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Prestige Brands Holdings, Inc.
Form 10-Q
November 03, 2016
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2016

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 No

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 No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 28, 2016, there were 52,934,148 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.
 Consolidated Statements of Income and Comprehensive Income
 (Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
Revenues				
Net sales	\$215,017	\$205,262	\$423,787	\$396,549
Other revenues	35	803	840	1,648
Total revenues	215,052	206,065	424,627	398,197
Cost of Sales				
Cost of sales (exclusive of depreciation shown below)	91,087	86,125	179,071	166,021
Gross profit	123,965	119,940	245,556	232,176
Operating Expenses				
Advertising and promotion	28,592	27,893	56,227	54,315
General and administrative	18,795	16,462	38,252	34,051
Depreciation and amortization	6,016	5,687	12,848	11,407
(Gain) loss on sales of assets	(496)	) —	54,957	—
Total operating expenses	52,907	50,042	162,284	99,773
Operating income	71,058	69,898	83,272	132,403
Other (income) expense				
Interest income	(46)	) (33)	) (103)	) (60)
Interest expense	20,876	20,700	42,060	42,611
Loss on extinguishment of debt	—	—	—	451
Total other expense	20,830	20,667	41,957	43,002
Income before income taxes	50,228	49,231	41,315	89,401
Provision for income taxes	18,033	17,428	14,651	31,425
Net income	\$32,195	\$31,803	\$26,664	\$57,976
Earnings per share:				
Basic	\$0.61	\$0.60	\$0.50	\$1.10
Diluted	\$0.60	\$0.60	\$0.50	\$1.09
Weighted average shares outstanding:				
Basic	52,993	52,803	52,941	52,676
Diluted	53,345	53,151	53,329	53,055
Comprehensive income, net of tax:				
Currency translation adjustments	2,703	(11,079)	) (3,121)	) (11,484)
Total other comprehensive (loss) income	2,703	(11,079)	) (3,121)	) (11,484)
Comprehensive income	\$34,898	\$20,724	\$23,543	\$46,492

See accompanying notes.

Prestige Brands Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)

(In thousands)	September 30, 2016	March 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$30,458	\$27,230
Accounts receivable, net	92,869	95,247
Inventories	97,959	91,263
Deferred income tax assets	10,646	10,108
Prepaid expenses and other current assets	11,341	25,165
Assets held for sale	36,400	—
Total current assets	279,673	249,013
Property and equipment, net	13,732	15,540
Goodwill	351,662	360,191
Intangible assets, net	2,181,128	2,322,723
Other long-term assets	4,783	1,324
Total Assets	\$2,830,978	\$2,948,791
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$39,041	\$38,296
Accrued interest payable	8,264	8,664
Other accrued liabilities	67,006	59,724
Total current liabilities	114,311	106,684
Long-term debt		
Principal amount	1,502,000	1,652,500
Less unamortized debt costs	(22,337)	(27,191)
Long-term debt, net	1,479,663	1,625,309
Deferred income tax liabilities	459,527	469,622
Other long-term liabilities	2,837	2,840
Total Liabilities	2,056,338	2,204,455
Commitments and Contingencies — Note 17		
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 - 53,265 shares at September 30, 2016 and 53,066 shares at March 31, 2016	532	530
Additional paid-in capital	453,336	445,182

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Treasury stock, at cost - 331 shares at September 30, 2016 and 306 shares at March 31, 2016	(6,558) (5,163)
Accumulated other comprehensive loss, net of tax	(26,646	) (23,525)
Retained earnings	353,976	327,312	
Total Stockholders' Equity	774,640	744,336	
Total Liabilities and Stockholders' Equity	\$2,830,978	\$2,948,791	
See accompanying notes.			

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

(In thousands)	Six Months Ended September 30, 2016	2015
Operating Activities		
Net income	\$ 26,664	\$ 57,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,848	11,407
Loss (gain) on sales of intangible assets and property and equipment	55,112	(36)
Deferred income taxes	(10,602)	21,985
Amortization of debt origination costs	5,097	4,055
Stock-based compensation costs	3,933	5,034
Loss on extinguishment of debt	—	451
Changes in operating assets and liabilities, net of effects from acquisitions		
Accounts receivable	356	(3,918)
Inventories	(10,663)	(3,838)
Prepaid expenses and other current assets	10,112	3,436
Accounts payable	820	(4,519)
Accrued liabilities	6,605	(1,443)
Net cash provided by operating activities	100,282	90,590
Investing Activities		
Purchases of property and equipment	(1,404)	(1,683)
Proceeds from sales of intangible assets	52,353	—
Proceeds from the sale of property and equipment	75	344
Net cash provided by (used in) investing activities	51,024	(1,339)
Financing Activities		

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Term loan repayments	(130,500)	(50,000)
Borrowings under revolving credit agreement	20,000		15,000	
Repayments under revolving credit agreement	(40,000	)	(55,000)
Payments of debt origination costs	(9	)	(4,211)
Proceeds from exercise of stock options	3,423		6,398	
Proceeds from restricted stock exercises	—		544	
Excess tax benefits from share-based awards	800		1,850	
Fair value of shares surrendered as payment of tax withholding	(1,395	)	(2,187)
Net cash used in financing activities	(147,681	)	(87,606)
Effects of exchange rate changes on cash and cash equivalents	(397	)	(811)
Increase in cash and cash equivalents	3,228		834	
Cash and cash equivalents - beginning of period	27,230		21,318	
Cash and cash equivalents - end of period	\$ 30,458		\$ 22,152	
Interest paid	\$ 37,259		\$ 40,550	
Income taxes paid	\$ 6,743		\$ 3,707	
See accompanying notes.				

