Spectrum Brands Holdings, Inc.
Form 10-Q
May 01, 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 March 29, 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)

Delaware	27-2166630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
3001 Deming Way	
Middleton, Wisconsin	53562
(Address of principal executive offices)	(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

The number of shares outstanding of the Registrant's common stock, $.01 par value, as of April 28, 2015, was 53,297,793.

SPECTRUM BRANDS HOLDINGS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTER ENDED March 29, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Financial Position

March 29, 2015 and September 30, 2014

(Amounts in millions, except per share figures)

	March 29, 2015 (Unaudited)	September 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 87.8	$ 194.6
Receivables:		
Trade accounts receivable, net of allowances $41.2 and $48.6, respectively	494.8	439.0
Other	91.3	76.3
Inventories	814.0	624.5
Deferred income taxes	30.1	36.7
Prepaid expenses and other	68.9	63.5
Total current assets	1,586.9	1,434.6
Property, plant and equipment, net of accumulated depreciation of $285.8 and $264.5, respectively	461.7	428.9
Deferred charges and other	36.3	37.3
Goodwill	1,516.1	1,469.6
Intangible assets, net	2,108.6	2,091.5
Debt issuance costs	52.4	51.1
Total assets	$ 5,762.0	$ 5,513.0
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ 96.3	$ 96.7
Accounts payable	444.3	519.7
Accrued liabilities:		
Wages and benefits	62.3	88.1
Income taxes payable	20.1	18.5

Accrued interest	39.8	35.4
Other	147.8	157.3
Total current liabilities	810.6	915.7
Long-term debt, net of current maturities	3,279.8	2,894.1
Employee benefit obligations, net of current portion	71.8	82.0
Deferred income taxes	505.1	513.2
Other	21.1	21.2
Total liabilities	4,688.4	4,426.2
Commitments and contingencies		
Shareholders' equity:		
Common stock, $.01 par value, authorized 200.0 shares; issued 54.8 and 54.1 shares, respectively; outstanding 53.3 and 52.7 shares, respectively	0.5	0.5
Additional paid-in capital	1,455.7	1,433.4
Accumulated deficit	(239.2)	(283.1)
Accumulated other comprehensive loss	(134.4)	(63.1)
	1,082.6	1,087.7
Less treasury stock, at cost, 1.5 and 1.4 shares, respectively	(52.7)	(44.3)
Total shareholders' equity	1,029.9	1,043.4
Noncontrolling interest	43.7	43.4
Total equity	1,073.6	1,086.8
Total liabilities and equity	$ 5,762.0	$ 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 six month periods ended March 29, 2015 and March 30, 2014

(Unaudited)

(Amounts in millions, except per share figures)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	2015	2014	2015	2014
Net sales	$ 1,067.0	$ 1,021.7	$ 2,134.8	$ 2,122.3
Cost of goods sold	692.1	661.0	1,389.5	1,378.7
Restructuring and related charges	0.2	1.1	0.4	2.8
Gross profit	374.7	359.6	744.9	740.8
Selling	173.1	165.7	332.9	329.9
General and administrative	84.3	75.9	152.6	148.9
Research and development	12.8	12.3	24.0	23.1
Acquisition and integration related charges	11.9	6.3	20.0	11.8
Restructuring and related charges	4.2	6.8	11.4	9.5
Total operating expenses	286.3	267.0	540.9	523.2
Operating income	88.4	92.6	204.0	217.6
Interest expense	49.2	47.4	93.6	104.4
Other expense, net	3.2	0.8	3.9	1.6
Income from continuing operations before income taxes	36.0	44.4	106.5	111.6
Income tax expense	8.1	10.5	28.6	23.3
Net income	27.9	33.9	77.9	88.3
Less: Net income attributable to non-controlling interest	0.1	0.1	0.3	0.2
Net income attributable to controlling interest	$ 27.8	$ 33.8	$ 77.6	$ 88.1
Basic earnings per share:				
Weighted average shares of common stock outstanding	53.3	52.7	53.0	52.6
Net income per share attributable to controlling interest	$ 0.52	$ 0.64	$ 1.46	$ 1.68
Diluted earnings per share:				
Weighted average shares and equivalents outstanding	53.3	53.0	53.1	52.8
Net income per share attributable to controlling interest	$ 0.52	$ 0.64	$ 1.46	$ 1.67
Cash dividends declared per common share	$ 0.33	$ 0.30	$ 0.63	$ 0.55

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 six month periods ended March 29, 2015 and March 30, 2014

(Unaudited)

(Amounts in millions)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	2015	2014	2015	2014
Net income	$ 27.9	$ 33.9	$ 77.9	$ 88.3
Other comprehensive income (loss), net of tax:				
Foreign currency translation loss	(43.6)	(2.6)	(78.1)	(2.9)
Unrealized gain (loss) on derivative hedging instruments	1.4	(1.6)	3.4	(0.1)
Defined benefit pension gain	2.4	0.1	3.4	0.1
Other comprehensive loss, net of tax	(39.8)	(4.1)	(71.3)	(2.9)
Comprehensive income (loss)	(11.9)	29.8	6.6	85.4
Less: Comprehensive income attributable to non-controlling interest	0.1	0.2	0.3	0.4
Comprehensive income (loss) attributable to controlling interest	$ (12.0)	$ 29.6	$ 6.3	$ 85.0

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 Cash Flows

For the six month periods ended March 29, 2015 and March 30, 2014

(Unaudited)

(Amounts in millions)

	SIX MONTHS ENDED	
	2015	2014
Cash flows from operating activities:		
Net income	$ 77.9	$ 88.3
Adjustments to reconcile net income to net cash used by operating activities, net of effects of acquisitions:		
Depreciation	37.1	36.5
Amortization of intangibles	41.7	40.7
Amortization of unearned restricted stock compensation	19.4	17.9
Amortization of debt issuance costs	5.1	5.2
Non-cash increase to cost of goods sold due to acquisitions inventory step up	3.0	—
Write off unamortized discount on retired debt	—	2.8
Write off of debt issuance costs	—	6.4
Other non-cash adjustments	7.2	3.4
Net changes in operating assets and liabilities	(371.7)	(356.8)
Net cash used by operating activities	(180.3)	(155.6)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(29.9)	(36.8)
Acquisition of Tell Manufacturing, net of cash acquired	(29.2)	—
Acquisition of European IAMS and Eukanuba, net of cash acquired	(116.0)	—
Acquisition of Salix Animal Health, net of cash acquired	(147.5)	—
Acquisition of Liquid Fence, net of cash acquired	—	(25.3)
Proceeds from sales of property, plant and equipment	1.2	—
Other investing activities	(0.9)	(0.1)
Net cash used by investing activities	(322.3)	(62.2)
Cash flows from financing activities:		
Proceeds from issuance of Term Loan, net of discount	—	523.7
Proceeds from issuance of 6.125% Notes	250.0	—
Proceeds from Euro Term Loan Tranche B	185.4	—
Payment of senior credit facilities, excluding ABL revolving credit facility	(15.2)	(530.8)
Debt issuance costs	(6.9)	(5.4)
Other debt financing, net	(0.1)	11.6

