Prestige Brands Holdings, Inc.
Form 10-Q
August 03, 2017
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to _____
Commission File Number: 001-32433

PRESTIGE BRANDS HOLDINGS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	20-1297589
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

660 White Plains Road
Tarrytown, New York 10591
(Address of principal executive offices) (Zip Code)

(914) 524-6800
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
As of July 28, 2017, there were 53,000,170 shares of common stock outstanding.

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Trademarks and Trade Names
Trademarks and trade names used in this Quarterly Report on Form 10-Q are the property of Prestige Brands Holdings, Inc. or its subsidiaries, as the case may be. We have italicized our trademarks or trade names when they appear in this Quarterly Report on Form 10-Q.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Prestige Brands Holdings, Inc.
Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended June 30,	
(In thousands, except per share data)	2017	2016
Revenues		
Net sales	$256,487	$208,770
Other revenues	86	805
Total revenues	256,573	209,575
Cost of Sales		
Cost of sales excluding depreciation	111,757	87,984
Cost of sales depreciation	1,340	—
Cost of sales	113,097	87,984
Gross profit	143,476	121,591
Operating Expenses		
Advertising and promotion	36,944	27,635
General and administrative	20,336	19,457
Depreciation and amortization	7,167	6,832
Loss on divestitures	—	55,453
Total operating expenses	64,447	109,377
Operating income	79,029	12,214
Other (income) expense		
Interest income	(69)	(57)
Interest expense	26,410	21,184
Total other expense	26,341	21,127
Income (loss) before income taxes	52,688	(8,913)
Provision (benefit) for income taxes	18,929	(3,382)
Net income (loss)	$33,759	$(5,531)
Earnings (loss) per share:		
Basic	$0.64	$(0.10)
Diluted	$0.63	$(0.10)
Weighted average shares outstanding:		
Basic	53,038	52,881
Diluted	53,509	52,881
Comprehensive income (loss), net of tax:		
Currency translation adjustments	1,119	(5,824)
Unrecognized net gain on pension plans	1	—
Total other comprehensive (loss) income	1,120	(5,824)

Comprehensive income (loss)	$34,879	$(11,355)

See accompanying notes.

Prestige Brands Holdings, Inc.
Condensed Consolidated Balance Sheets

(In thousands)	June 30, 2017 (Unaudited)	March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$44,135	$41,855
Accounts receivable, net of allowance of $13,556 and $13,010, respectively	134,725	136,742
Inventories	118,707	115,609
Prepaid expenses and other current assets	30,658	40,228
Total current assets	328,225	334,434
Property, plant and equipment, net	50,469	50,595
Goodwill	615,451	615,252
Intangible assets, net	2,898,273	2,903,613
Other long-term assets	7,143	7,454
Total Assets	$3,899,561	$3,911,348
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$62,738	$70,218
Accrued interest payable	8,414	8,130
Other accrued liabilities	82,465	83,661
Total current liabilities	153,617	162,009
Long-term debt		
Principal amount	2,172,000	2,222,000
Less unamortized debt costs	(26,591)	(28,268)
Long-term debt, net	2,145,409	2,193,732
Deferred income tax liabilities	724,545	715,086
Other long-term liabilities	17,443	17,972
Total Liabilities	3,041,014	3,088,799
Commitments and Contingencies — Note 16		
Stockholders' Equity		
Preferred stock - $0.01 par value		
Authorized - 5,000 shares		
Issued and outstanding - None	—	—
Common stock - $0.01 par value		
Authorized - 250,000 shares		
Issued - 53,352 shares at June 30, 2017 and 53,287 shares at March 31, 2017	533	533
Additional paid-in capital	460,401	458,255
Treasury stock, at cost - 352 shares at June 30, 2017 and 332 shares at March 31, 2017	(7,621)	(6,594)
Accumulated other comprehensive loss, net of tax	(25,232)	(26,352)
Retained earnings	430,466	396,707

Total Stockholders' Equity	858,547	822,549
Total Liabilities and Stockholders' Equity	$3,899,561	$3,911,348

See accompanying notes.

Prestige Brands Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended June 30,	
(In thousands)	2017	2016
Operating Activities		
Net income (loss)	$33,759	$(5,531)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,507	6,832
Loss on divestitures	—	55,453
Loss on disposals of property and equipment	490	—
Deferred income taxes	9,225	(9,660)
Amortization of debt origination costs	1,746	2,231
Excess tax benefits from share-based awards	302	550
Stock-based compensation costs	1,713	1,940
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	1,543	5,151
Inventories	(2,899)	(4,327)
Prepaid expenses and other current assets	9,604	5,697
Accounts payable	(8,024)	(3,401)
Accrued liabilities	(1,558)	(3,634)
Noncurrent assets and liabilities	(287)	—
Net cash provided by operating activities	54,121	51,301
Investing Activities		
Purchases of property, plant and equipment	(2,554)	(895)
Acquisition of Fleet escrow payment	970	—
Net cash used in investing activities	(1,584)	(895)
Financing Activities		
Term loan repayments	(50,000)	(50,000)
Payments of debt origination costs	—	(9)
Proceeds from exercise of stock options	433	3,405
Fair value of shares surrendered as payment of tax withholding	(1,027)	(1,395)
Net cash used in financing activities	(50,594)	(47,999)
Effects of exchange rate changes on cash and cash equivalents	337	(760)
Increase in cash and cash equivalents	2,280	1,647
Cash and cash equivalents - beginning of period	41,855	27,230
Cash and cash equivalents - end of period	$44,135	$28,877
Interest paid	$24,298	$18,337
Income taxes paid	$2,230	$1,357

See accompanying notes.

Prestige Brands Holdings, Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Business and Basis of Presentation

Nature of Business
Prestige Brands Holdings, Inc. (referred to herein as the "Company" or "we," which reference shall, unless the context requires otherwise, be deemed to refer to Prestige Brands Holdings, Inc. and all of its direct and indirect 100% owned subsidiaries on a consolidated basis) is engaged in the development, manufacturing, marketing, sales and distribution of over-the-counter ("OTC") healthcare and household cleaning products to mass merchandisers and drug, food, dollar, convenience and club stores in North America (the United States and Canada) and in Australia and certain other international markets. Prestige Brands Holdings, Inc. is a holding company with no operations and is also the parent guarantor of the senior credit facility and the senior notes described in Note 10 to these Condensed Consolidated Financial Statements.

