

Spectrum Brands Holdings, Inc.
Form 10-Q
August 06, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 28, 2015

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 001-34757

Spectrum Brands Holdings, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

27-2166630
(I.R.S. Employer
Identification Number)

3001 Deming Way

Middleton, Wisconsin
(Address of principal executive offices)

53562
(Zip Code)

(608) 275-3340
(Registrant's telephone number, including area code)

N/A
(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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer 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

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The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of August 3, 2015, was 59,517,728.

SPECTRUM BRANDS HOLDINGS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTER ENDED June 28, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Financial Position

June 28, 2015 and September 30, 2014

(Amounts in millions, except per share figures)

	June 28, 2015 (Unaudited)	September 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 107.2	\$ 194.6
Receivables:		
Trade accounts receivable, net of allowances \$45.7 and \$48.6, respectively	619.8	439.0
Other	101.6	76.3
Inventories	903.7	624.5
Deferred income taxes	34.9	36.7
Prepaid expenses and other	80.7	63.5
Total current assets	1,847.9	1,434.6
Property, plant and equipment, net of accumulated depreciation		
of \$310.6 and \$264.5, respectively	500.1	428.9
Deferred charges and other	38.6	37.3
Goodwill	2,488.0	1,469.6
Intangible assets, net	2,528.1	2,091.5
Debt issuance costs	69.5	51.1
Total assets	\$ 7,472.2	\$ 5,513.0
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 51.4	\$ 96.7
Accounts payable	453.6	519.7
Accrued liabilities:		
Wages and benefits	80.7	88.1
Income taxes payable	15.5	18.5

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Accrued interest	17.4	35.4
Other	186.9	157.3
Total current liabilities	805.5	915.7
Long-term debt, net of current maturities	4,294.3	2,894.1
Employee benefit obligations, net of current portion	74.5	82.0
Deferred income taxes	599.1	513.2
Other	27.4	21.2
Total liabilities	5,800.8	4,426.2
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value, authorized 200.0 shares; issued 61.0 and 54.1 shares, respectively; outstanding 59.5 and 52.7 shares, respectively	0.6	0.5
Additional paid-in capital	2,029.4	1,433.4
Accumulated deficit	(212.1)	(283.1)
Accumulated other comprehensive loss	(137.5)	(63.1)
	1,680.4	1,087.7
Less treasury stock, at cost, 1.5 and 1.4 shares, respectively	(52.7)	(44.3)
Total shareholders' equity	1,627.7	1,043.4
Noncontrolling interest	43.7	43.4
Total equity	1,671.4	1,086.8
Total liabilities and equity	\$ 7,472.2	\$ 5,513.0

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Operations

For the three and nine month periods ended June 28, 2015 and June 29, 2014

(Unaudited)

(Amounts in millions, except per share figures)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2015	2014	2015	2014
Net sales	\$ 1,247.5	\$ 1,128.5	\$ 3,382.3	\$ 3,250.8
Cost of goods sold	789.5	710.9	2,179.0	2,089.6
Restructuring and related charges	—	0.6	0.4	3.3
Gross profit	458.0	417.0	1,202.9	1,157.9
Selling	184.8	171.8	517.7	501.8
General and administrative	89.9	78.5	242.5	227.4
Research and development	12.9	12.2	36.9	35.2
Acquisition and integration related charges	24.2	2.7	44.2	14.5
Restructuring and related charges	10.5	3.1	21.9	12.7
Total operating expenses	322.3	268.3	863.2	791.6
Operating income	135.7	148.7	339.7	366.3
Interest expense	112.9	47.3	206.5	151.7
Other expense, net	1.7	2.8	5.6	4.4
Income from operations before income taxes	21.1	98.6	127.6	210.2
Income tax expense (benefit)	(23.8)	20.6	4.8	43.8
Net income	44.9	78.0	122.8	166.4
Less: Net income attributable to non-controlling interest	—	—	0.3	0.2
Net income attributable to controlling interest	\$ 44.9	\$ 78.0	\$ 122.5	\$ 166.2
Basic earnings per share:				
Weighted average shares of common stock outstanding	56.5	52.7	54.2	52.6
Net income per share attributable to controlling interest	\$ 0.79	\$ 1.48	\$ 2.26	\$ 3.16
Diluted earnings per share:				
Weighted average shares and equivalents outstanding	56.5	53.0	54.3	52.9
Net income per share attributable to controlling interest	\$ 0.79	\$ 1.47	\$ 2.26	\$ 3.14
Cash dividends declared per common share	\$ 0.33	\$ 0.30	\$ 0.96	\$ 0.85