Reduction of other debt	(3.6)	(1.6)
ABL revolving credit facility, net	42.0	167.5
Cash dividends paid	(33.5)	(29.0)
Treasury stock purchases	(8.5)	(4.5)
Share based tax withholding payments, net of proceeds upon vesting	(1.9)	(26.5)
Net cash provided by financing activities	407.7	105.0
Effect of exchange rate changes on cash and cash equivalents	(11.9)	(1.1)
Net decrease in cash and cash equivalents	(106.8)	(113.9)
Cash and cash equivalents, beginning of period	194.6	207.3
Cash and cash equivalents, end of period	$ 87.8	$ 93.4

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.

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, FANAL and Pfister brands.

The Company’s global branded consumer products have positions in six major product categories: consumer batteries, small appliances, personal care, hardware and home improvement, pet supplies and home and garden controls.

The Company manages the businesses in four 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”); and (iv) Home and Garden, which consists of the Company’s home and garden and insect control business (“Home and Garden”). 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.”

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 March 29, 2015, the results of operations for the three and six month periods ended March 29, 2015 and March 30, 2014, the comprehensive income (loss) for the three and six month periods ended March 29, 2015 and March 30, 2014 and the cash flows for the six month periods ended March 29, 2015 and March 30, 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.

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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)

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 $66.1 and $130.8 for the three and six month periods ended March 29, 2015, respectively, and $63.7 and $128.3 for the three and six months periods ended March 30, 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.

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 13% and 14% of the Company's Net sales during the three and six month periods ended March 29, 2015, respectively, and 16% of the Company's Net sales for both the three and six month periods ended March 30, 2014. This customer also represented approximately 11% and 14% of the Company's Trade accounts receivable, net at March 29, 2015 and September 30, 2014, respectively.

Approximately 39% and 42% of the Company's Net sales during the three and six month periods ended March 29, 2015, respectively, and 39% and 43% of the Company's Net sales during the three and six month periods ended March 30, 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 six month periods ended March 29, 2015 was $13.8 and $19.4, respectively. Total stock compensation expense associated with restricted stock units recognized by the Company during the three and six month periods ended March 30, 2014 was $11.3 and $17.9, respectively. The remaining unrecognized pre-tax compensation cost related to restricted stock units at March 29, 2015 was $48.6.

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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 granted approximately 0.30 million and 0.53 million restricted stock units during the three and six month periods ended March 29, 2015, respectively. The 0.53 million restricted stock units granted during the six months ended March 29, 2015 include 0.13 million restricted stock units that vested immediately and 0.13 million time-based restricted stock units that vest over a period ranging from one to three years. The remaining 0.27 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 $47.8.

The Company granted approximately 0.02 million and 0.44 million restricted stock units during the three and six month periods ended March 30, 2014, respectively. The 0.44 million restricted units granted during the six months ended March 30, 2014, include 0.09 million restricted stock units that vested immediately and 0.05 million time-based restricted stock units that vest over a one year period. The remaining 0.30 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 $30.1.

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 six months ended March 29, 2015 is as follows:

Restricted Stock Units	Shares (in millions)	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	0.53	90.43	47.8
Forfeited	(0.02)	84.13	(1.3)
Vested	(0.70)	68.28	(48.1)
Non-vested restricted stock units at March 29, 2015	0.64	$ 85.50	$ 54.4

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.

The following table summarizes acquisition and integration related charges incurred by the Company during the three and six month periods ended March 29, 2015 and March 30, 2014:

	Three Months Ended		Six Months Ended	
	2015	2014	2015	2014
Salix Animal Health	$ 5.1	$ —	$ 5.1	$ —
European IAMS and Eukanuba	4.1	—	5.0	—
HHI Business	3.0	3.7	6.2	7.9
Tell	0.6	—	1.1	—
Liquid Fence	0.4	1.2	1.3	1.7
Other	(1.3)	1.4	1.3	2.2
Total Acquisition and integration related charges	$ 11.9	$ 6.3	$ 20.0	$ 11.8

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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 six month periods ended March 29, 2015 and March 30, 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 six month periods ended March 29, 2015 and March 30, 2014 are as follows:

	Three Months Ended		Six Months Ended	
	2015	2014	2015	2014
Foreign Currency Translation Adjustments:				
Net change after reclassification adjustment	$ (43.6)	$ (2.6)	$ (78.1)	$ (2.9)
Deferred tax effect	—	—	—	—
Deferred tax valuation allowance	—	—	—	—
Other Comprehensive Loss	$ (43.6)	$ (2.6)	$ (78.1)	$ (2.9)
Noncontrolling interest	—	0.2	—	0.1
Comprehensive loss attributable to controlling interest	$ (43.6)	$ (2.8)	$ (78.1)	$ (3.0)
Derivative Hedging Instruments:				
Gross change before reclassification adjustment	$ 9.3	$ (1.8)	$ 17.1	$ (0.9)
Net reclassification adjustment for (gains) losses included in earnings	(7.0)	(0.1)	(11.8)	0.9
Gross change after reclassification adjustment	$ 2.3	$ (1.9)	$ 5.3	$ —
Deferred tax effect	(0.9)	0.4	(0.9)	(0.1)
Deferred tax valuation allowance	—	(0.1)	(1.0)	—
Other Comprehensive Income (Loss)	$ 1.4	$ (1.6)	$ 3.4	$ (0.1)

Defined Benefit Pension Plans:				
Gross change before reclassification adjustment	$ 2.8	$ (0.2)	$ 3.7	$ (0.6)
Net reclassification adjustment for losses included in Cost of goods sold	0.1	0.1	0.3	0.3
Net reclassification adjustment for losses included in Selling expenses	0.1	0.1	0.2	0.2
Net reclassification adjustment for losses included in General and administrative expenses	0.2	0.2	0.3	0.3
Gross change after reclassification adjustment	$ 3.2	$ 0.2	$ 4.5	$ 0.2
Deferred tax effect	(0.8)	(0.1)	(1.1)	(0.1)
Deferred tax valuation allowance	—	—	—	—
Other Comprehensive Income	$ 2.4	$ 0.1	$ 3.4	$ 0.1
Total Other Comprehensive Loss, net of tax	$ (39.8)	$ (4.3)	$ (71.3)	$ (3.0)

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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 six month periods ended March 29, 2015 and March 30, 2014 is calculated based upon the following number of shares:

	Three Months Ended		Six Months Ended	
	2015	2014	2015	2014
Basic	53.3	52.7	53.0	52.6
Effect of common stock equivalents	—	0.3	0.1	0.2
Diluted	53.3	53.0	53.1	52.8

5 INVENTORIES

Inventories consist of the following:

	March 29, 2015	September 30, 2014
Raw materials	$ 138.7	$ 104.1
Work-in-process	55.6	35.3

Finished goods	619.7	485.1
	$ 814.0	$ 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	Home and Garden	Total
Goodwill:					
Balance at September 30, 2014	$ 327.4	$ 709.8	$ 235.9	$ 196.5	$ 1,469.6
Additions	—	7.1	70.5	—	77.6
Effect of translation	(14.8)	(8.2)	(8.1)	—	(31.1)
Balance at March 29, 2015	$ 312.6	$ 708.7	$ 298.3	$ 196.5	$ 1,516.1
Intangible Assets:					
Trade Names Not Subject to Amortization					
Balance at September 30, 2014	$ 544.6	$ 330.6	$ 210.5	$ 88.6	$ 1,174.3
Additions	—	4.0	46.7	—	50.7
Effect of translation	(15.0)	(0.8)	(15.5)	—	(31.3)
Balance at March 29, 2015	$ 529.6	$ 333.8	$ 241.7	$ 88.6	$ 1,193.7
Intangible Assets Subject to Amortization					
Balance at September 30, 2014, net	$ 400.3	$ 130.5	$ 222.3	$ 164.1	$ 917.2
Additions	0.9	8.5	52.3	—	61.7
Amortization during period	(17.1)	(7.6)	(11.6)	(5.4)	(41.7)
Effect of translation	(13.5)	(1.4)	(7.4)	—	(22.3)
Balance at March 29, 2015, net	$ 370.6	$ 130.0	$ 255.6	$ 158.7	$ 914.9
Total Intangible Assets, net at March 29, 2015	$ 900.2	$ 463.8	$ 497.3	$ 247.3	$ 2,108.6

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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)

During the three month period ended March 29, 2015, the Company recorded additions to goodwill and intangible assets related to the acquisitions of Proctor & Gamble's European pet food business consisting of the IAMS and Eukanuba brands ("European IAMS and Eukanuba") and Salix Animal Health LLC ("Salix"), which is included in the Global Pet Supplies segment. See Note 14 "Acquisitions," for further information.

Intangible assets subject to amortization include proprietary technology, customer relationships and certain trade names. The useful lives for proprietary technology assets associated with the Global Batteries & Appliances segment, the Hardware & Home Improvement segment and the Global Pet Supplies segment are from 9 to 17 years, 8 to 9 years and 4 to 9 years, respectively. The useful lives of customer relationships are from 15 to 20 years within the Global Batteries & Appliances segment, 20 years in each of the Hardware & Home Improvement and Home and Garden segments and from 2 to 20 years within the Global Pet Supplies segment. The useful lives for trade names are from 1 to 12 years within the Global Batteries & Appliances segment, 5 to 8 years within the Hardware & Home Improvement segment and 3 years within the Global Pet Supplies segment.

The carrying value and accumulated amortization for intangible assets subject to amortization are as follows:

	March 29, 2015	September 30, 2014
Technology Assets Subject to Amortization:		
Gross balance	$ 195.5	$ 192.2
Accumulated amortization	(67.0)	(57.6)
Carrying value, net	$ 128.5	$ 134.6
Trade Names Subject to Amortization:		
Gross balance	$ 173.7	$ 171.0
Accumulated amortization	(69.1)	(61.0)
Carrying value, net	$ 104.6	$ 110.0
Customer Relationships Subject to Amortization:		
Gross balance	$ 903.0	$ 877.2
Accumulated amortization	(221.2)	(204.6)
Carrying value, net	$ 681.8	$ 672.6
Total Intangible Assets, net Subject to Amortization	$ 914.9	$ 917.2

Amortization expense for the three and six month periods ended March 29, 2015 and March 30, 2014 is as follows:

	Three Months Ended		Six Months Ended	
	2015	2014	2015	2014
Proprietary technology amortization	$ 4.7	$ 4.7	$ 9.4	$ 9.2
Trade names amortization	4.1	4.1	8.2	8.2
Customer relationships amortization	12.4	11.7	24.1	23.3
	$ 21.2	$ 20.5	$ 41.7	$ 40.7

The Company estimates annual amortization expense of intangible assets for the next five fiscal years will approximate $81.0 per year.

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7 DEBT

Debt consists of the following:

	March 29, 2015		September 30, 2014		
	Amount	Rate	Amount	Rate	Interest Terms
Term Loan, due September 4, 2017 (Tranche A)	$ 635.2	3.1 %	$ 648.4	3.0 %	Variable rate, see below
Term Loan, due September 4, 2019 (Tranche C)	508.6	3.6 %	509.9	3.6 %	Variable rate, see below
CAD Term Loan, due December 17, 2019	30.5	5.1 %	34.2	5.1 %	Variable rate, see below
Euro Term Loan, due September 4, 2019	242.5	3.8 %	283.3	3.8 %	Variable rate, see below
Euro Term Loan, due December 19, 2021	163.3	3.8 %	—	— %	Variable rate, see below
6.375% Notes, due November 15, 2020	520.0	6.4 %	520.0	6.4 %	Fixed rate
6.625% Notes, due November 15, 2022	570.0	6.6 %	570.0	6.6 %	Fixed rate
6.75% Notes, due March 15, 2020	300.0	6.8 %	300.0	6.8 %	Fixed rate
6.125% Notes, due December 15, 2024	250.0	6.1 %	—	— %	Fixed rate
ABL Facility, expiring May 24, 2017	42.0	4.0 %	—	2.5 %	Variable rate, see below
Other notes and obligations	31.0	12.6 %	36.6	8.8 %	Various
Capitalized lease obligations	88.6	6.1 %	94.7	6.1 %	Various
	$ 3,381.7		$ 2,997.1		
Original issuance discounts on debt	(5.6)		(6.3)		
Less: current maturities	(96.3)		(96.7)		
Long-term debt	$ 3,279.8		$ 2,894.1		

The Company has the following debt instruments outstanding at March 29, 2015: (i) a senior secured term loan (the "Term Loan") pursuant to a senior credit agreement (the "Senior Credit Agreement") which consists of $635.2 ("Tranche A"), $508.6 principal ("Tranche C"), $30.5 Canadian dollar denominated principal ("CAD Term Loan"), $242.5 Euro denominated principal ("Euro Term Loan Tranche A") and $163.3 Euro denominated principal ("Euro Term Loan Tranche B") (together, the "Term Loan"); (ii) $300.0 6.75% unsecured notes (the "6.75% Notes"); (iii) $520.0 6.375% unsecured notes (the "6.375% Notes"); (iv) $570.0 6.625% unsecured notes (the " 6.625% Notes"); (v) $250.0 6.125% unsecured notes (the "6.125% Notes") and (vi) a $400.0 asset based lending revolving credit facility (the "ABL Facility").