Basis of Presentation
The unaudited Condensed Consolidated Financial Statements presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All significant intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, these Condensed Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, that are considered necessary for a fair statement of our consolidated financial position, results of operations and cash flows for the interim periods presented. Our fiscal year ends on March 31st of each year. References in these Condensed Consolidated Financial Statements or related notes to a year (e.g., "2018") mean our fiscal year ending or ended on March 31st of that year. Operating results for the three months ended June 30, 2017 are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2018. These unaudited Condensed Consolidated Financial Statements and related notes should be read in conjunction with our audited Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on our knowledge of current events and actions that we may undertake in the future, actual results could differ from those estimates. As discussed below, our most significant estimates include those made in connection with the valuation of intangible assets, stock-based compensation, fair value of debt, sales returns and allowances, trade promotional allowances, inventory obsolescence, the calculation of pension expense in our defined benefit plans, and the recognition of income taxes using an estimated annual effective tax rate.

Reclassification
In accordance with Accounting Standards Update ("ASU") 2016-09, Compensation - Stock Compensation (Topic 718), we have reclassified cash flows on our Condensed Consolidated Statements of Cash Flows related to excess tax benefits from a financing activity to an operating activity for all periods presented.

Revenue Recognition
Revenues are recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the selling price is fixed or determinable, (iii) the product has been shipped and the customer takes ownership and assumes the risk of loss, and (iv) collection of the resulting receivable is reasonably assured. We have determined that

these criteria are met and the transfer of the risk of loss generally occurs when the product is received by the customer, and, accordingly, we recognize revenue at that time. Provisions are made for estimated discounts related to customer payment terms and estimated product returns at the time of sale based on our historical experience.

As is customary in the consumer products industry, we participate in the promotional programs of our customers to enhance the sale of our products. The cost of these promotional programs varies based on the actual number of units sold during a finite period of time. These promotional programs consist of direct-to-consumer incentives, such as coupons and temporary price reductions, as well as incentives to our customers, such as allowances for new distribution, including slotting fees, and cooperative advertising. Estimates of the costs of these promotional programs are based on (i) historical sales experience, (ii) the current promotional offering, (iii) forecasted data, (iv) current market conditions, and (v) communication with customer purchasing/marketing personnel. We recognize the cost of such sales incentives by recording an estimate of such cost as a reduction of revenue, at the later of (a) the date the related revenue is recognized, or (b) the date when a particular sales incentive is offered. At the completion of a promotional program, the estimated amounts are adjusted to actual results.

Due to the nature of the consumer products industry, we are required to estimate future product returns. Accordingly, we record an estimate of product returns concurrent with recording sales, which is made after analyzing (i) historical return rates, (ii) current economic trends, (iii) changes in customer demand, (iv) product acceptance, (v) seasonality of our product offerings, and (vi) the impact of changes in product formulation, packaging and advertising.

Cost of Sales
Cost of sales includes product costs, warehousing costs, inbound and outbound shipping costs, and handling and storage costs. Warehousing, shipping and handling and storage costs were $13.5 million for the three months ended June 30, 2017, and $10.5 million for the three months ended June 30, 2016.

Advertising and Promotion Costs
Advertising and promotion costs are expensed as incurred. Allowances for distribution costs associated with products, including slotting fees, are recognized as a reduction of sales. Under these slotting fee distribution arrangements, the retailers allow our products to be placed on the stores' shelves in exchange for such fees.

Recently Issued Accounting Standards
In May 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-09, Compensation - Stock Compensation (Topic 718). The amendments provide guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The amendments in this update are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. We adopted ASU 2017-09 retrospectively effective April 1, 2017, and the adoption did not have a material impact on our Financial Statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairments tests in fiscal years beginning after December 15, 2019. We are evaluating the impact of adopting this guidance on our Financial Statements and whether to early adopt this ASU.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805); Clarifying the Definition of a Business. The amendments in this update clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. We are evaluating the impact of adopting this guidance on our Financial Statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendments in this update provide clarification and guidance on eight cash flow classification issues. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of ASU 2016-15 is not expected to have a material impact on our Financial Statements.

In February 2016, the FASB issued ASU 2016-02, Leases. The amendments in this update include a new FASB Accounting Standards Codification ("ASC") Topic 842, which supersedes Topic 840. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted for all entities as of the beginning of interim or annual reporting periods. We are evaluating the impact of adopting this guidance on our Financial Statements.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. The amendments in this update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards, under which an entity should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of ASU 2015-11, effective April 1, 2017, did not have a material impact on our Financial Statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers - Topic 606, which supersedes the revenue recognition requirements in FASB ASC 605. The new guidance will eliminate industry-specific revenue recognition guidance under current GAAP and replace it with a principle-based approach for determining revenue recognition. This ASU primarily states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This ASU will also require additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 from annual and interim periods beginning after December 15, 2016 to annual and interim periods beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. With the issuance of ASU 2016-08 in March 2016, the FASB clarified the implementation guidance on principals versus agent considerations in FASB ASC 606. In April 2016, the FASB issued ASU 2016-10, which clarified implementation guidance on identifying performance obligations and licensing in FASB ASC 606. Certain narrow aspects of the guidance in FASB ASC 606 were amended with the issuances of ASU 2016-12 in May 2016 and ASU 2016-20 in December 2016. We expect to adopt this guidance when effective using the modified retrospective transition method. We have made substantial progress in completing our review of the impact of this guidance. Our implementation approach includes performing a detailed study of the various types of agreements that we have with our customers and assessing conformance of our current accounting practices with the new standard. We currently do not expect this new guidance to have a material impact on our financial statements, revenue recognition practices, or our internal controls. We continue to monitor additional amendments, clarifications and interpretations issued by the FASB that may affect our current conclusions.