Prestige Brands Holdings, Inc.
Notes to 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 marketing, sales and distribution of over-the-counter (“OTC”) healthcare and household cleaning products to mass merchandisers, drug stores, supermarkets, and club, convenience, and dollar 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 Consolidated Financial Statements.

Basis of Presentation

The unaudited 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 these Consolidated Financial Statements. In the opinion of management, these 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 Consolidated Financial Statements or related notes to a year (e.g., “2017”) mean our fiscal year ending or ended on March 31st of that year. Operating results for the three and six months ended September 30, 2016 are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2017. These unaudited 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, 2016.

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 and inventory obsolescence, and the recognition of income taxes using an estimated annual effective tax rate.

Cash and Cash Equivalents

We consider all short-term deposits and investments with original maturities of three months or less to be cash equivalents. Substantially all of our cash is held by a large regional bank with headquarters in California. We do not believe that, as a result of this concentration, we are subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships. The Federal Deposit Insurance Corporation (“FDIC”) and Securities Investor Protection Corporation (“SIPC”) insure these balances up to \$250,000 and \$500,000, with a \$250,000 limit for cash, respectively. Substantially all of the Company's cash balances at September 30, 2016 are uninsured, and approximately 27.8% of our consolidated cash balances at September 30, 2016 are located in the United States.

Accounts Receivable

We extend non-interest-bearing trade credit to our customers in the ordinary course of business. We maintain an allowance for doubtful accounts receivable based upon historical collection experience and expected collectability of the accounts receivable. In an effort to reduce credit risk, we (i) have established credit limits for all of our customer relationships, (ii) perform ongoing credit evaluations of customers' financial condition, (iii) monitor the payment history and aging of customers' receivables, and (iv) monitor open orders against an individual customer's outstanding receivable balance.

Inventories

Inventories are stated at the lower of cost or market value, with cost determined by using the first-in, first-out method. We reduce inventories for diminution of value resulting from product obsolescence, damage or other issues affecting marketability, equal to the difference between the cost of the inventory and its estimated market value. Factors utilized in the determination of estimated market value include: (i) current sales data and historical return rates, (ii) estimates of future demand, (iii) competitive pricing pressures, (iv) new product introductions, (v) product expiration dates, and (vi) component and packaging obsolescence.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method based on the following estimated useful lives:

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

*Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the related asset.

Expenditures for maintenance and repairs are charged to expense as incurred. When an asset is sold or otherwise disposed of, we remove the cost and associated accumulated depreciation from the respective accounts and recognize the resulting gain or loss in the Consolidated Statements of Income and Comprehensive Income.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

Goodwill

The excess of the purchase price over the fair market value of assets acquired and liabilities assumed in business combinations is classified as goodwill. Goodwill is not amortized, although the carrying value is tested for impairment at least annually in the fourth fiscal quarter of each year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill is tested for impairment at the product group level, which is one level below the operating segment level.

Intangible Assets

Intangible assets, which are comprised primarily of trademarks, are stated at cost less accumulated amortization. For intangible assets with finite lives, amortization is computed using the straight-line method over estimated useful lives, typically ranging from 10 to 30 years.

Indefinite-lived intangible assets are tested for impairment at least annually in the fourth fiscal quarter of each year, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their fair values and may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

Debt Origination Costs

We have incurred debt origination costs in connection with the issuance of our long-term debt. These costs are amortized over the term of the related debt, using the effective interest method for our bonds and our term loan facility

and the straight-line method for our revolving credit facility.

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,

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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 \$10.9 million and \$21.4 million for the three and six months ended September 30, 2016, respectively, and \$10.4 million and \$19.1 million for the three and six months ended September 30, 2015, respectively.

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 new distribution arrangements, the retailers allow our products to be placed on the stores' shelves in exchange for such fees.

Stock-based Compensation

We recognize stock-based compensation by measuring the cost of services to be rendered based on the grant-date fair value of the equity award. Compensation expense is recognized over the period a grantee is required to provide service in exchange for the award, generally referred to as the requisite service period.

Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Income Taxes topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the various taxing authorities. As a result, we have applied such guidance in determining our tax uncertainties.

We are subject to taxation in the United States and various state and foreign jurisdictions.

We classify penalties and interest related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Income and Comprehensive Income.

Earnings Per Share

Basic earnings per share is calculated based on income available to common stockholders and the weighted-average number of shares outstanding during the reporting period. Diluted earnings per share is calculated based on income

available to common stockholders and the weighted-average number of common and potential common shares outstanding during the reporting period. Potential common shares, composed of the incremental common shares issuable upon the exercise of outstanding stock options and unvested restricted stock units, are included in the earnings per share calculation to the extent that they are dilutive. 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.

Recently Issued Accounting Standards

In August 2016, the FASB issued Accounting Standards Update ("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 Consolidated Financial Statements.