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three and nine month periods ended June 28, 2015 and June 29, 2014

(Unaudited)

(Amounts in millions)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2015	2014	2015	2014
Net income	\$ 44.9	\$ 78.0	\$ 122.8	\$ 166.4
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	9.5	8.4	(68.6)	5.6
Unrealized (loss) on derivative hedging instruments	(12.0)	(1.4)	(8.6)	(1.6)
Defined benefit pension gain (loss)	(0.6)	0.4	2.8	0.5
Other comprehensive income (loss), net of tax	(3.1)	7.4	(74.4)	4.5
Comprehensive income	41.8	85.4	48.4	170.9
Less: Comprehensive income attributable to non-controlling interest	—	—	0.3	0.5
Comprehensive income attributable to controlling interest	\$ 41.8	\$ 85.4	\$ 48.1	\$ 170.4

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows

For the nine month periods ended June 28, 2015 and June 29, 2014

(Unaudited)

(Amounts in millions)

	NINE MONTHS ENDED	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 122.8	\$ 166.4
Adjustments to reconcile net income to net cash used by operating activities, net of effects of acquisitions:		
Depreciation	58.7	56.4
Amortization of intangibles	64.0	61.2
Amortization of unearned restricted stock compensation	36.3	27.5
Amortization of debt issuance costs	7.7	8.2
Non-cash increase to cost of goods sold due to acquisitions inventory step up	7.7	—
Write off unamortized discount on retired debt	1.7	2.8
Write off of debt issuance costs	11.2	6.4
Other non-cash adjustments	16.4	4.0
Net changes in operating assets and liabilities	(485.7)	(382.1)
Net cash used by operating activities	(159.2)	(49.2)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(49.5)	(50.9)
Acquisition of Tell Manufacturing, net of cash acquired	(29.2)	—
Acquisition of European IAMS and Eukanuba, net of cash acquired	(115.7)	—
Acquisition of Salix Animal Health, net of cash acquired	(147.8)	—
Acquisition of Armored AutoGroup, net of cash acquired	(900.5)	—
Acquisition of Liquid Fence, net of cash acquired	—	(25.3)
Proceeds from sales of property, plant and equipment	1.3	9.1
Other investing activities	(0.9)	(0.3)
Net cash used by investing activities	(1,242.3)	(67.4)
Cash flows from financing activities:		
Proceeds from issuance of Term Loan, net of discount	1,444.9	523.7
Proceeds from issuance of 6.125% Notes	250.0	—
Proceeds from issuance of 5.75% Notes	1,000.0	—
Proceeds from Euro Term Loan	340.2	—
Proceeds from CAD Term Loan	60.9	—

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Payment of debt instruments, excluding ABL revolving credit facility	(2,275.2)	(567.5)
Debt issuance costs	(37.3)	(5.4)
Other debt financing, net	(5.4)	9.4
Revolving credit facility, net	47.5	110.0
Cash dividends paid	(51.0)	(44.8)
Treasury stock purchases	(8.4)	(4.5)
Net proceeds from issuance of common stock	562.8	—
Share based tax withholding payments, net of proceeds upon vesting	(1.9)	(26.5)
Net cash provided (used) by financing activities	1,327.1	(5.6)
Effect of exchange rate changes on cash and cash equivalents	(13.0)	—
Net decrease in cash and cash equivalents	(87.4)	(122.2)
Cash and cash equivalents, beginning of period	194.6	207.3
Cash and cash equivalents, end of period	\$ 107.2	\$ 85.1

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Amounts in millions of dollars, except per share figures or as otherwise specified)

1 DESCRIPTION OF BUSINESS

Spectrum Brands Holdings, Inc., a Delaware corporation (“SB Holdings” or the “Company”), is a diversified global branded consumer products company. SB Holdings' common stock trades on the New York Stock Exchange (the “NYSE”) under the symbol “SPB.”