2. Acquisitions

Acquisition of Fleet
On January 26, 2017, the Company completed the acquisition of C.B. Fleet Company, Inc. ("Fleet") pursuant to the Agreement and Plan of Merger, dated as of December 22, 2016, for $823.7 million plus cash on hand at closing and subject to certain adjustments related to net working capital. The purchase price was funded by available cash on hand, additional borrowings under our asset-based revolving credit facility, and a new $740.0 million senior secured incremental term loan. As a result of the merger, we acquired multiple women's health, gastrointestinal and dermatological care OTC brands, including Summer’s Eve, Fleet, and Boudreaux's Butt Paste, as well as a “mix and fill” manufacturing facility in Lynchburg, Virginia. The financial results from the Fleet acquisition are included in the Company's North American and International OTC Healthcare segments.

The acquisition was accounted for in accordance with Business Combinations topic of the FASB ASC 805, which requires that the total cost of an acquisition be allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values at the date of acquisition.

We prepared an analysis of the fair values of the assets acquired and liabilities assumed as of the date of acquisition. The following table summarizes our allocation of the assets acquired and liabilities assumed as of the January 26, 2017 acquisition date.

(In thousands)	January 26, 2017
Cash	$ 19,884
Accounts receivable	25,293
Inventories	20,812
Prepaid expenses and other current assets	17,024
Property, plant and equipment, net	38,661
Goodwill	268,577
Intangible assets, net	747,600
Other long-term assets	1,137
Total assets acquired	1,138,988
Accounts payable	10,412
Accrued expenses	22,895
Deferred income taxes - long term	261,555
Other long term liabilities	20,403
Total liabilities assumed	315,265
Total purchase price	$ 823,723

Based on this preliminary analysis, we allocated $648.7 million to non-amortizable intangible assets and $98.9 million to amortizable intangible assets. We are amortizing the purchased amortizable intangible assets on a straight-line basis over an estimated weighted average useful life of 18.7 years.

We recorded goodwill of $268.6 million based on the amount by which the purchase price exceeded the fair value of the net assets acquired. Goodwill is not deductible for income tax purposes.

The following table provides our unaudited pro forma revenues, net income and net income per basic and diluted common share had the results of Fleet's operations been included in our operations commencing on April 1, 2016, based on available information related to Fleet's operations. This pro forma information is not necessarily indicative either of the combined results of operations that actually would have been realized by us had the Fleet acquisition been consummated at the beginning of the period for which the pro forma information is presented, or of future results.

	Three Months Ended June 30, 2016
(In thousands, except per share data)	(Unaudited)
Revenues	$ 260,776
Net income	$ (5,930)
Earnings per share:	
Basic EPS	$ (0.11)
Diluted EPS	$ (0.11)

3. Divestitures

Divestitures

Late in the first quarter of fiscal 2017, the Company was approached and discussed the potential to sell certain businesses. Prior to these discussions, the Company did not contemplate any divestitures, and the Company did not commit to any course of action to divest any of the businesses until entering into an agreement on June 29, 2016 to sell Pediacare, New Skin and Fiber Choice, which were reported under the North American OTC Healthcare segment in the Cough & Cold, Dermatologicals and Gastrointestinal product groups, respectively. This transaction met the criteria as held for sale, and the related assets were measured at the lower of the carrying value or fair value less any costs to sell based on the agreed-upon sales price. As a result, in the first quarter of fiscal 2017, we recorded the held for sale assets at their estimated fair value and recorded a pre-tax loss on sale of $55.5 million.

4. Inventories

Inventories consist of the following:

(In thousands)	June 30, 2017	March 31, 2017
Components of Inventories, net		
Packaging and raw materials	$12,887	$9,984
Work in process	366	369
Finished goods	105,454	105,256
Inventories	$118,707	$115,609

Inventories are carried and depicted above at the lower of cost or net realizable value, which includes a reduction in inventory values of $4.9 million and $6.6 million at June 30, 2017 and March 31, 2017, respectively, related to obsolete and slow-moving inventory.

5. Goodwill

A reconciliation of the activity affecting goodwill by operating segment is as follows:

(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Balance — March 31, 2017	$576,453	$ 32,554	$ 6,245	$ 615,252
Adjustments	—	—	—	—
Effects of foreign currency exchange rates	—	199	—	199
Balance — June 30, 2017	$576,453	$ 32,753	$ 6,245	$ 615,451

As discussed in Note 2, on January 26, 2017, we completed the acquisition of Fleet. In connection with this acquisition, we recorded goodwill of $268.6 million based on the amount by which the purchase price exceeded the fair value of the net assets acquired.

Under accounting guidelines, goodwill is not amortized, but must be tested for impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below the carrying amount.

On an annual basis during the fourth quarter of each fiscal year, or more frequently if conditions indicate that the carrying value of the asset may not be recoverable, management performs a review of the values assigned to goodwill and tests for impairment. At February 28, 2017, during our annual test for goodwill impairment, there were no indicators of impairment under the analysis. Accordingly, no impairment charge was recorded in fiscal 2017. We utilize the discounted cash flow method to estimate the fair value of our reporting units as part of the goodwill impairment test. We also considered our market capitalization at February 28, 2017, which was the date of our annual review, as compared to the aggregate fair values of our reporting units, to assess the reasonableness of our estimates pursuant to the discounted cash flow methodology. The estimates and assumptions made in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Consequently, changing rates of interest and inflation, declining sales or margins, increases in competition, changing consumer preferences, technical advances, or reductions in advertising and promotion may require an impairment charge to be recorded in the future. As of June 30, 2017, no events have occurred that would indicate potential impairment of goodwill.

6. Intangible Assets, net

A reconciliation of the activity affecting intangible assets, net is as follows:

(In thousands)	Indefinite Lived Trademarks	Finite Lived Trademarks and Customer Relationships	Totals
Gross Carrying Amounts			
Balance — March 31, 2017	$2,589,155	$ 441,801	$3,030,956
Effects of foreign currency exchange rates	460	60	520
Balance — June 30, 2017	2,589,615	441,861	3,031,476
Accumulated Amortization			
Balance — March 31, 2017	—	127,343	127,343
Additions	—	5,854	5,854
Effects of foreign currency exchange rates	—	6	6
Balance — June 30, 2017	—	133,203	133,203
Intangible assets, net - June 30, 2017	$2,589,615	$ 308,658	$2,898,273

As discussed in Note 2, on January 26, 2017, we completed the acquisition of Fleet. In connection with this acquisition, we allocated $747.6 million to intangible assets based on our analysis.