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In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers. The amendments do not change the core principle of the guidance in FASB ASC 606, discussed below. Rather, the amendments in this update affect only certain narrow aspects of FASB ASC 606. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09 described below. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers. The amendments in this update clarify the implementation guidance on identifying performance obligations and licensing in FASB ASC 606. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09 described below. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. The amendments in this update involve several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards, and classification on the statement of cash flows. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers. The amendments in this update clarify the implementation guidance on principals versus agent considerations in FASB ASC 606. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09 described below. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, Leases. The amendments in this update include a new FASB 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 Consolidated Financial Statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. For public business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. 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 Consolidated 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 is not expected to have a material impact on our Consolidated 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 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. 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. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

2. Acquisitions

Acquisition of DenTek

On February 5, 2016, the Company completed the acquisition of DenTek Holdings, Inc. ("DenTek"), a privately-held marketer and distributor of specialty oral care products. The closing was finalized pursuant to the terms of the merger agreement, announced November 23, 2015, under which Prestige agreed to acquire DenTek from its stockholders for a purchase price of \$228.3 million. The acquisition expands Prestige's portfolio of brands, strengthens its existing oral care platform and increases its geographic reach in parts of Europe. The Company financed the transaction with a combination of available cash on hand, available cash from its Asset Based Loan revolver, and financing of an additional unsecured bridge loan. The DenTek brands are primarily included in the Company's North American and International OTC Healthcare segments.

The DenTek acquisition was accounted for in accordance with the 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 preliminary allocation of the assets acquired and liabilities assumed as of the February 5, 2016 acquisition date.

(In thousands)	February 5, 2016
Cash acquired	\$1,359
Accounts receivable	9,187
Inventories	14,304
Deferred income taxes	3,303
Prepays and other current assets	6,728
Property, plant and equipment, net	3,555
Goodwill	76,529
Intangible assets, net	206,700
Total assets acquired	321,665
Accounts payable	3,261
Accrued expenses	16,488
Deferred income tax liabilities - long term	73,573
Total liabilities assumed	93,322
Total purchase price	\$228,343

Based on this preliminary analysis, we allocated \$179.8 million to non-amortizable intangible assets and \$26.9 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 18.5 years. The weighted average remaining life for amortizable intangible assets at September 30, 2016 was 18.0 years.

We also recorded goodwill of \$76.5 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 pro forma effect of this acquisition on revenues and earnings was not material.

3. Divestitures and Assets Held for Sale

Divestitures

Late in the first quarter of fiscal 2017, the Company was approached and discussed the potential to sell certain assets. 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 assets until entering into an agreement on June 29, 2016 to sell Pediacare, New Skin and Fiber Choice, which

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were reported under the North American OTC Healthcare segment in the Cough & Cold, Dermatologicals and Gastrointestinal product groups, respectively.

On July 7, 2016, we completed the sale of the Pediacare, New Skin and Fiber Choice brands for \$40.0 million plus the cost of inventory. As a result, we received approximately \$40.1 million including the cost of preliminary inventory of \$2.6 million, less certain immaterial holdbacks, which will be paid upon meeting certain criteria as defined in the agreement and within approximately 18 months following the closing date of the transaction. During the six months ended September 30, 2016, we recorded a preliminary pre-tax loss on sale of \$56.2 million. The proceeds were used to repay debt and related income taxes due on the disposition.

The following table sets forth the components of the assets sold and the pre-tax loss recognized on the sale.

(In thousands)	July 7, 2016
Components of assets sold:	
Inventory	\$2,380
Intangible assets, net	91,208
Goodwill	2,920
Assets sold	96,508
Total purchase price to be received	42,380
	54,128
Costs to sell	2,018
Pre-tax loss on sale	\$56,146

Concurrent with the completion of the sale of these brands, we entered into a transitional services agreement with the buyer, whereby we agreed to provide the buyer with various services, including marketing, operations, finance and other services, from the date of the acquisition through January 7, 2017. We also entered into an option agreement with the buyer to purchase Dermoplast at a specified earnings multiple as defined in the agreement. The buyer paid a \$1.25 million deposit in September 2016, and has recently notified us of its election to exercise the option. We currently expect that this transaction will be completed by March 31, 2017, although the buyer has until December 31, 2017 to complete the transaction. Accordingly, the Dermoplast transaction is not included in the table above and the \$1.25 million option deposit is included in our other accrued liabilities at September 30, 2016. The inventory and other assets related to Dermoplast are included in the assets held for sale table below.

Assets Held for Sale

In connection with the divestiture above, the buyer recently notified us of its intention to exercise its option and purchase the Dermoplast brand. As such, we expect to conclude this transaction by March 31, 2017 and the following table sets forth the assets held for sale as of September 30, 2016 related to our Dermoplast brand.