The Company’s operations include the worldwide manufacturing and marketing of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic health supplies and the designing and marketing of rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. The Company’s operations also include the manufacturing and marketing of specialty pet supplies. The Company also manufactures and markets herbicides, insecticides and insect repellents in North America. The Company also designs, markets and distributes a broad range of branded small appliances and personal care products. The Company also designs, markets, distributes and sells certain hardware, home improvement and plumbing products. The Company’s operations utilize manufacturing and product development facilities located in the United States (“U.S.”), Europe, Latin America and Asia.

On May 21, 2015, the Company acquired Armored AutoGroup Parent, Inc. (“AAG”). AAG is a consumer products company consisting primarily of Armor All and STP products, two of the most recognizable brands in the automotive aftermarket appearance products and performance chemicals categories, respectively, and the AC/PRO brand of do-it-yourself automotive air conditioner recharge products. For information pertaining to the AAG acquisition, see Note 14, “Acquisitions.”

The Company sells its products in approximately 160 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers and enjoys name recognition in its markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8-in-1, Dingo, Nature's Miracle, IAMS, Eukanuba, Healthy-Hide, Digest-eeze, Spectracide, Cutter, Hot Shot, Black & Decker, George Foreman, Russell Hobbs, Farberware, Black Flag, FURminator, Kwikset, Weiser, Baldwin, National Hardware, Stanley, Pfister and the previously mentioned AAG brands.

The Company’s global branded consumer products have positions in seven major product categories: consumer batteries, small appliances, personal care, hardware and home improvement, pet supplies, home and garden controls and auto care, which consists of the recently acquired AAG business.

The Company manages the businesses in five vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of the Company’s worldwide battery, personal care and small appliances primarily in the kitchen and home product categories (“Global Batteries & Appliances”); (ii) Hardware & Home Improvement, which consists of the Company's worldwide hardware, home improvement and plumbing business (“Hardware & Home Improvement”); (iii) Global Pet Supplies, which consists of the Company’s worldwide pet supplies business (“Global Pet Supplies”); (iv) Home and Garden, which consists of the Company’s home and garden and insect control business (“Home and Garden”); and (v) Global Auto Care, which consists of the Company’s automotive aftermarket appearance products, performance chemicals/additives and do-it-yourself automotive air conditioner recharge (“Global Auto Care”). Management reviews the performance of the Company based on these segments, which

also reflect the manner in which the Company's management monitors performance and allocates resources. For information pertaining to our business segments, see Note 12, "Segment Results."

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in millions of dollars, except per share figures or as otherwise specified)

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The condensed consolidated financial statements include the accounts of SB Holdings and its subsidiaries and are prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). All intercompany transactions have been eliminated.

These condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at June 28, 2015, the results of operations for the three and nine month periods ended June 28, 2015 and June 29, 2014, the comprehensive income (loss) for the three and nine month periods ended June 28, 2015 and June 29, 2014 and the cash flows for the nine month periods ended June 28, 2015 and June 29, 2014. Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2014.

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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Intangible Assets: Intangible assets are recorded at cost or at fair value if acquired in a purchase business combination. Customer relationships and proprietary technology intangibles are amortized, using the straight-line method, over their estimated useful lives. Excess of cost over fair value of net assets acquired (goodwill) and indefinite lived trade name intangibles are not amortized. GAAP requires that goodwill and indefinite-lived intangible assets be tested for impairment annually or more often if an event or circumstance indicates that an impairment loss may have been incurred. Goodwill is tested for impairment at the reporting unit level, with such groupings being consistent with the Company’s reportable segments. If impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded. Indefinite lived trade name intangibles are tested for impairment at least annually by comparing the fair value with the carrying value. Any excess of carrying value over fair value is recognized as an impairment loss in income from operations.

The Company’s annual impairment testing is completed at the August financial period end. Management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as unexpected adverse business conditions, economic factors, unanticipated technological change or competitive activities, loss of key personnel, and acts by governments and courts may signal that an asset has become impaired.

Shipping and Handling Costs: The Company incurred shipping and handling costs of \$68.3 and \$199.1 for the three and nine month periods ended June 28, 2015, respectively, and \$66.2 and \$194.5 for the three and nine months periods ended June 29, 2014, respectively. These costs are included in Selling expenses in the accompanying

Condensed Consolidated Statements of Operations (Unaudited). Shipping and handling costs include costs incurred with third-party carriers to transport products to customers as well as salaries and overhead costs related to activities to prepare the Company's products for shipment from its distribution facilities.