Under accounting guidelines, indefinite-lived assets are not amortized, but must be tested for impairment annually, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below the carrying amount. Additionally, at each reporting period, an evaluation must be made to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with finite lives are amortized over their respective estimated useful lives and are also tested for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable and exceeds its fair value.

On an annual basis during the fourth fiscal quarter, or more frequently if conditions indicate that the carrying value of the asset may not be recoverable, management performs a review of both the values and, if applicable, useful lives assigned to intangible assets and tests for impairment.

We utilize the excess earnings method to estimate the fair value of our individual indefinite-lived intangible assets. We also considered our market capitalization at February 28, 2017, which was the date of our annual impairment review. The estimates and assumptions made in assessing the fair value of our reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Consequently, changing rates of interest and inflation, declining sales or margins, increases in competition, changing consumer preferences, technical advances, or reductions in advertising and promotion may require an impairment charge to be recorded in the future.

7. Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In thousands)	June 30, 2017	March 31, 2017
Accrued marketing costs	$35,284	$29,384
Accrued compensation costs	8,973	15,535
Accrued broker commissions	1,096	1,782
Income taxes payable	38	3,840
Accrued professional fees	2,168	2,412
Deferred rent	482	492
Accrued production costs	6,883	4,580
Accrued lease termination costs	730	843
Income tax related payable	19,000	19,000
Other accrued liabilities	7,811	5,793
	$82,465	$83,661

8. Long-Term Debt

At June 30, 2017, we had $90.0 million outstanding on the asset-based revolving credit facility entered into January 31, 2012, as amended (the "2012 ABL Revolver") and a borrowing capacity of $77.4 million.
Long-term debt consists of the following, as of the dates indicated:

(In thousands, except percentages)	June 30, 2017	March 31, 2017
2016 Senior Notes bearing interest at 6.375%, with interest payable on March 1 and September 1 of each year. The 2016 Senior Notes mature on March 1, 2024.	$350,000	$350,000
2013 Senior Notes bearing interest at 5.375%, with interest payable on June 15 and December 15 of each year. The 2013 Senior Notes mature on December 15, 2021.	400,000	400,000
2012 Term B-4 Loans bearing interest at our option at either LIBOR plus a margin of 2.75%, with a LIBOR floor of 0.75%, or a base rate plus a margin (with a margin step-down to 2.50%) due on January 26, 2024.	1,332,000	1,382,000
2012 ABL Revolver bearing interest at our option at either a base rate plus applicable margin or LIBOR plus applicable margin. Any unpaid balance is due on January 26, 2022.	90,000	90,000
Total long-term debt (including current portion)	2,172,000	2,222,000
Current portion of long-term debt	—	—
Long-term debt	2,172,000	2,222,000
Less: unamortized debt costs	(26,591)	(28,268)
Long-term debt, net	$2,145,409	$2,193,732

As of June 30, 2017, aggregate future principal payments required in accordance with the terms of the 2012 Term B-4 Loans, 2012 ABL Revolver and the indentures governing the 6.375% senior unsecured notes due 2024 (the "2016 Senior Notes") and the 5.375% senior unsecured notes due 2021 (the "2013 Senior Notes") are as follows:

(In thousands)	
Year Ending March 31,	Amount
2018 (remaining nine months ending March 31, 2018)	$—
2019	—
2020	—
2021	—
2022	490,000
Thereafter	1,682,000
	$2,172,000

9. Fair Value Measurements

For certain of our financial instruments, including cash, accounts receivable, accounts payable and other current liabilities, the carrying amounts approximate their respective fair values due to the relatively short maturity of these amounts.

The Fair Value Measurements and Disclosures topic of the FASB ASC 820 requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market assuming an orderly transaction between market participants. The Fair Value Measurements and Disclosures topic established market (observable inputs) as the preferred source of fair value, to be followed by the Company's assumptions of fair value based on hypothetical transactions (unobservable inputs) in the absence of observable market inputs. Based upon the above, the following fair value hierarchy was created:

Level 1 - Quoted market prices for identical instruments in active markets;

Level 2 - Quoted prices for similar instruments in active markets, as well as quoted prices for identical or similar instruments in markets that are not considered active; and

Level 3 - Unobservable inputs developed by the Company using estimates and assumptions reflective of those that would be utilized by a market participant.

The market values have been determined based on market values for similar instruments adjusted for certain factors. As such, the 2016 Senior Notes, the 2013 Senior Notes, the 2012 Term B-4 Loans, and the 2012 ABL Revolver are measured in Level 2 of the above hierarchy (see summary below detailing the carrying amounts and estimated fair values of these borrowings at June 30, 2017 and March 31, 2017).

	June 30, 2017		March 31, 2017	
(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
2016 Senior Notes	$350,000	$373,188	$350,000	$367,500
2013 Senior Notes	400,000	412,500	400,000	409,000
2012 Term B-4 Loans	1,332,000	1,336,995	1,382,000	1,395,820
2012 ABL Revolver	90,000	90,000	90,000	90,000

At June 30, 2017 and March 31, 2017, we did not have any assets or liabilities measured in Level 1 or 3.

In accordance with ASU 2015-07, investments that are measured at fair value using net asset value ("NAV") per share as a practical expedient have not been classified in the fair value hierarchy.

10. Stockholders' Equity

The Company is authorized to issue 250.0 million shares of common stock, $0.01 par value per share, and 5.0 million shares of preferred stock, $0.01 par value per share. The Board of Directors may direct the issuance of the undesignated preferred stock in one or more series and determine preferences, privileges and restrictions thereof.

Each share of common stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all classes of outstanding stock having priority rights as to dividends. No dividends have been declared or paid on the Company's common stock through June 30, 2017.

During the three months ended June 30, 2017 and 2016, we repurchased 19,616 shares and 24,988 shares, respectively, of restricted common stock from our employees pursuant to the provisions of various employee restricted stock awards. The repurchases for the three months ended June 30, 2017 and 2016 were at an average price of $52.36 and $55.82, respectively. All of the repurchased shares have been recorded as treasury stock.

11. Accumulated Other Comprehensive Loss

The table below presents accumulated other comprehensive loss (“AOCI”), which affects equity and results from recognized transactions and other economic events, other than transactions with owners in their capacity as owners.