(In thousands)	September 30, 2016
Components of assets held for sale:	
Inventory	\$ 619
Intangible assets, net	31,030
Goodwill	4,751
Assets Held for Sale	\$ 36,400

4. Accounts Receivable

Accounts receivable consist of the following:

(In thousands)	September 30, 2016	March 31, 2016
Components of Accounts Receivable		
Trade accounts receivable	\$ 103,744	\$ 105,592
Other receivables	1,011	1,261
	104,755	106,853
Less allowances for discounts, returns and uncollectible accounts	(11,886)	(11,606)
Accounts receivable, net	\$ 92,869	\$ 95,247

5. Inventories

Inventories consist of the following:

(In thousands)	September 30, 2016	March 31, 2016
Components of Inventories		
Packaging and raw materials	\$ 7,552	\$ 7,563
Finished goods	90,407	83,700
Inventories	\$ 97,959	\$ 91,263

Inventories are carried and depicted above at the lower of cost or market value, which includes a reduction in inventory values of \$4.5 million and \$4.8 million at September 30, 2016 and March 31, 2016, respectively, related to obsolete and slow-moving inventory.

6. Property and Equipment

Property and equipment consist of the following:

(In thousands)	September 30, 2016	March 31, 2016
Components of Property and Equipment		
Machinery	\$ 8,122	\$ 7,734
Computer equipment	12,928	12,793
Furniture and fixtures	2,501	2,445
Leasehold improvements	7,372	7,389
	30,923	30,361
Accumulated depreciation	(17,191)	(14,821)
Property and equipment, net	\$ 13,732	\$ 15,540

We recorded depreciation expense of \$1.5 million and \$3.0 million for the three and six months ended September 30, 2016, respectively. We recorded depreciation expense of \$1.2 million and \$2.5 million for the three and six months ended September 30, 2015, respectively.

7. 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, 2016	\$ 330,615	\$ 22,776	\$ 6,800	\$ 360,191
Reductions	(7,670)	—	(555)	(8,225)
Effects of foreign currency exchange rates	—	(304)	—	(304)
Balance — September 30, 2016	\$ 322,945	\$ 22,472	\$ 6,245	\$ 351,662

In August 2016, we sold the rights to use of the Comet brand in certain geographic areas (see Note 8 below for further information) and reduced goodwill by \$0.6 million as a result.

On July 7, 2016, we completed the sale of Pediacare, New Skin and Fiber Choice (see Note 3 above for further details) for \$40.0 million plus the cost of inventory and received \$40.1 million including preliminary inventory, less certain immaterial holdbacks, and reduced goodwill by \$2.9 million as a result. In addition, as discussed in Note 3, in connection with this sale, the buyer has exercised its option and notified us of its intention to purchase Dermoplast. As such, we have reclassified \$4.8 million of goodwill to assets held for sale as of September 30, 2016.

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 29, 2016, during our annual test for goodwill impairment, there were no indicators of impairment under the analysis. Accordingly, no impairment charge was recorded in fiscal 2016. 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 29, 2016, 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 September 30, 2016, no events have occurred that would indicate potential impairment of goodwill.

8. Intangible Assets

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

(In thousands)	Indefinite Lived Trademarks	Finite Lived Trademarks and Customer Relationships	Totals
Gross Carrying Amounts			
Balance — March 31, 2016	\$2,020,046	\$ 417,880	\$2,437,926
Reductions	(77,248)	(60,103)	(137,351)
Effects of foreign currency exchange rates	(380)	(103)	(483)
Balance — September 30, 2016	1,942,418	357,674	2,300,092
Accumulated Amortization			
Balance — March 31, 2016	—	115,203	115,203
Additions	—	9,865	9,865
Reductions	—	(6,102)	(6,102)
Effects of foreign currency exchange rates	—	(2)	(2)
Balance — September 30, 2016	—	118,964	118,964
Intangible assets, net - September 30, 2016	\$1,942,418	\$ 238,710	\$2,181,128
Intangible Assets, net by Reportable Segment:			
North American OTC Healthcare	\$1,755,636	\$ 215,817	\$1,971,453
International OTC Healthcare	85,520	1,087	86,607
Household Cleaning	101,262	21,806	123,068
Intangible assets, net - September 30, 2016	\$1,942,418	\$ 238,710	\$2,181,128

Historically, we received royalty income from the licensing of the names of certain of our brands in geographic areas or markets in which we do not directly compete. We have had royalty agreements for our Comet brand for several years, which included options on behalf of the licensee to purchase license rights in certain geographic areas and markets in perpetuity. In December 2014, we amended these agreements and we sold rights to use of the Comet brand in certain Eastern European countries to a third-party licensee in exchange for \$10.0 million as a partial early buyout. The amended agreement provided that we would continue to receive royalty payments of \$1.0 million per quarter for the remaining geographic areas and also granted the licensee an option to acquire the license rights in the remaining geographic areas anytime after June 30, 2016. In July 2016, the licensee elected to exercise its option. In August 2016, we received \$11.0 million for the purchase of the remaining license rights and, as a result, we recorded a pre-tax gain of \$1.2 million and reduced our indefinite-lived trademarks by \$9.0 million. Furthermore, the licensee is no longer required to make additional royalty payments to us, and as a result, our future royalty income will be reduced accordingly.

On July 7, 2016, we completed the sale of Pediacare, New Skin and Fiber Choice (see Note 3 above for further details) brands for \$40.0 million plus the cost of inventory and received \$40.1 million including the cost of preliminary inventory, less certain immaterial holdbacks, and reduced our indefinite and finite-lived trademarks by \$37.2 million and \$54.0 million, respectively. During the six months ended September 30, 2016, we recorded a preliminary pre-tax loss of \$56.2 million on the sale of these brands. In addition, as discussed in Note 3, in connection with this sale, the buyer has exercised its option and notified us of its intention to purchase Dermoplast. As such, we have reclassified \$31.0 million of indefinite-lived intangible assets to assets held for sale as of September 30, 2016.