Interest Terms

Certain of the Company's debt instruments are subject to variable interest rates. The variable rates disclosed in the table above are weighted averages based on outstanding debt balances and corresponding rates in effect as of the period end. At March 29, 2015, the Company's variable interest rate terms are as follows: Tranche A is equal to LIBOR (International Exchange London Interbank Offered Rate), subject to a 0.75% floor, plus 2.25%, with a Base option rate of 4.5%; Tranche C is equal to LIBOR, subject to a 0.75% floor, plus 2.75%, with a Base option rate of 5.0%; the CAD Term Loan is equal to CDOR (Canadian Dollar Offered Rate), subject to a 1.25% floor (1.29% at March 29, 2015) plus 3.75%, with a Base option rate of 5.6%; Euro Term Loan Tranche A and Euro Term Loan Tranche B are equal to EURIBOR, subject to a 0.75% floor, plus 3.0%, with no Base option available; the ABL Facility is equal to LIBOR plus 1.75%, with a Base option rate of 4.0%.

Term Loan

On December 19, 2014 the Company amended the Term Loan, issuing a tranche maturing December 19, 2021, which provides for borrowings in an aggregate principal amount of €150.0 (the "Euro Term Loan Tranche B"). The Euro Term Loan Tranche B is guaranteed by the Company's wholly owned subsidiary, SB/RH Holdings, LLC, as well as by the borrower's, Spectrum Brands, Inc. (the "Borrower" or the "Issuer"), existing and future domestic subsidiaries. The net proceeds from the amendment, together with the net proceeds of the 6.125% Notes, were used to fund acquisitions, repay certain amounts drawn under the revolving credit facility and for general corporate purposes, which may include, among other things, working capital needs, the refinancing of existing indebtedness and business expansion.

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The Euro Term Loan Tranche B was issued at a .25% discount and recorded net of the discount incurred. The €0.4 discount is reflected as an adjustment to the carrying value of principal, and is being amortized with a corresponding charge to interest expense over the remaining life of the debt. In connection with the Euro Term Loan Tranche B, the Company recorded $0.2 and $2.3 of fees during the three and six month periods ended March 29, 2015, respectively. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are being amortized as an adjustment to interest expense over the remaining life of the loan.

6.125% Notes

On December 4, 2014, the Issuer issued $250.0 aggregate principal amount of 6.125% Notes at par value, due December 15, 2024 (the "6.125% Notes"). The 6.125% Notes are guaranteed by the Company's wholly owned subsidiary, SB/RH Holdings, LLC, as well as by the Issuer's existing and future domestic subsidiaries.

The Issuer may redeem all or a part of the 6.125% Notes, upon not less than 30 or more than a 60 day notice, at specified redemption prices. Further, the indenture governing the 6.125% Notes (the "2024 Indenture") requires the Issuer to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of the Issuer, as defined in the 2024 Indenture.

The 2024 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2024 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2024 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 6.125% Notes. If any other event of default under the 2024 Indenture occurs and is continuing, the trustee for the 2024 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 6.125% Notes, may declare the acceleration of the amounts due under those notes.

The Company recorded $0.6 and $4.6 of fees in connection with the offering of the 6.125% Notes during the three and six month periods ended March 29, 2015, respectively. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the 6.125% Notes.

ABL Facility

As a result of borrowings and payments under the ABL Facility, at March 29, 2015, the Company had aggregate borrowing availability of approximately $257.6, net of lender reserves of $6.4 and outstanding letters of credit of $30.3.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency exchange rate and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading purposes. Derivative instruments are reported at fair value in the Condensed Consolidated Statements of Financial Position (Unaudited). When hedge accounting is elected at inception, the Company formally designates the financial instrument as a hedge of a specific underlying exposure and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses both at the inception of the hedging instrument and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the forecasted cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the forecasted cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument’s change in

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fair value is recognized in earnings in the period incurred. For derivatives that are not designated as cash flow hedges, or do not qualify for hedge accounting treatment, the change in the fair value is also recognized in earnings in the period incurred.

Derivative Financial Instruments

Cash Flow Hedges

The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in Accumulated Other Comprehensive Income (Loss) ("AOCI") and as a derivative hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or receivables, respectively, and recognized in earnings as an adjustment to Interest expense from the underlying debt to which the swap is designated. At both March 29, 2015 and September 30, 2014, the Company had a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on floating rate debt, exclusive of lender spreads, at 1.36% for a notional principal amount of $300.0 through April 2017. The derivative net loss on these contracts recorded in AOCI by the Company at March 29, 2015 was $1.8, net of tax benefit of $0.0. At March 29, 2015, the portion of derivative net losses estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is $1.3, net of tax.

The Company's interest rate swap derivative financial instruments at March 29, 2015 and September 30, 2014 are summarized as follows:

	March 29, 2015		September 30, 2014	
	Notional Amount	Remaining Years	Notional Amount	Remaining Years
Interest rate swaps - fixed	$ 300.0	2.0	$ 300.0	2.5

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign currency denominated third party and intercompany sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Australian Dollars, Brazilian Reals, Mexican Pesos, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange related to sales of product or raw material purchases. Until the sale or purchase is recognized, the fair value of the related hedge is recorded in AOCI and as a derivative hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to Net sales or purchase price variance in Cost of goods sold. At March 29, 2015, the Company had a series of foreign exchange derivative contracts outstanding through June 2016 with a contract value of $215.4. The derivative net gain on these contracts recorded in AOCI by the Company at March 29, 2015 was $15.2, net of tax expense of $5.4. At March 29, 2015, the portion of derivative net gains estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is $15.2, net of tax.

The Company is exposed to risk from fluctuating prices for raw materials, specifically zinc and brass used in its manufacturing processes. The Company hedges a portion of the risk associated with the purchase of these materials through the use of commodity swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. At March 29, 2015, the Company had a series of zinc swap contracts outstanding through September 2016 for 7.3 thousand metric tons with a contract value of $16.0. At March 29, 2015, the Company had a series of brass swap contracts outstanding through September 2016 for 1.9 thousand metric tons with a contract value of $9.2. The derivative net loss on these contracts recorded in AOCI by the Company at March 29, 2015 was $0.7, net of tax benefit of $0.1. At March 29, 2015, the portion of derivative net loss estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is $0.8, net of tax.