AOCI consisted of the following at June 30, 2017 and March 31, 2017:

(In thousands)	June 30, 2017	March 31, 2017
Components of Accumulated Other Comprehensive Loss		
Cumulative translation adjustment	$(24,981)	$(26,100)
Unrecognized net loss on pension plans	(251)	(252)
Accumulated other comprehensive loss, net of tax	$(25,232)	$(26,352)

As of June 30, 2017 and March 31, 2017, no amounts were reclassified from accumulated other comprehensive income into earnings.

12. Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of shares of common stock outstanding plus the effect of potentially dilutive common shares outstanding during the period using the treasury stock method, which includes stock options and restricted stock units. In loss periods, the assumed exercise of in-the-money stock options and restricted stock units has an anti-dilutive effect, and therefore these instruments are excluded from the computation of diluted earnings per share. The following table sets forth the computation of basic and diluted earnings per share:

(In thousands, except per share data)	Three Months Ended June 30, 2017	2016
Numerator		
Net income (loss)	$33,759	$(5,531)
Denominator		
Denominator for basic earnings per share — weighted average shares outstanding	53,038	52,881
Dilutive effect of unvested restricted stock units and options issued to employees and directors	471	—
Denominator for diluted earnings per share	53,509	52,881
Earnings per Common Share:		
Basic net earnings (loss) per share	$0.64	$(0.10)

Diluted net earnings (loss) per share	$0.63	$(0.10)

For the three months ended June 30, 2017 and 2016, there were 0.4 million and 0.7 million shares, respectively, attributable to outstanding stock-based awards that were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

13. Share-Based Compensation

In connection with our initial public offering, the Board of Directors adopted the 2005 Long-Term Equity Incentive Plan (the “Plan”), which provides for grants of up to a maximum of 5.0 million shares of restricted stock, stock options, restricted stock units ("RSUs") and other equity-based awards. In June 2014, the Board of Directors approved, and in July 2014, the stockholders ratified, an increase of an additional 1.8 million shares of our common stock for issuance under the Plan, increased the maximum number of shares subject to stock options that may be awarded to any one participant under the Plan during any fiscal 12-month period from 1.0 million to 2.5 million shares, and extended the term of the Plan by ten years, to February 2025. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing services for the Company, are eligible for grants under the Plan.

During the three months ended June 30, 2017 and 2016, pre-tax share-based compensation costs charged against income were $1.7 million and $1.9 million, respectively, and the related income tax benefit recognized was $0.5 million and $0.7 million, respectively.

At June 30, 2017, there were $12.8 million of unrecognized compensation costs related to unvested share-based compensation arrangements under the Plan, based on management's estimate of the shares that will ultimately vest. We expect to recognize such costs over a weighted-average period of 1.0 year. The total fair value of options and restricted stock units vested during the three months ended June 30, 2017 and 2016 was $4.9 million and $7.0 million, respectively. For the three months ended June 30, 2017 and 2016, we received cash from the exercise of stock options of $0.4 million and $3.4 million. For the three months ended June 30, 2017 and 2016, we realized $0.9 million and $1.4 million, respectively, in tax benefits from the tax deductions resulting from restricted stock issuances and stock option exercises. At June 30, 2017, there were 2.2 million shares available for issuance under the Plan.

On May 8, 2017, the Compensation Committee of our Board of Directors granted 35,593 performance units, 54,773 RSUs and stock options to acquire 182,823 shares of our common stock to certain executive officers and employees under the Plan. The stock options were granted at an exercise price of $56.11 per share, which is equal to the closing price for our common stock on the date of the grant.

Restricted Stock Units

RSUs granted to employees under the Plan generally vest in three to five years, primarily upon the attainment of certain time vesting thresholds, and, in the case of performance share units, may also be contingent on the attainment of certain performance goals of the Company, including revenue and earnings before income taxes, depreciation and amortization targets. The RSUs provide for accelerated vesting if there is a change of control, as defined in the Plan. The RSUs granted to employees generally vest either ratably over three years or in their entirety on the three-year anniversary of the date of the grant. Upon vesting, the units will be settled in shares of our common stock. Termination of employment prior to vesting will result in forfeiture of the RSUs, unless otherwise accelerated by the Compensation and Talent Management Committee or, in the case of RSUs granted in May 2017, subject to pro-rata vesting in the event of death, disability or retirement. The RSUs granted to directors vest in their entirety one year after the date of grant so long as membership on the Board of Directors continues through the vesting date, and will be settled by delivery to the director of one share of common stock of the Company for each vested RSU promptly following the earliest of the director's (i) death, (ii) disability or (iii) the six-month anniversary of the date on which the director's Board membership ceases for reasons other than death or disability.

The fair value of the RSUs is determined using the closing price of our common stock on the date of the grant. The weighted-average grant-date fair value of RSUs granted during the three months ended June 30, 2017 and 2016 was \$56.11 and \$57.16, respectively.

A summary of the Company's RSUs granted under the Plan is presented below:

RSUs	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Three months ended June 30, 2016		
Vested and nonvested at March 31, 2016	467.8	$ 35.22
Granted	49.4	57.16
Vested and issued	(75.6)	31.36
Forfeited	(76.2)	39.93
Vested and nonvested at June 30, 2016	365.4	38.00
Vested at June 30, 2016	70.2	14.89
Three months ended June 30, 2017		
Vested and nonvested at March 31, 2017	350.1	$ 39.29
Granted	90.4	56.11
Vested and issued	(50.8)	34.28
Forfeited	(2.3)	50.06
Vested and nonvested at June 30, 2017	387.4	43.81
Vested at June 30, 2017	63.7	20.31

Options

The Plan provides that the exercise price of options granted shall be no less than the fair market value of the Company's common stock on the date the options are granted. Options granted have a term of no greater than ten years from the date of grant and vest in accordance with a schedule determined at the time the option is granted, generally three to five years. The option awards provide for accelerated vesting in the event of a change in control, as defined in the Plan. Except in the case of death, disability or retirement, termination of employment prior to vesting will result in forfeiture of the unvested stock options. Vested stock options will remain exercisable by the employee after termination of employment, subject to the terms in the Plan.