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.

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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 29, 2016, which was the date of our annual 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.

The weighted average remaining life for finite-lived intangible assets at September 30, 2016 was approximately 13.1 years, and the amortization expense for the three and six months ended September 30, 2016 was \$4.6 million and \$9.9 million, respectively. At September 30, 2016, finite-lived intangible assets are being amortized over a period of 10 to 30 years, and the associated amortization expense is expected to be as follows:

(In thousands)

Year Ending March 31,	Amount
2017 (Remaining six months ending March 31, 2017)	\$9,113
2018	18,062
2019	18,062
2020	18,062
2021	17,640
Thereafter	157,771
	\$238,710

9. Other Accrued Liabilities

Other accrued liabilities consist of the following:

(In thousands)	September 30, 2016	March 31, 2016
Accrued marketing costs	\$ 29,938	\$ 26,373
Accrued compensation costs	5,572	9,574
Accrued broker commissions	965	1,497
Income taxes payable	10,284	3,675
Accrued professional fees	3,050	1,787
Deferred rent	690	836
Accrued production costs	3,023	3,324
Accrued lease termination costs	384	448
Income tax related payable	6,354	6,354
Other accrued liabilities	6,746	5,856
	\$ 67,006	\$ 59,724

10. Long-Term Debt

2012 Term Loan and 2012 ABL Revolver:

On January 31, 2012, Prestige Brands, Inc. (the "Borrower") entered into a new senior secured credit facility, which consists of (i) a \$660.0 million term loan facility (the "2012 Term Loan") with a 7-year maturity and (ii) a \$50.0 million asset-based revolving credit facility (the "2012 ABL Revolver") with a 5-year maturity. In subsequent years, we have utilized portions of our accordion feature to increase the amount of our borrowing capacity under the 2012 ABL Revolver by \$85.0 million to \$135.0 million and reduced our borrowing rate on the 2012 ABL Revolver by 0.25% (discussed below). The 2012 Term Loan was issued with an original issue discount of 1.5% of the principal amount thereof, resulting in net proceeds to the Borrower of \$650.1 million. In connection with these loan facilities, we incurred \$20.6 million of costs, which were capitalized as deferred financing costs and

are being amortized over the terms of the facilities. The 2012 Term Loan is unconditionally guaranteed by Prestige Brands Holdings, Inc. and certain of its domestic 100% owned subsidiaries, other than the Borrower. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries or to make payments to the Borrower or the Company.

On February 21, 2013, we entered into Amendment No. 1 ("Term Loan Amendment No. 1") to the 2012 Term Loan. Term Loan Amendment No. 1 provided for the refinancing of all of the Borrower's existing Term B Loans with new Term B-1 Loans (the "Term B-1 Loans"). The interest rate on the Term B-1 Loans under Term Loan Amendment No. 1 was based, at our option, on a LIBOR rate plus a margin of 2.75% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin. The new Term B-1 Loans would have matured on the same date as the Term B Loans' original maturity date. In addition, Term Loan Amendment No. 1 provided the Borrower with certain additional capacity to prepay subordinated debt, the Company's 8.125% senior notes due in 2020 and certain other unsecured indebtedness permitted to be incurred under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver. In connection with Term Loan Amendment No. 1, during the fourth quarter ended March 31, 2013, we recognized a \$1.4 million loss on the extinguishment of debt.

On September 3, 2014, we entered into Amendment No. 2 ("Term Loan Amendment No. 2") to the 2012 Term Loan. Term Loan Amendment No. 2 provided for (i) the creation of a new class of Term B-2 Loans under the 2012 Term Loan (the "Term B-2 Loans") in an aggregate principal amount of \$720.0 million, (ii) increased flexibility under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver, including additional investment, restricted payment and debt incurrence flexibility and financial maintenance covenant relief, and (iii) an interest rate on (x) the Term B-1 Loans that was based, at our option, on a LIBOR rate plus a margin of 3.125% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin, and (y) the Term B-2 Loans that was based, at our option, on a LIBOR rate plus a margin of 3.50% per annum, with a LIBOR floor of 1.00%, or an alternate base rate, with a floor of 2.00%, plus a margin (with a margin step-down to 3.25% per annum, based upon achievement of a specified secured net leverage ratio).

Also, on September 3, 2014, we entered into Amendment No. 3 ("ABL Amendment No. 3") to the 2012 ABL Revolver. ABL Amendment No. 3 provided for (i) a \$40.0 million increase in revolving commitments under the 2012 ABL Revolver and (ii) increased flexibility under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver, including additional investment, restricted payment and debt incurrence flexibility. Borrowings under the 2012 ABL Revolver, as amended, bear interest at a rate per annum equal to an applicable margin, plus, at our option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., and (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month, adjusted for certain additional costs, plus 1.00% or (ii) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs. The applicable margin for borrowings under the 2012 ABL Revolver may be increased to 2.00% or 2.25% for LIBOR borrowings and 1.00% or 1.25% for base-rate borrowings, depending on average excess availability under the 2012 ABL Revolver during the prior fiscal quarter. In addition to paying interest on outstanding principal under the 2012 ABL Revolver, we are required to pay a commitment fee to the lenders under the 2012 ABL Revolver in respect of the unutilized commitments thereunder. The initial commitment fee rate is 0.50% per annum. The commitment fee rate will be reduced to 0.375% per annum at any time when the average daily unused commitments for the prior quarter is less than a percentage of total commitments by an amount set forth in the credit agreement covering the 2012 ABL Revolver. We may voluntarily repay outstanding loans under the 2012 ABL Revolver at any time without a premium or penalty.

