Growth	--	--	*(2.0%)*	*(2.0%)*
Spruce Point vs Consensus	--	--	***(0.1%)***	***(3.3%)***
Consensus EBITDA	**$332**	**$328**	**$325**	**$329**
% Margin	*34.0%*	*34.1%*	*34.4%*	*34.4%*
Spruce Point EBITDA	--	--	**$322**	**$305**
% Margin	--	--	*34.1%*	*32.9%*
Spruce Point vs Consensus	--	--	***(1.1%)***	***(7.3%)***

With organic revenue growth consistently disappointing and pressures intensifying, there is no basis to project revenue growth will miraculously change course

Margin stability in the face of increasing competitive pressures and having to spend more and more on promotions and marketing seems overly optimistic

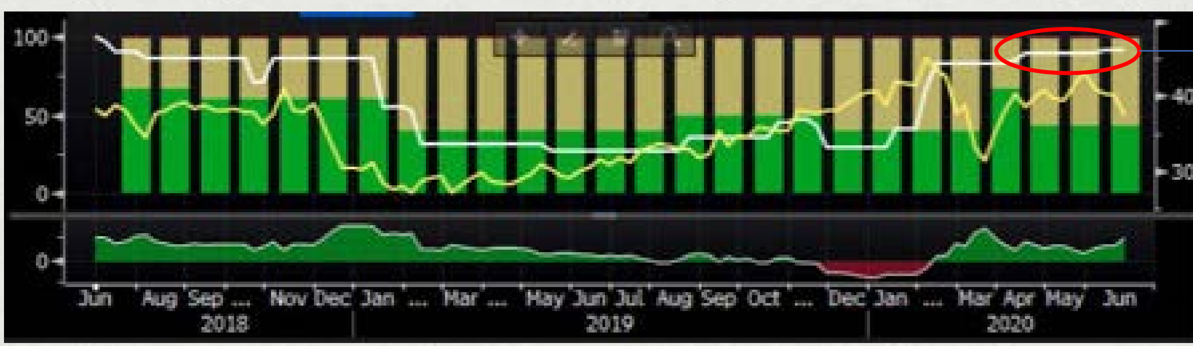
Source: Wall Street estimates

Inflated Sell-Side Estimates

We believe there is a disconnect between the analysts' price targets and the reality of PBH's prospects of limited to declining growth. These price targets are based on the best-case scenario of flat revenue and stable margins. As the stock market and economy have tumbled due to the impact of COVID-19, analysts have not revaluated their price targets for PBH, which remain at recent highs.

Firm	Rating	Price Target ($)
DA Davidson	Buy	$49
Sturdivant	Outperform	$47
Sidoti	Buy	$46
Jefferies	Hold	$43
William Blair	Outperform	--
Raymond James	Market Perform	--
Oppenheimer	Market Perform	--
Average Price Target		**$46**
Upside(1)		**26%**

Not a ringing endorsement from sell-side
4 Buy Ratings
2 Neutral Ratings and
3 Analysts Not Willing To Put A Price Target!



Analyst price targets have not been reduced since the impact of COVID-19

1) Upside based on share price of $36.63
Source: Wall Street estimates, Bloomberg

Spruce Point Estimates 40% - 60% Downside

We believe Prestige is overvalued on both a revenue and EBITDA basis. Given Prestige's poor organic growth prospects, lack of competitive advantage, eroding market share, declining financial transparency, low quality management and governance practices, it is well justified for the Company to trade at a discount to its peers. PBH trades at a premium to the sum of its acquisitions (average deal multiple ~9x EBITDA), yet none of the brands have driven any top line organic growth.

	Spruce Point Low Price	Spruce Point High Price	Street Consensus
FY 2022 EBITDA			
2022E EBITDA	$305	$315	$329
EBITDA Multiple	8.0x	9.0x	12.9x
Enterprise Value	**$2,437**	**$2,836**	**$4,227**
-Debt	($1,767)	($1,767)	($1,767)
+Cash	$95	$95	$95
Equity Value	**$766**	**$1,164**	**$2,366**
Value Per Share	**$14.80**	**$22.51**	**$46.25**
Upside / (Downside)	***(60%)***	***(39%)***	*26%*

Note: $ in millions, except per share amounts. Downside based on share price of $36.63. Diluted shares outstanding 51.7 million
Source: Spruce Point estimates