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Pricing Model that uses the assumptions noted in the table below. Expected volatilities are based on the historical volatility of our common stock and other factors, including the historical volatilities of comparable companies. We use appropriate historical data, as well as current data, to estimate option exercise and employee termination behaviors. Employees that are expected to exhibit similar exercise or termination behaviors are grouped together for the purposes of valuation. The expected terms of the options granted are derived from our historical experience, management's estimates, and consideration of information derived from the public filings of companies similar to us, and represent the period of time that options granted are expected to be outstanding. The risk-free rate represents the yield on U.S. Treasury bonds with a maturity equal to the expected term of the granted options.

The weighted-average grant-date fair values of the options granted during the three months ended June 30, 2017 and 2016 were $21.20 and $22.26, respectively.

	Three months ended June 30, 2017	2016
Expected volatility	35.2%	37.8%

Expected dividends	$—	$ —
Expected term in years	6.0	6.0
Risk-free rate	2.2%	1.7%

A summary of option activity under the Plan is as follows:

Options	Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Three months ended June 30, 2016				
Outstanding at March 31, 2016	727.7	$ 30.70		
Granted	224.8	57.18		
Exercised	(105.7)	32.20		
Forfeited or expired	(45.5)	37.34		
Outstanding at June 30, 2016	801.3	37.55	8.0	$ 14,700
Exercisable at June 30, 2016	386.4	25.20	6.7	$ 11,669
Three months ended June 30, 2017				
Outstanding at March 31, 2017	772.3	$ 37.70		
Granted	182.8	56.11		
Exercised	(13.8)	31.35		
Forfeited or expired	(5.8)	32.64		
Outstanding at June 30, 2017	935.5	41.42	7.7	$ 12,123
Exercisable at June 30, 2017	527.3	31.95	6.5	$ 11,305

The aggregate intrinsic value of options exercised in the three months ended June 30, 2017 was $0.3 million.

14. Income Taxes

Income taxes are recorded in our quarterly financial statements based on our estimated annual effective income tax rate, subject to adjustments for discrete events, should they occur. The effective rates used in the calculation of income taxes were 35.9% and 37.9% for the three months ended June 30, 2017 and 2016, respectively. The decrease in the effective tax rate for the three months ended June 30, 2017 was primarily due to tax adjustments on the sale of New Skin in the prior year.

The balance in our uncertain tax liability was $3.7 million at June 30, 2017 and March 31, 2017. We recognize interest and penalties related to uncertain tax positions as a component of income tax expense. We did not incur any material interest or penalties related to income taxes in any of the periods presented.

15. Employee Retirement Plans

The primary components of Net Periodic Benefits consist of the following:

(In thousands)	Period Ended June 30, 2017
Interest cost	$ 629
Expected return on assets	(726)
Net periodic benefit cost (income)	$ (97)

We had a net periodic benefit of $0.1 million for the three months ended June 30, 2017.

During the quarter, the Company contributed $0.1 million to the non-qualified defined benefit plan and made no contributions to the qualified defined benefit plan. During the remainder of fiscal 2018, we expect to contribute $0.3 million to the non-qualified plan and make no contributions to the qualified plan.

The determination of the expected long-term rate of return was derived from an optimized portfolio using an asset allocation software program. The risk and return assumptions, along with the correlations between the asset classes, were entered into the program. Based on these assumptions and historical experience, the portfolio is expected to achieve a long-term rate of return of

6.25%. The investment managers engaged to manage the portfolio are expected to outperform their expected benchmarks on a relative basis over a full market cycle.

16. Commitments and Contingencies

We are involved from time to time in legal matters and other claims incidental to our business. We review outstanding claims and proceedings internally and with external counsel as necessary to assess the probability and amount of a potential loss. These assessments are re-evaluated at each reporting period and as new information becomes available to determine whether a reserve should be established or if any existing reserve should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded reserve. In addition, because it is not permissible under GAAP to establish a litigation reserve until the loss is both probable and estimable, in some cases there may be insufficient time to establish a reserve prior to the actual incurrence of the loss (upon verdict and judgment at trial, for example, or in the case of a quickly negotiated settlement). We believe the resolution of routine legal matters and other claims incidental to our business, taking our reserves into account, will not have a material adverse effect on our business, financial condition, or results of operations.

Purchase Commitments
We have supply agreements for the manufacture of some of our products. The following table shows the minimum amounts that we are committed to pay under these agreements:

(In thousands) Year Ending March 31,	Amount
2018 (Remaining nine months ending March 31, 2018)	4,257
2019	9,082
2020	9,859
2021	9,300
2022	9,300
Thereafter	2,300
	$ 44,098

17. Concentrations of Risk

Our revenues are concentrated in the areas of OTC Healthcare and Household Cleaning products. We sell our products to mass merchandisers and drug, food, dollar, convenience and club stores. During the three months ended June 30, 2017 and 2016, approximately 43.2% and 42.3%, respectively, of our total revenues were derived from our five top selling brands. Two customers, Walmart and Walgreens, accounted for more than 10% of our gross revenues for each of the periods presented. Walmart accounted for approximately 25.5% and 20.7% of our gross revenues for the three months ended June 30, 2017 and 2016, respectively. Walgreens accounted for approximately 9.1% and

10.3% of gross revenues for the three months ended June 30, 2017 and 2016, respectively. At June 30, 2017, approximately 26.1% and 7.9% of accounts receivable were owed by Walmart and Walgreens, respectively.

We manage product distribution in the continental United States through a third-party distribution center in St. Louis, Missouri. A serious disruption, such as an earthquake, flood or fire, to the main distribution center could damage our inventories and could materially impair our ability to distribute our products to customers in a timely manner or at a reasonable cost. We could incur significantly higher costs and experience longer lead times associated with the distribution of our products to our customers during the time that it takes us to reopen or replace our distribution center. As a result, any such disruption could have a material adverse effect on our business, sales and profitability.

At June 30, 2017, we had relationships with 116 third-party manufacturers. Of those, we had long-term contracts with 48 manufacturers that produced items that accounted for approximately 77.2% of gross sales for the three months ended June 30, 2017. At June 30, 2016, we had relationships with 102 third-party manufacturers. Of those, we had long-term contracts with 55 manufacturers that produced items that accounted for approximately 79.7% of gross sales for the nine months ended June 30, 2016. The fact that we do not have long-term contracts with certain manufacturers means that they could cease manufacturing our products at any time and for any reason or initiate arbitrary and costly price increases, which could have a material adverse effect on our business and results of operations. Although we are in the process of negotiating long-term contracts with certain key manufacturers, we may not be able to reach a timely agreement, which could have a material adverse effect on our business and results of operations.