On May 8, 2015, we entered into Amendment No. 3 ("Term Loan Amendment No. 3") to the 2012 Term Loan. Term Loan Amendment No. 3 provided for (i) the creation of a new class of Term B-3 Loans under the 2012 Term Loan (the "Term B-3 Loans") in an aggregate principal amount of \$852.5 million, which combined the outstanding balances

of the Term B-1 Loans of \$207.5 million and the Term B-2 Loans of \$645.0 million, and (ii) increased flexibility under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver, including additional investment, restricted payment, and debt incurrence flexibility and financial maintenance covenant relief. The maturity date of the Term B-3 Loans remains the same as the Term B-2 Loans' original maturity date of September 3, 2021.

The 2012 Term Loan, as amended, bears interest at a rate per annum equal to an applicable margin plus, at our option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month, adjusted for certain additional costs, plus 1.00% and (d) a floor of 1.75% or (ii) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, with a floor of 0.75%. For the six months ended September 30, 2016, the average interest rate on the 2012 Term Loan was 5.0%.

On June 9, 2015, we entered into Amendment No. 4 (“ABL Amendment No. 4”) to the 2012 ABL Revolver. ABL Amendment No. 4 provided for (i) a \$35.0 million increase in the accordion feature under the 2012 ABL Revolver and (ii) increased flexibility

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under the credit agreement governing the 2012 Term Loan and 2012 ABL Revolver, including additional investment, restricted payment, and debt incurrence flexibility and financial maintenance covenant relief and (iii) extended the maturity date of the 2012 ABL Revolver to June 9, 2020, which is five years from the effective date. We may voluntarily repay outstanding loans under the 2012 ABL Revolver at any time without a premium or penalty. For the six months ended September 30, 2016, the average interest rate on the amounts borrowed under the 2012 ABL Revolver was 2.4%.

In connection with the DenTek acquisition on February 5, 2016, we entered into Amendment No. 5 ("ABL Amendment No. 5") to the 2012 ABL Revolver. ABL Amendment No. 5 temporarily suspended certain financial and related reporting covenants in the 2012 ABL Revolver until the earliest of (i) the date that was 60 calendar days following February 4, 2016, (ii) the date upon which certain of DenTek's assets were included in the Company's borrowing base under the 2012 ABL Revolver and (iii) the date upon which the Company received net proceeds from an offering of debt securities.

2013 Senior Notes:

On December 17, 2013, the Borrower issued \$400.0 million of senior unsecured notes, with an interest rate of 5.375% and a maturity date of December 15, 2021 (the "2013 Senior Notes"). The Borrower may redeem some or all of the 2013 Senior Notes at redemption prices set forth in the indenture governing the 2013 Senior Notes. The 2013 Senior Notes are guaranteed by Prestige Brands Holdings, Inc. and certain of its 100% domestic owned subsidiaries, other than the Borrower. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries or to make payments to the Borrower or the Company. In connection with the 2013 Senior Notes offering, we incurred \$7.2 million of costs, which were capitalized as deferred financing costs and are being amortized over the term of the 2013 Senior Notes.

2016 Senior Notes:

On February 19, 2016, the Borrower completed the sale of \$350.0 million aggregate principal amount of 6.375% senior notes due 2024 (the "2016 Senior Notes"), pursuant to a purchase agreement, dated February 16, 2016, among the Borrower, the guarantors party thereto (the "Guarantors") and the initial purchasers party thereto. The 2016 Senior Notes are guaranteed by Prestige Brands Holdings, Inc. and certain of its domestic 100% owned subsidiaries, other than the Borrower. Each of these guarantees is joint and several. There are no significant restrictions on the ability of any of the Guarantors to obtain funds from their subsidiaries or to make payments to the Borrower or the Company. In connection with the 2016 Senior Notes offering, we incurred \$5.5 million of costs, which were capitalized as deferred financing costs and are being amortized over the term of the 2016 Senior Notes.

The 2016 Senior Notes were issued pursuant to an indenture, dated February 19, 2016 (the "Indenture"). The Indenture provides, among other things, that interest will be payable on the 2016 Senior Notes on March 1 and September 1 of each year, beginning on September 1, 2016, until their maturity date of March 1, 2024. The 2016 Senior Notes are senior unsecured obligations of the Borrower.