Derivative Contracts Not Designated as Hedge Accounting

The Company periodically enters into forward and swap foreign exchange contracts to economically hedge the risk from third party and intercompany payments resulting from existing obligations. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Canadian Dollars, Euros or Australian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited). The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the

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change in value of the related liability or asset at each period end. At March 29, 2015 and September 30, 2014, the Company had $174.1 and $108.9, respectively, of notional value of such foreign exchange derivative contracts outstanding.

The Company periodically enters into commodity swap contracts to economically hedge the risk from fluctuating prices for raw materials, specifically the pass-through of market prices for silver used in manufacturing purchased watch batteries. The Company hedges a portion of the risk associated with these materials through the use of commodity swaps. The swap contracts are designated as economic hedges with the unrealized gain or loss recorded in earnings and as an asset or liability at each period end. The unrecognized changes in fair value of the hedge contracts are adjusted through earnings when the realized gains or losses affect earnings upon settlement of the hedges. The swaps effectively fix the floating price on a specified quantity of silver through a specified date. At March 29, 2015, the Company had a series of such swap contracts outstanding through September 2015 for 15.0 thousand troy ounces with a contract value of $0.3. At September 30, 2014, the Company had a series of such swap contracts outstanding through September 30, 2015 for 25.0 thousand troy ounces with a contract value of $0.4.

Fair Value of Derivative Instruments

The Company discloses its derivative instruments and hedging activities in accordance with ASC Topic 815: “Derivatives and Hedging” (“ASC 815”).

The fair value of the Company’s outstanding derivative contracts recorded as assets in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) are as follows:

Asset Derivatives		March 29, 2015	September 30, 2014
Derivatives designated as hedging instruments under ASC 815:			
Interest rate contracts	Deferred charges and other	$ —	$ 0.6
Commodity contracts	Receivables—Other	0.1	1.3
Commodity contracts	Deferred charges and other	0.1	—
Foreign exchange contracts	Receivables—Other	20.7	12.0
Foreign exchange contracts	Deferred charges and other	0.1	0.3
Total asset derivatives designated as hedging instruments under ASC 815		21.0	14.2

Derivatives not designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Receivables—Other	—	0.5
Total asset derivatives		$ 21.0	$ 14.7

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The fair value of the Company’s outstanding derivative contracts recorded as liabilities in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) are as follows:

Liability Derivatives		March 29, 2015	September 30, 2014
Derivatives designated as hedging instruments under ASC 815:			
Interest rate contracts	Other current liabilities	$ 1.4	$ 1.3
Interest rate contracts	Accrued interest	0.4	0.4
Interest rate contracts	Other long-term liabilities	0.4	—
Commodity contracts	Accounts payable	1.0	0.2
Foreign exchange contracts	Other long-term liabilities	0.2	—
Total liability derivatives designated as hedging instruments under ASC 815		$ 3.4	$ 1.9
Derivatives not designated as hedging instruments under ASC 815:			
Commodity contract	Accounts payable	$ —	$ 0.1
Foreign exchange contracts	Accounts payable	0.9	0.1
Total liability derivatives		$ 4.3	$ 2.1

Changes in AOCI from Derivative Instruments

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. See Note 3, “Comprehensive Income (Loss)” for further information.

The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the three month period ended March 29, 2015, pretax:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate contracts	$ (1.4)	Interest expense	$ (0.5)	Interest expense	$ —
Commodity contracts	(0.5)	Cost of goods sold	(0.1)	Cost of goods sold	—
Foreign exchange contracts	(0.1)	Net sales	—	Net sales	—
Foreign exchange contracts	11.3	Cost of goods sold	7.6	Cost of goods sold	—
Total	$ 9.3		$ 7.0		$ —

The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the six month period ended March 29, 2015, pretax:

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Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate contracts	$ (2.0)	Interest expense	$ (0.9)	Interest expense	$ —
Commodity contracts	(1.7)	Cost of goods sold	0.3	Cost of goods sold	—
Foreign exchange contracts	20.8	Cost of goods sold	12.4	Cost of goods sold	—
Total	$ 17.1		$ 11.8		$ —

The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the three month period ended March 30, 2014, pretax:

	Amount of Gain (Loss) Recognized in AOCI on	Location of Gain (Loss) Reclassified from AOCI into	Amount of Gain (Loss) Reclassified from	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount

Derivatives in ASC 815 Cash Flow Hedging Relationships	Derivatives (Effective Portion)	Income (Effective Portion)	AOCI into Income (Effective Portion)	Effectiveness Testing)	Excluded from Effectiveness Testing
Commodity contracts	$ (1.0)	Cost of goods sold	$ 0.2	Cost of goods sold	$ (0.2)
Foreign exchange contracts	—	Net sales	0.1	Net sales	—
Foreign exchange contracts	(0.8)	Cost of goods sold	(0.2)	Cost of goods sold	—
Total	$ (1.8)		$ 0.1		$ (0.2)

The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the six month period ended March 30, 2014, pretax:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testin
Commodity contracts	$ 0.1	Cost of goods sold	$ —	Cost of goods sold	$ —
Foreign exchange contracts	0.1	Net sales	0.1	Net sales	—
Foreign exchange contracts	(1.1)	Cost of goods sold	(1.0)	Cost of goods sold	—
Total	$ (0.9)		$ (0.9)		$ —

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Other Changes in Fair Value of Derivative Contracts

For derivative instruments that are used to economically hedge the fair value of the Company's third party and intercompany foreign currency payments, commodity purchases and interest rate payments, but are not designated as hedging instruments under ASC 815, the gain (loss) associated with the derivative contract is recognized in earnings in the period of change. During the three month periods ended March 29, 2015 and March 30, 2014, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives 2015	2014	Location of Gain (Loss) Recognized in Income on Derivatives
Foreign exchange contracts	$ (5.7)	$ (0.1)	Other expense, net

During the six month periods ended March 29, 2015 and March 30, 2014, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives 2015	2014	Location of Gain (Loss) Recognized in Income on Derivatives
Commodity contracts	$ —	$ (0.1)	Cost of goods sold
Foreign exchange contracts	(7.4)	0.7	Other expense, net
Total	$ (7.4)	$ 0.6	

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company’s net derivative portfolio as of March 29, 2015, contains Level 2 instruments and consists of commodity, interest rate and foreign exchange contracts. The fair values of these instruments as of March 29, 2015 were as follows ((liability)/asset):

	Level 1	Level 2	Level 3	Total
Assets:				
Interest rate contracts	$ —	$ —	$ —	$ —
Commodity contracts	—	0.2	—	0.2
Foreign exchange contracts	—	20.8	—	20.8
Total Assets	$ —	$ 21.0	$ —	$ 21.0
Liabilities:				
Interest rate contracts	$ —	$ (2.2)	$ —	$ (2.2)
Commodity contracts	—	(1.0)	$ —	(1.0)
Foreign exchange contracts	—	(1.1)	—	(1.1)
Total Liabilities	$ —	$ (4.3)	$ —	$ (4.3)