18. Business Segments

Segment information has been prepared in accordance with the Segment Reporting topic of the FASB ASC 280. Our current reportable segments consist of (i) North American OTC Healthcare, (ii) International OTC Healthcare and (iii) Household Cleaning. We evaluate the performance of our operating segments and allocate resources to these segments based primarily on contribution margin, which we define as gross profit less advertising and promotional expenses.

The tables below summarize information about our reportable segments.

	Three Months Ended June 30, 2017			
(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Total segment revenues*	$215,815	$ 20,898	$ 19,860	$ 256,573
Cost of sales	86,501	9,950	16,646	113,097
Gross profit	129,314	10,948	3,214	143,476
Advertising and promotion	32,808	3,690	446	36,944
Contribution margin	$96,506	$ 7,258	$ 2,768	106,532
Other operating expenses				27,503
Operating income				79,029
Other expense				26,341
Income before income taxes				52,688
Provision for income taxes				18,929
Net income				$ 33,759

* Intersegment revenues of $1.4 million were eliminated from the North American OTC Healthcare segment.

	Three Months Ended June 30, 2016			
(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Total segment revenues*	$172,080	$ 15,804	$ 21,691	$ 209,575
Cost of sales**	64,234	6,948	16,802	87,984
Gross profit	107,846	8,856	4,889	121,591
Advertising and promotion	25,040	2,124	471	27,635
Contribution margin	$82,806	$ 6,732	$ 4,418	93,956
Other operating expenses***				81,742
Operating income				12,214
Other expense				21,127
Loss before income taxes				(8,913)
Benefit for income taxes				(3,382)
Net loss				$ (5,531)

* Intersegment revenues of $1.2 million were eliminated from the North American OTC Healthcare segment.
**Certain immaterial amounts related to cost of sales were reclassified between the International OTC Healthcare segment and the North American OTC Healthcare segment. There were no changes to the condensed consolidated financial statements for any periods presented.
***Other operating expenses includes a pre-tax loss on sale of assets of $55.5 million recognized for assets held for sale related to Pediacare, New Skin and Fiber Choice. These assets and corresponding contribution margin are

included within the North American OTC Healthcare segment.

The tables below summarize information about our segment revenues from similar product groups.

	Three Months Ended June 30, 2017			
(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Analgesics	$29,290	$ 509	$ —	$ 29,799
Cough & Cold	17,410	4,613	—	22,023
Women's Health	63,145	3,594	—	66,739
Gastrointestinal	30,430	5,733	—	36,163
Eye & Ear Care	25,271	3,055	—	28,326
Dermatologicals	24,131	501	—	24,632
Oral Care	24,892	2,892	—	27,784
Other OTC	1,246	1	—	1,247
Household Cleaning	—	—	19,860	19,860
Total segment revenues	$215,815	$ 20,898	$ 19,860	$ 256,573

	Three Months Ended June 30, 2016			
(In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Analgesics	$28,126	$ 527	$ —	$ 28,653
Cough & Cold	17,967	4,392	—	22,359
Women's Health	32,887	936	—	33,823
Gastrointestinal	19,106	4,256	—	23,362
Eye & Ear Care	26,007	2,796	—	28,803
Dermatologicals	22,698	671	—	23,369
Oral Care	23,811	2,217	—	26,028
Other OTC	1,478	9	—	1,487
Household Cleaning	—	—	21,691	21,691
Total segment revenues	$172,080	$ 15,804	$ 21,691	$ 209,575

During the three months ended June 30, 2017 and 2016, approximately 87.7% and 87.5%, respectively, of our total segment revenues were from customers in the United States. Other than the United States, no individual geographical area accounted for more than 10% of net sales in any of the periods presented. During the three months ended June 30, 2017, our Canada and Australia sales accounted for approximately 3.8% and 4.1%, respectively, of our total segment revenues, while during the three months ended June 30, 2016, approximately 4.7% and 5.0%, respectively, of our total segment revenues were attributable to sales to Canada and Australia.

At June 30, 2017 and March 31, 2017, approximately 96.5% of our consolidated goodwill and intangible assets were located in the United States and approximately 3.5% were located in Australia, the United Kingdom and Singapore. These consolidated goodwill and intangible assets have been allocated to the reportable segments as follows:

June 30, 2017 (In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Goodwill	$576,453	$ 32,753	$ 6,245	$ 615,451
Intangible assets				
Indefinite-lived	2,404,336	84,018	101,261	2,589,615
Finite-lived, net	281,784	6,376	20,498	308,658
Intangible assets, net	2,686,120	90,394	121,759	2,898,273
Total	$3,262,573	$ 123,147	$ 128,004	$ 3,513,724

March 31, 2017 (In thousands)	North American OTC Healthcare	International OTC Healthcare	Household Cleaning	Consolidated
Goodwill	$576,453	$ 32,554	$ 6,245	$ 615,252
Intangible assets				
Indefinite-lived	2,404,336	83,558	101,261	2,589,155
Finite-lived, net	287,056	6,468	20,934	314,458
Intangible assets, net	2,691,392	90,026	122,195	2,903,613
Total	$3,267,845	$ 122,580	$ 128,440	$ 3,518,865