Redemptions and Restrictions:

At any time prior to December 15, 2016, we have the option to redeem the 2013 Senior Notes in whole or in part at a redemption price equal to 100% of the principal amount of notes redeemed, plus an applicable "make-whole premium" calculated as set forth in the indenture governing the 2013 Senior Notes, together with accrued and unpaid interest, if any, to the date of redemption. On or after December 15, 2016, we have the option to redeem some or all of the 2013 Senior Notes at redemption prices set forth in the indenture governing the 2013 Senior Notes. In addition, at any time prior to December 15, 2016, we have the option to redeem up to 35% of the aggregate principal amount of the 2013 Senior Notes at a redemption price equal to 105.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of certain equity offerings, provided that certain conditions are met. Subject to certain limitations, in the event of a change of control, as defined in the indenture governing the 2013 Senior Notes, the Borrower will be required to make an offer to purchase the 2013

Senior Notes at a price equal to 101% of the aggregate principal amount of the 2013 Senior Notes repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The Borrower has the option to redeem all or a portion of the 2016 Senior Notes at any time on or after March 1, 2019 at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any. The Borrower may also redeem all or any portion of the 2016 Senior Notes at any time prior to March 1, 2019, at a price equal to 100% of the aggregate principal amount of the notes redeemed, plus an applicable "make-whole premium" calculated as set forth in the Indenture, and accrued and unpaid interest, if any, to the date of redemption. In addition, before March 1, 2019, the Borrower may redeem up to 40% of the aggregate principal amount of the 2016 Senior Notes with the net proceeds of certain equity offerings at the redemption price set forth in the Indenture, provided that certain conditions are met. Subject to certain limitations, in the event of a change of control, as defined in the Indenture, the Borrower will be required to make an offer to purchase the 2016 Senior Notes at a price equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

The indentures governing the 2013 Senior Notes and the 2016 Senior Notes contain provisions that restrict us from undertaking specified corporate actions, such as asset dispositions, acquisitions, dividend payments, repurchases of common shares outstanding, changes of control, incurrences of indebtedness, issuance of equity, creation of liens, making of loans and transactions with affiliates. Additionally, the credit agreement with respect to the 2012 Term Loan and the 2012 ABL Revolver and the indentures governing the 2013 Senior Notes and the 2016 Senior Notes contain cross-default provisions, whereby a default pursuant to the terms and conditions of certain indebtedness will cause a default on the remaining indebtedness under the credit agreement governing the 2012 Term Loan and the 2012 ABL Revolver and the indentures governing the 2013 Senior Notes and the 2016 Senior Notes. At September 30, 2016, we were in compliance with the covenants under our long-term indebtedness.

At September 30, 2016, we had an aggregate of \$1.1 million of unamortized debt costs related to the 2012 ABL Revolver included in other long-term assets, and \$22.3 million of unamortized debt costs included in long-term debt costs, the total of which is comprised of \$5.0 million related to the 2013 Senior Notes, \$5.1 million related to the 2016 Senior Notes, and \$12.2 million related to the 2012 Term Loan.

At March 31, 2016, we had an aggregate of \$1.3 million of unamortized debt costs related to the 2012 ABL Revolver included in other long-term assets, and \$27.2 million of unamortized debts costs included in long-term debt costs, the total of which is comprised of \$5.4 million related to the 2013 Senior Notes, \$5.4 million related to the 2016 Senior Notes, and \$16.4 million related to the 2012 Term Loan.

At September 30, 2016, we had \$65.0 million outstanding on the 2012 ABL Revolver and a borrowing capacity of \$68.2 million.

Long-term debt consists of the following, as of the dates indicated:

(In thousands, except percentages)	September 30, 2016	March 31, 2016
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-3 Loans bearing interest at the Borrower's option at either a base rate with a floor of 1.75% plus applicable margin or LIBOR with a floor of 0.75% plus applicable margin, due on September 3, 2021.	687,000	817,500
2012 ABL Revolver bearing interest at the Borrower's option at either a base rate plus applicable margin or LIBOR plus applicable margin. Any unpaid balance is due on June 9, 2020.	65,000	85,000
Total long-term debt (including current portion)	1,502,000	1,652,500
Current portion of long-term debt	—	—
Long-term debt	1,502,000	1,652,500
Less: unamortized debt costs	(22,337)	(27,191)
Long-term debt, net	\$1,479,663	\$1,625,309

At September 30, 2016, aggregate future principal payments required in accordance with the terms of the 2012 Term Loan, 2012 ABL Revolver and the indentures governing the 2016 Senior Notes and the 2013 Senior Notes are as follows:

(In thousands)

Year Ending March 31, Amount
\$—

2017 (remaining six months ending March 31, 2017)	
2018	—
2019	—
2020	—
2021	65,000
Thereafter	1,437,000
	\$1,502,000

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11. 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 Term B-3 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 September 30, 2016 and March 31, 2016).

(In thousands)	September 30, 2016		March 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2016 Senior Notes	\$350,000	\$371,000	\$350,000	\$363,125
2013 Senior Notes	400,000	414,000	400,000	408,000
Term B-3 Loans	687,000	693,011	817,500	818,522
2012 ABL Revolver	65,000	65,000	85,000	85,000

At September 30, 2016 and March 31, 2016, we did not have any assets or liabilities measured in Level 1 or 3.

12. 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 September 30, 2016.

During each of the three months ended September 30, 2016 and 2015, we did not repurchase any shares of restricted common stock from our employees pursuant to the provisions of various employee restricted stock awards. During the

six months ended September 30, 2016 and 2015, we repurchased 24,988 shares and 39,429 shares, respectively, of restricted common stock from our employees pursuant to the provisions of various employee restricted stock awards. The repurchases for the six months ended September 30, 2016 and 2015 were at an average price of \$55.82 and \$41.66, respectively. All of the repurchased shares have been recorded as treasury stock.