Concentrations of Credit Risk: Trade receivables subject the Company to credit risk. Trade accounts receivable are carried at net realizable value. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history, and generally does not require collateral. The Company monitors its customers' credit and financial condition based on changing economic conditions and makes adjustments to credit policies as required. Provisions for losses on uncollectible trade receivables are determined based on ongoing evaluations of the Company's receivables, principally on the basis of historical collection experience and evaluations of the risks of nonpayment for a given customer.

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in millions of dollars, except per share figures or as otherwise specified)

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This customer represented approximately 15% of the Company's Net sales during both the three and nine month periods ended June 28, 2015, and 15% and 16% of the Company's Net sales for the three and nine month periods ended June 29, 2014, respectively. This customer also represented approximately 13% and 14% of the Company's Trade accounts receivable, net at June 28, 2015 and September 30, 2014, respectively.

Approximately 33% and 39% of the Company's Net sales during the three and nine month periods ended June 28, 2015, respectively, and 37% and 41% of the Company's Net sales during the three and nine month periods ended June 29, 2014, respectively, occurred outside the U.S. These sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for ability to collect based on an assessment of the risks present.

Stock-Based Compensation: The Company measures the cost of its stock-based compensation plans based on the fair value of its employee stock awards and recognizes these costs over the requisite service period of the awards.

Total stock compensation expense associated with restricted stock units recognized by the Company during the three and nine month periods ended June 28, 2015 was \$16.9 and \$36.3, respectively. Total stock compensation expense associated with restricted stock units recognized by the Company during the three and nine month periods ended June 29, 2014 was \$9.6 and \$27.5, respectively. The remaining unrecognized pre-tax compensation cost related to restricted stock units at June 28, 2015 was \$38.6.

The Company granted approximately 0.02 million and 0.55 million restricted stock units during the three and nine month periods ended June 28, 2015, respectively. The 0.55 million restricted stock units granted during the nine months ended June 28, 2015 include 0.13 million restricted stock units that vested immediately and 0.14 million time-based restricted stock units that vest over a period ranging from one to three years. The remaining 0.28 million restricted stock units are performance and time-based and vest over a period ranging from one to two years. The total market value of the restricted stock units on the dates of the grants was approximately \$49.8.

The Company granted approximately 0.01 million and 0.44 million restricted stock units during the three and nine month periods ended June 29, 2014. The 0.44 million restricted units granted during the nine months ended June 29, 2014, include 0.09 million restricted stock units that vested immediately and 0.06 million time-based restricted stock units that vest over a one year period. The remaining 0.29 million restricted stock units are performance and time-based and vest over a two year period. The total market value of the restricted stock units on the dates of the grants was approximately \$30.6.

The fair value of restricted stock units is determined based on the market price of the Company's shares of common stock on the grant date. A summary of the activity in the Company's non-vested restricted stock units during the nine months ended June 28, 2015 is as follows:

Restricted Stock Units	Shares	Weighted Average Share Price at Grant Date	Fair Value at Grant Date
Non-vested restricted stock units at September 30, 2014	0.83	\$ 67.66	\$ 56.0
Granted	0.55	90.44	49.8
Forfeited	(0.03)	85.39	(2.5)
Vested	(0.71)	68.29	(48.1)
Non-vested restricted stock units at June 28, 2015	0.64	\$ 85.65	\$ 55.2

Acquisition and Integration Related Charges: Acquisition and integration related charges reflected in Operating expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited) include, but are not limited to, transaction costs such as banking, legal, accounting and other professional fees directly related to acquisitions, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination expenses associated with mergers and acquisitions.