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The Company’s net derivative portfolio as of September 30, 2014, contains Level 2 instruments and consists of commodity and foreign exchange contracts. The fair values of these instruments as of September 30, 2014 were as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Interest rate contracts	$ —	$ 0.6	$ —	$ 0.6
Commodity contracts	—	1.3	—	1.3
Foreign exchange contracts	—	12.8	—	12.8
Total Assets	$ —	$ 14.7	$ —	$ 14.7
Liabilities:				
Interest rate contracts	$ —	$ (1.7)	$ —	$ (1.7)
Commodity contracts	—	(0.3)	—	(0.3)
Foreign exchange contracts	—	(0.1)	—	(0.1)
Total Liabilities	$ —	$ (2.1)	$ —	$ (2.1)

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and non-publicly traded debt approximate fair value. The fair values of long-term publicly traded debt are based on unadjusted quoted market prices (Level 1) and derivative financial instruments are generally based on quoted or observed market prices (Level 2).

The carrying values of goodwill, intangible assets and other long-lived assets are tested annually, or more frequently if an event occurs that indicates an impairment loss may have been incurred, using fair value measurements with unobservable inputs (Level 3).

The carrying amounts and fair values of the Company’s financial instruments are summarized as follows ((liability)/asset):

	March 29, 2015		September 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	$ (3,376.1)	$ (3,491.9)	$ (2,990.8)	$ (3,061.5)
Interest swap agreements	(2.2)	(2.2)	(1.1)	(1.1)
Commodity swap and option agreements	(0.8)	(0.8)	1.0	1.0
Foreign exchange forward agreements	19.7	19.7	12.7	12.7

10 EMPLOYEE BENEFIT PLANS

Pension Benefits

The Company has various defined benefit pension plans covering some of its employees in the U.S. and certain employees in other countries, including the United Kingdom, the Netherlands, Germany, Guatemala, Brazil, Mexico and Taiwan. These pension plans generally provide benefits of stated amounts for each year of service.

The Company's results of operations for the three and six month periods ended March 29, 2015 and March 30, 2014 reflect the following pension and deferred compensation benefit costs:

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	Three Months Ended		Six Months Ended	
Components of net periodic benefit and deferred compensation benefit cost	2015	2014	2015	2014
Service cost	$ 0.8	$ 0.9	$ 1.6	$ 1.7
Interest cost	2.4	2.6	4.8	5.2
Expected return on assets	(2.5)	(2.5)	(5.0)	(4.9)
Recognized net actuarial loss	0.4	0.4	0.8	0.7
Net periodic benefit cost	$ 1.1	$ 1.4	$ 2.2	$ 2.7

The Company funds its U.S. pension plans in accordance with the Internal Revenue Service defined guidelines and, where applicable, in amounts sufficient to satisfy the minimum funding requirements of applicable laws. Additionally, in compliance with the Company's funding policy, annual contributions to non-U.S. defined benefit plans are equal to the actuarial recommendations or statutory requirements in the respective countries. The Company's contributions to its pension and deferred compensation plans for the three and six month periods ended March 29, 2015 and March 30, 2014 were as follows:

	Three Months Ended		Six Months Ended	
Pension and deferred compensation contributions	2015	2014	2015	2014
Contributions made during period	$ 3.3	$ 2.1	$ 5.5	$ 5.4

The Company sponsors a defined contribution pension plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the three and six month periods ended March 29, 2015 were $2.5 and $6.0, respectively. Company contributions charged to operations, including discretionary amounts, for the three and six month periods ended March 30, 2014 were $3.1 and $7.3, respectively.

11 INCOME TAXES

The Company's effective tax rates for the three and six month periods ended March 29, 2015 were 22% and 27%, respectively. The Company's effective tax rates for the three and six month periods ended March 30, 2014 were 24% and 21%, respectively. The Company's effective tax rates differ from the U.S. federal statutory rate of 35% principally due to (i) income earned outside the U.S. that is subject to statutory rates lower than 35%, (ii) the release of valuation allowance on U.S. net operating loss deferred tax assets offsetting tax expense on both U.S. pretax income and foreign income not permanently reinvested, and (iii) deferred income tax expense related to the change in book versus tax basis of indefinite-lived intangibles, which are amortized for tax purposes but not for book purposes.

The Company records the impact of a tax position if it concludes that the position is more likely than not sustainable upon audit, based on the technical merits of the position. At March 29, 2015 and September 30, 2014, the Company had $10.9 and $11.3, respectively, of unrecognized tax benefits related to uncertain tax positions. At March 29, 2015 and September 30, 2014, the Company had approximately $3.4 and $3.5, respectively, of accrued interest and penalties related to the uncertain tax positions. Interest and penalties related to uncertain tax positions are reported as Income tax expense.

As of March 29, 2015, certain of the Company's legal entities in various jurisdictions are undergoing income tax audits. The Company cannot predict the ultimate outcome of the examinations; however, it is reasonably possible that during the next 12 months some portion of previously unrecognized tax benefits could be recognized.

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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)

12 SEGMENT RESULTS

The Company manages its business in four vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances; (ii) Hardware & Home Improvement; (iii) Global Pet Supplies; and (iv) Home and Garden.

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment.

Net sales and Cost of goods sold from transactions with other business segments have been eliminated. The gross contribution of intersegment sales is included in the segment selling the product to the external customer. Segment net sales are based upon the segment from which the product is shipped.

The operating segment profits do not include restructuring and related charges, acquisition and integration related charges, interest expense, interest income and income tax expense. Corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plan costs which are evaluated on a consolidated basis and not allocated to the Company's operating segments. All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are identified to operating segments or corporate expense according to the function of each cost center.