19. Condensed Consolidating Financial Statements

Prestige Brands Holdings, Inc., together with certain of our 100% owned subsidiaries, has fully and unconditionally guaranteed, on a joint and several basis, the obligations of Prestige Brands, Inc. (a 100% owned subsidiary of the Company) set forth in the indentures governing the 2016 Senior Notes and the 2013 Senior Notes, including the obligation to pay principal and interest with respect to the 2016 Senior Notes and the 2013 Senior Notes. The 100% owned subsidiaries of the Company that have guaranteed the 2016 Senior Notes and the 2013 Senior Notes are as follows: Prestige Services Corp., Prestige Brands Holdings, Inc. (a Virginia corporation), Prestige Brands International, Inc., Medtech Holdings, Inc., Medtech Products Inc., Medtech Personal Products Corporation, The Spic and Span Company, Blacksmith Brands, Inc., Insight Pharmaceuticals Corporation, Insight Pharmaceuticals, LLC, Practical Health Products, Inc., DenTek Holdings, Inc., C.B. Fleet Topco, LLC, C.B. Fleet Holdco, LLC, C.B.Fleet, LLC, C.B. Fleet Company, Incorporated, Peaks HBC Company, Inc., C.B. Fleet Investment Corporation, C.B.Fleet International, Inc., C.B. Fleet Holding Company, Incorporated, Medtech Online, Inc. and DenTek Oral Care, Inc. (collectively, the "Subsidiary Guarantors"). A significant portion of our operating income and cash flow is generated by our subsidiaries. As a result, funds necessary to meet Prestige Brands, Inc.'s debt service obligations are provided in part by distributions or advances from our subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of our subsidiaries, could limit Prestige Brands, Inc.'s ability to obtain cash from our subsidiaries for the purpose of meeting our debt service obligations, including the payment of principal and interest on the 2016 Senior Notes and the 2013 Senior Notes. Although holders of the 2016 Senior Notes and the 2013 Senior Notes will be direct creditors of the guarantors of the 2016 Senior Notes and the 2013 Senior Notes by virtue of the guarantees, we have indirect subsidiaries located primarily in the United Kingdom, the Netherlands, Singapore and Australia (collectively, the "Non-Guarantor Subsidiaries") that have not guaranteed the 2016 Senior Notes or the 2013 Senior Notes, and such subsidiaries will not be obligated with respect to the 2016 Senior Notes or the 2013 Senior Notes. As a result, the claims of creditors of the Non-Guarantor Subsidiaries will effectively have priority with respect to the assets and earnings of such companies over the claims of the holders of the 2016 Senior Notes and the 2013 Senior Notes.

Presented below are supplemental Condensed Consolidating Balance Sheets as of June 30, 2017 and March 31, 2017, Condensed Consolidating Statements of Income and Comprehensive Income for the three months ended June 30, 2017 and 2016, and Condensed Consolidating Statements of Cash Flows for the three months ended June 30, 2017 and 2016. Such consolidating information includes separate columns for:

a) Prestige Brands Holdings, Inc., the parent,
b) Prestige Brands, Inc., the Issuer or the Borrower,
c) Combined Subsidiary Guarantors,
d) Combined Non-Guarantor Subsidiaries, and
e) Elimination entries necessary to consolidate the Company and all of its subsidiaries.

The Condensed Consolidating Financial Statements are presented using the equity method of accounting for investments in our 100% owned subsidiaries. Under the equity method, the investments in subsidiaries are recorded at cost and adjusted for our share of the subsidiaries' cumulative results of operations, capital contributions, distributions and other equity changes. The elimination entries principally eliminate investments in subsidiaries and intercompany balances and transactions. The financial information in this note should be read in conjunction with the Condensed Consolidated Financial Statements presented and other notes related thereto contained in this Quarterly Report on Form 10-Q.

In the second quarter of fiscal 2017, the Company determined that it had incorrectly recorded certain intercompany transactions relating to the first quarter of fiscal 2017 in the condensed consolidating financial statements. This resulted in an overstatement of equity in earnings of subsidiaries for Prestige Brands, Inc. of $44.6 million and a net understatement of equity in earnings of subsidiaries for the eliminations of $44.6 million for the three months ended June 30, 2016. This item also resulted in corresponding adjustments to the investments in subsidiaries on the condensed consolidating balance sheet as of June 30, 2016 and adjustments to net income (loss) and equity in income of subsidiaries in the condensed consolidating statement of cash flows, although net cash provided by (used in) operating activities for the three months ended June 30, 2016 remained unchanged. These errors had no impact to the Company's consolidated balance sheet, consolidated statement of income or consolidated statement of cash flows.

The Company assessed the materiality of these errors on the previously issued interim financial statements in accordance with SEC Staff Accounting Bulletin No. 99 and No. 108, and concluded that the errors were not material to the condensed consolidated financial statements for the three months ended June 30, 2016. The Company appropriately reflected the intercompany transactions in the condensed consolidating financial statements for the six months ended September 30, 2016, and we revised the comparative presentation of the condensed consolidating financial statements for the period ended June 30, 2016 below.

Condensed Consolidating Statements of Income and Comprehensive Income
Three Months Ended June 30, 2017

(In thousands)	Prestige Brands Holdings, Inc.	Prestige Brands, Inc., the issuer	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Net sales	$—	$26,683	$212,912	$ 18,321	$ (1,429)	$ 256,487
Other revenues	—	63	248	517	(742)	86
Total revenues	—	26,746	213,160	18,838	(2,171)	256,573
Cost of Sales						
Cost of sales excluding depreciation	—	11,021	94,783	8,559	(2,606)	111,757
Cost of sales depreciation	—	—	1,340	—	—	1,340
Cost of sales	—	11,021	96,123	8,559	(2,606)	113,097
Gross profit	—	15,725	117,037	10,279	435	143,476
Operating Expenses						
Advertising and promotion	—	4,270	29,029	3,645	—	36,944
General and administrative	1,186	2,703	14,421	2,026	—	20,336
Depreciation and amortization	813	166	5,945	243	—	7,167
Total operating expenses	1,999	7,139	49,395	5,914	—	64,447
Operating income (loss)	(1,999)	8,586	67,642	4,365	435	79,029
Other (income) expense						
Interest income	(11,886)	(21,117)	(1,385)	(998)	35,317	(69)
Interest expense	8,374	26,408	25,560	1,385	(35,317)	26,410
Equity in (income) loss of subsidiaries	(33,265)	(31,754)	(3,136)	—	68,155	—
Total other expense (income)	(36,777)	(26,463)	21,039	387	68,155	26,341
Income (loss) before income taxes	34,778	35,049	46,603	3,978	(67,720)	52,688
Provision for income taxes	1,019	1,203	15,865	842	—	18,929
Net income (loss)	$33,759	$33,846	$30,738	$ 3,136	$ (67,720)	$ 33,759
Comprehensive income (loss), net of tax:						
Currency translation adjustments	1,119	1,119	1,119	1,119	(3,357)	1,119
Unrecognized net gain (loss) on pension plans	1	1	1	—	(2)	1
Total other comprehensive income (loss)	1,120					