13. 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.

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AOCI consisted of the following at September 30, 2016 and March 31, 2016:

(In thousands)	September 30, 2016	March 31, 2016
Components of Accumulated Other Comprehensive Loss		
Cumulative translation adjustment	\$(26,646)	\$(23,525)
Accumulated other comprehensive loss, net of tax	\$(26,646)	\$(23,525)

14. 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 September 30, 2016		Six Months Ended September 30, 2015	
Numerator				
Net income	\$32,195	\$31,803	\$26,664	\$57,976
Denominator				
Denominator for basic earnings per share — weighted average shares outstanding	52,993	52,803	52,941	52,676
Dilutive effect of unvested restricted stock units and options issued to employees and directors	352	348	388	379
Denominator for diluted earnings per share	53,345	53,151	53,329	53,055
Earnings per Common Share:				
Basic net earnings per share	\$0.61	\$0.60	\$0.50	\$1.10
Diluted net earnings per share	\$0.60	\$0.60	\$0.50	\$1.09

For each of the three months ended September 30, 2016 and 2015, there were 0.2 million shares 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. For each of the six months ended September 30, 2016 and 2015, there were 0.2 million shares 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.

15. 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 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 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 and six months ended September 30, 2016, pre-tax share-based compensation costs charged against income were \$2.0 million and \$3.9 million, respectively, and the related income tax benefit recorded was \$0.5 million and \$1.2 million, respectively. During the three and six months ended September 30, 2015, pre-tax share-based compensation costs charged against

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income were \$2.0 million and \$5.0 million, respectively, and the related income tax benefit recorded was \$0.7 million and \$1.8 million, respectively.

At September 30, 2016, there were \$12.4 million of unrecognized compensation costs related to nonvested 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 years. The total fair value of options and restricted stock units vested during the six months ended September 30, 2016 and 2015 was \$6.0 million and \$6.5 million, respectively. For the six months ended September 30, 2016 and 2015, we issued 92,718 and 153,603 shares of restricted stock units, respectively, and received cash from the exercise of stock options of \$3.4 million and \$6.4 million, respectively. Accordingly, we realized \$1.7 million and \$3.5 million, respectively, in tax benefits from the tax deductions resulting from these restricted stock issuances and stock option exercises. At September 30, 2016, there were 2.4 million shares available for issuance under the Plan.

On May 9, 2016, the Compensation Committee of our Board of Directors granted 49,064 shares of restricted stock units and stock options to acquire 224,843 shares of our common stock to certain executive officers and employees under the Plan. All of the shares of restricted stock units vest in their entirety on the three-year anniversary of the date of grant. Upon vesting, the units will be settled in shares of our common stock. The stock options will vest 33.3% per year over three years and are exercisable for up to ten years from the date of grant. These stock options were granted at an exercise price of \$57.18 per share, which is equal to the closing price for our common stock on the date of the grant. Termination of employment prior to vesting will result in forfeiture of the unvested restricted common stock units and the unvested stock options. Vested stock options will remain exercisable by the employee after termination, subject to the terms of the Plan.

On September 12, 2016, we announced that Christine Sacco had been appointed as Chief Financial Officer of the Company, effective that same day. In connection with Ms. Sacco's appointment as Chief Financial Officer on September 12, 2016, the Company executed an offer letter with Ms. Sacco, which sets forth the terms of her compensation as approved by the Compensation Committee of the Board of Directors. In accordance with the terms of her offer letter, the Company granted Ms. Sacco 5,012 shares of restricted stock units and stock options to acquire 25,746 shares of our common stock under the Plan. The restricted stock units vest in their entirety on the three-year anniversary of the date of grant. Upon vesting, the units will be settled in shares of our common stock. The stock options will vest 33.3% per year over three years and are exercisable for up to ten years from the date of grant. These stock options were granted at an exercise price of \$47.39 per share, which is equal to the closing price of our common stock on the date of grant.

Restricted Shares

Restricted shares granted to employees under the Plan generally vest in three to five years, primarily upon the attainment of certain time vesting thresholds, and 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 restricted stock unit awards provide for accelerated vesting if there is a change of control, as defined in the Plan. The restricted stock units granted to employees generally vest 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 restricted stock units, unless otherwise accelerated by the Compensation Committee. The restricted stock units 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 restricted stock unit 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.

At our annual meeting date on August 2, 2016, each of our six independent members of the Board of Directors received a grant of 1,896 restricted stock units under the Plan. Additionally, on May 26, 2016, the Compensation

Committee granted 346 restricted stock units to a newly appointed Board member.

The fair value of the restricted stock units is determined using the closing price of our common stock on the date of the grant. The weighted-average grant-date fair value of restricted stock units granted during the six months ended September 30, 2016 and 2015 was \$55.65 and \$42.20, respectively.

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A summary of the Company's restricted stock units granted under the Plan is presented below:

	Shares	Weighted-
	(in	Average
	thousands)	Grant-Date
		Fair Value
Restricted Stock Units		
Six months ended September 30, 2015		