All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

Segment information for the three and six month periods ended March 29, 2015 and March 30, 2014 is as follows:

	Three Months Ended		Six Months Ended	
	2015	2014	2015	2014
Net sales to external customers				
Consumer batteries	$ 181.8	$ 211.4	$ 422.0	$ 475.8
Small appliances	151.6	152.5	375.4	369.3
Personal care	110.5	117.0	283.0	295.1
Global Batteries & Appliances	443.9	480.9	1,080.4	1,140.2
Hardware & Home Improvement	289.4	266.9	560.6	545.3
Global Pet Supplies	209.8	159.4	330.4	288.5
Home and Garden	123.9	114.5	163.4	148.3

Total segments	$ 1,067.0	$ 1,021.7	$ 2,134.8	$ 2,122.3

	Three Months Ended		Six Months Ended	
	2015	2014	2015	2014
Segment profit				
Global Batteries & Appliances	$ 41.8	$ 44.2	$ 138.4	$ 141.4
Hardware & Home Improvement	37.3	34.8	76.1	74.8
Global Pet Supplies	18.7	20.6	24.4	33.6
Home and Garden	28.3	23.1	31.1	21.9
Total segments	126.1	122.7	270.0	271.7
Corporate expense	21.4	15.9	34.2	30.0
Acquisition and integration related charges	11.9	6.3	20.0	11.8
Restructuring and related charges	4.4	7.9	11.8	12.3
Interest expense	49.2	47.4	93.6	104.4
Other expense, net	3.2	0.8	3.9	1.6
Income from continuing operations before income taxes	$ 36.0	$ 44.4	$ 106.5	$ 111.6

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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)

Segment assets for the Company’s product-focused reporting segments and its Corporate function are as follows:

	March 29, 2015	September 30, 2014
Segment total assets	(Unaudited)	
Global Batteries & Appliances	$ 2,094.0	$ 2,152.0
Hardware & Home Improvement	1,700.6	1,629.0
Global Pet Supplies	1,151.7	890.4
Home and Garden	617.3	526.6
Total segment assets	5,563.6	5,198.0
Corporate	198.4	315.0
Total assets at period end	$ 5,762.0	$ 5,513.0

13 RESTRUCTURING AND RELATED CHARGES

The Company reports restructuring and related charges associated with manufacturing and related initiatives in Cost of goods sold. Restructuring and related charges reflected in Cost of goods sold include, but are not limited to, termination, compensation and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives, and other costs directly related to the restructuring or integration initiatives implemented.

The Company reports restructuring and related charges relating to administrative functions in Operating expenses, such as initiatives impacting sales, marketing, distribution or other non-manufacturing functions. Restructuring and related charges reflected in Operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the functional areas described above and other costs directly related to the initiatives.

The following table summarizes restructuring and related charges incurred by segment for the three and six month periods ended March 29, 2015 and March 30, 2014:

	Three Months Ended		Six Months Ended	
	2015	2014	2015	2014
Cost of goods sold:				
Global Batteries & Appliances	$ 0.1	$ —	$ 0.2	$ 0.5
Hardware & Home Improvement	—	1.1	—	2.3
Global Pet Supplies	0.1	—	0.2	—
Total restructuring and related charges in cost of goods sold	$ 0.2	$ 1.1	$ 0.4	$ 2.8
Operating expenses:				
Global Batteries & Appliances	$ 0.6	$ 5.0	$ 5.2	$ 6.7
Hardware & Home Improvement	1.4	0.8	1.5	0.8
Global Pet Supplies	2.1	1.0	4.2	1.3
Home and Garden	0.1	—	0.2	—
Corporate	—	—	0.3	0.7
Total restructuring and related charges in operating expenses	$ 4.2	$ 6.8	$ 11.4	$ 9.5
Total restructuring and related charges	$ 4.4	$ 7.9	$ 11.8	$ 12.3

HHI Business Rationalization Initiatives

During the fourth quarter of the fiscal year ended September 30, 2014, the Company implemented a series of initiatives throughout the Hardware & Home Improvement business segment to reduce operating costs and exit low margin business outside the U.S. (the “HHI Business Rationalization Initiatives”). These initiatives include headcount reductions, the exit of

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

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certain facilities and the sale of a portion of the Hardware & Home Improvement operations in Canada. Costs associated with these initiatives, which are expected to be incurred through September 30, 2016, are projected to total approximately $11.0.

The Company recorded $1.3 and $1.4 of pretax restructuring and related charges during the three and six month periods ended March 29, 2015, and no pretax restructuring and related charges during the three and six month periods ended March 30, 2014, related to the HHI Business Rationalization Initiatives.

Global Expense Rationalization Initiatives Summary

During the third quarter of the fiscal year ended September 30, 2013, the Company implemented a series of initiatives throughout the Company to reduce operating costs (the "Global Expense Rationalization Initiatives"). These initiatives consist of headcount reductions primarily in the Global Batteries & Appliances segment, the Global Pet Supplies segment, the Home and Garden segment and within Corporate. Costs associated with these initiatives, which are expected to be incurred through September 30, 2015, are currently projected to approximately $36.0.

The Company recorded $2.8 and $10.0 of pretax restructuring and related charges during the three and six month periods ended March 29, 2015, respectively, and $5.8 and $8.7 of pretax restructuring and related charges during the three and six month periods ended March 30, 2014, respectively, related to the Global Expense Rationalization Initiatives.

The following table summarizes the remaining accrual balance associated with the Global Expense Rationalization Initiatives and the activity during the six month period ended March 29, 2015:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2014	$ 4.1	$ 1.4	$ 5.5
Provisions	4.5	(0.3)	4.2
Cash expenditures	(3.7)	(0.7)	(4.4)
Non-cash items	(0.2)	—	(0.2)
Accrual balance at March 29, 2015	$ 4.7	$ 0.4	$ 5.1

Expensed as incurred (A)	$ 2.1	$ 3.7	$ 5.8

(A) Consists of amounts not impacting the accrual for restructuring and related charges.

The following table summarizes the expenses incurred during the six month period ended March 29, 2015, the cumulative amount incurred to date and the total future costs expected to be incurred associated with the Global Expense Rationalization Initiatives by operating segment:

	Global Batteries & Appliances	Global Pet Supplies	Corporate	Total
Restructuring and related charges during the six month period ended March 29, 2015	$ 5.6	$ 4.0	$ 0.4	$ 10.0
Restructuring and related charges since initiative inception	$ 26.7	$ 5.8	$ 2.1	$ 34.6
Total future restructuring and related charges expected	$ 0.3	$ 0.6	$ 0.1	$ 1.0

The Company recorded $0.1 of pretax restructuring and related charges for both the three and six month periods ended March 29, 2015 and $1.9 and $3.1 of pretax restructuring and related charges during the three and six month periods ended March 30, 2014, respectively, related to initiatives implemented by the HHI Business prior to the Company's acquisition on December 17, 2012.

In connection with other restructuring efforts, the Company recorded $0.3 of pretax restructuring and related charges for both the three and six month periods ended March 29, 2015 and $0.1 and $0.5 of pretax restructuring and related charges during the three and six month periods ended March 30, 2014.

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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)

14 ACQUISITIONS

In accordance with ASC Topic 805, "Business Combinations" ("ASC 805"), the Company accounts for acquisitions by applying the acquisition method of accounting. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values as of the closing date of the acquisition.

Tell Manufacturing

On October 1, 2014, the Company completed the acquisition of Tell, a leading manufacturer and distributor of commercial doors, locks and hardware. The preliminary value of the consideration given in this acquisition, net of working capital adjustments, was $30.3 and is not significant individually.