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in millions of dollars, except per share figures or as otherwise specified)

The following table summarizes acquisition and integration related charges incurred by the Company during the three and nine month periods ended June 28, 2015 and June 29, 2014:

	Three Months		Nine Months	
	Ended		Ended	
	2015	2014	2015	2014
Salix Animal Health	\$ 3.3	\$ —	\$ 8.4	\$ —
European IAMS and Eukanuba	1.0	—	6.0	—
HHI Business	2.1	3.3	8.3	11.2
Tell	0.5	—	1.6	—
Liquid Fence	(0.8)	0.7	0.5	2.4
Armored AutoGroup	17.8	—	17.8	—
Other	0.3	(1.3)	1.6	0.9
Total Acquisition and integration related charges	\$ 24.2	\$ 2.7	\$ 44.2	\$ 14.5

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in millions of dollars, except per share figures or as otherwise specified)

3 COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes foreign currency translation gains and losses on assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as a hedge of a net investment in a foreign subsidiary, deferred gains and losses on derivative financial instruments designated as cash flow hedges and amortization of deferred gains and losses associated with the Company's pension plans. The foreign currency translation gains and losses for the three and nine month periods ended June 28, 2015 and June 29, 2014 were principally attributable to the impact of translation of the net assets of the Company's European and Latin American operations, which primarily have functional currencies in Euros, Pounds Sterling and Brazilian Real.

For information pertaining to the reclassification of unrealized gains and losses on derivative instruments, see Note 8, "Derivative Financial Instruments."

The components of Other comprehensive income (loss), net of tax, for the three and nine month periods ended June 28, 2015 and June 29, 2014 are as follows:

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Foreign Currency Translation Adjustments:				
Net change after reclassification adjustment	\$ 9.5	\$ 8.4	\$ (68.6)	\$ 5.6
Deferred tax effect	—	—	—	—
Other Comprehensive Income (Loss)	\$ 9.5	\$ 8.4	\$ (68.6)	\$ 5.6
Non-controlling interest	—	—	—	0.2
Comprehensive Income (Loss) attributable to controlling interest	\$ 9.5	\$ 8.4	\$ (68.6)	\$ 5.4
Derivative Hedging Instruments:				
Gross change before reclassification adjustment	\$ (7.8)	\$ (3.0)	\$ 9.3	\$ (3.9)
Net reclassification adjustment for (gains) losses included in earnings	(8.1)	1.3	(19.9)	2.2
Gross change after reclassification adjustment	\$ (15.9)	\$ (1.7)	\$ (10.6)	\$ (1.7)
Deferred tax effect	3.9	0.3	2.0	0.1
Other Comprehensive (Loss)	\$ (12.0)	\$ (1.4)	\$ (8.6)	\$ (1.6)
Defined Benefit Pension Plans:				
Gross change before reclassification adjustment	\$ (1.1)	\$ 0.2	\$ 2.6	\$ (0.4)
Net reclassification adjustment for losses included in Cost of goods sold	0.2	0.1	0.5	0.4
Net reclassification adjustment for losses included in Selling expenses	—	0.1	0.2	0.2
Net reclassification adjustment for losses included in General and administrative expenses	0.1	0.2	0.4	0.5
Gross change after reclassification adjustment	\$ (0.8)	\$ 0.6	\$ 3.7	\$ 0.7
Deferred tax effect	0.2	(0.2)	(0.9)	(0.2)
Other Comprehensive Income (Loss)	\$ (0.6)	\$ 0.4	\$ 2.8	\$ 0.5
Total Other Comprehensive Income (Loss), net of tax	\$ (3.1)	\$ 7.4	\$ (74.4)	\$ 4.3

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in millions of dollars, except per share figures or as otherwise specified)

4 NET INCOME PER COMMON SHARE

Net income per common share of the Company for the three and nine month periods ended June 28, 2015 and June 29, 2014 is calculated based upon the following number of shares:

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Basic	56.5	52.7	54.2	52.6
Effect of common stock equivalents	—	0.3	0.1	0.3
Diluted	56.5	53.0	54.3	52.9

5 INVENTORIES

Inventories consist of the following:

June 28, 2015 September
30, 2014

Raw materials	\$ 149.7	\$ 104.1
Work-in-process	58.3	35.3
Finished goods	695.7	485.1
	\$ 903.7	\$ 624.5

6 GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets of the Company consist of the following:

	Global Batteries & Appliances	Hardware & Home Improvement	Global Pet Supplies	Global Auto Care	Home and Garden	Total
Goodwill:						
Balance at September 30, 2014	\$ 327.4	\$ 709.8	\$ 235.9	\$ —	\$ 196.5	\$ 1,469.6
Additions	—	7.1	73.6	965.7	—	1,046.4
Effect of translation	(12.0)	(7.6)	(7.4)			