The results of Tell's operations since October 1, 2014 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Hardware & Home Improvement segment.

Preliminary Valuation of Assets and Liabilities

The assets acquired and liabilities assumed in the Tell acquisition have been measured at their fair values at October 1, 2014 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce including an experienced research team, and is expected to be deductible for income tax purposes. The preliminary fair values recorded were determined based upon a valuation and the estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to amounts for intangible assets, contingent liabilities, residual goodwill and income taxes.

The preliminary fair values recorded for the assets acquired and liabilities assumed for Tell are as follows:

Cash	$ 1.1

Accounts receivable	5.4
Inventories	7.2
Prepaid expense	0.6
Property, plant and equipment, net	1.5
Intangible assets	12.5
Total assets acquired	$ 28.3
Total liabilities assumed	5.1
Total identifiable net assets less goodwill	23.2
Goodwill	7.1
Total identifiable net assets	$ 30.3

Preliminary Valuation Adjustments

The Company performed a preliminary valuation of the acquired inventories, property, plant and equipment, trade name and customer relationships at October 1, 2014. A summary of the significant inputs to the valuation is as follows:

- Inventories – The replacement cost approach was applied to estimate the fair value of the raw materials inventory. Finished goods were valued at estimated selling price less the sum of costs of disposal and a reasonable profit on the value added in the completion and disposal effort.

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- Property, plant and equipment – The cost approach was utilized to estimate the fair value of approximately 97.0% of the property, plant and equipment. The sales comparison approach was utilized to estimate the fair value of the remaining 3.0% of the property, plant and equipment.

- The Company valued an indefinite-lived trade name using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade name was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Tell, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade name. Trade name was valued at $4.0 under this approach.

- The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationships, the multi- period excess earnings approach values the intangible asset at the present value of the incremental after- tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Only expected sales from current customers were used, which were estimated using annual expected growth rates of 2.5% to 7.1%. The Company assumed a customer retention rate of approximately 90%, which was supported by historical retention rates. Income taxes were estimated at 38% and amounts were discounted using a rate of 20%. The customer relationships were valued at $8.5 under this approach and will be amortized over 13 years.

European IAMS and Eukanuba

On December 31, 2014, the Company completed the acquisition of European IAMS and Eukanuba, leading premium brands for dogs and cats. The preliminary value of the consideration given in this acquisition, net of working capital adjustments, was $116.0 and is not significant individually.

The results of European IAMS and Eukanuba's operations since December 31, 2014 are included in the Company’s Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Global Pet Supplies segment.

Preliminary Valuation of Assets and Liabilities

The assets acquired and liabilities assumed in the European IAMS and Eukanuba acquisition have been measured at their fair values at December 31, 2014 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill. The preliminary fair values recorded were determined based upon a valuation and the estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to amounts for intangible assets, contingent liabilities, residual goodwill and income taxes.

The preliminary fair values recorded for the assets acquired and liabilities assumed for European IAMS and Eukanuba are as follows:

Inventories	$ 17.2
Prepaid expense	1.3
Other current assets	2.6
Property, plant and equipment, net	58.3
Intangible assets	40.5
Total assets acquired	$ 119.9
Total liabilities assumed	5.6
Total identifiable net assets less goodwill	114.3
Goodwill	1.7
Total identifiable net assets	$ 116.0

Preliminary Valuation Adjustments

The Company performed a preliminary valuation of the acquired inventories, property, plant and equipment, trade name and customer relationships at December 31, 2014. A summary of the significant inputs to the valuation is as follows:

· Inventories – The replacement cost approach was applied to estimate the fair value of the raw materials inventory. Work-in-process and finished goods inventory were valued at estimated selling price less the sum of costs of disposal and a reasonable profit on the value added in the completion and disposal effort.

· Real estate, property, plant and equipment – The market approach was utilized to estimate the fair value of land. The direct cost approach was utilized to estimate the fair value of property, plant and equipment.

· The Company valued technology using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related licensing agreements and the importance of the technology and profit levels, among other considerations. The Company anticipates using these technologies through the legal life of the underlying patent; therefore, the expected life of these technologies was equal to the remaining life of the underlying patents which was 8 years. The technology assets were valued at $3.6 under this approach.

· The Company valued indefinite-lived trade names using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of European IAMS and Eukanuba, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names. Trade names were valued at $26.7 under this approach.

· The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationships, the multi- period excess earnings approach values the intangible asset at the present value of the incremental after- tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Only expected sales from current customers were used, which were estimated using annual expected growth rates of 0.5% to 13.2%. The Company assumed a customer retention rate of approximately 90% - 100%, which was supported by historical retention rates. Income taxes were estimated at 25% and amounts were discounted using a rate of 15% - 16%. The customer relationships were valued at $10.2 under this approach and will be amortized over a period of 2 and

15 years.

Salix

On January 16, 2015, the Company completed the acquisition of Salix, the world’s leading and largest vertically integrated producer and distributor of premium, natural rawhide dog chews, treats and snacks. The preliminary value of the consideration given in this acquisition, net of working capital adjustments, was $148.0 and is not significant individually.

The results of Salix's operations since January 16, 2015 are included in the Company’s Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Global Pet Supplies segment.

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SPECTRUM BRANDS HOLDINGS, INC.
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(Amounts in millions of dollars, except per share figures or as otherwise specified)

Preliminary Valuation of Assets and Liabilities

The assets acquired and liabilities assumed in the Salix acquisition have been measured at their fair values at January 16, 2015 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce including an experienced research team, and is expected to be deductible for income tax purposes. The preliminary fair values recorded were determined based upon a valuation and the estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to amounts for intangible assets, contingent liabilities, residual goodwill and income taxes.

The preliminary fair values recorded for the assets acquired and liabilities assumed for Salix are as follows:

Cash	$ 0.5
Accounts receivable	9.9
Inventories	17.0
Prepaid expense	2.4
Property, plant and equipment, net	1.2
Intangible assets	58.5
Total assets acquired	$ 89.5
Total liabilities assumed	10.3
Total identifiable net assets less goodwill	79.2
Goodwill	68.8
Total identifiable net assets	$ 148.0

Preliminary Valuation Adjustments

The Company performed a preliminary valuation of the acquired inventories, property, plant and equipment, trade name, customer relationships and non-compete agreement at January 16, 2015. A summary of the significant inputs to the valuation is as follows:

· Inventories – The replacement cost approach was applied to estimate the fair value of the raw materials and unbranded finished goods inventory. Branded finished goods were valued based on the comparative sales method, which estimates the expected sales price of the finished goods inventory, reduced for all costs expected to be incurred in its completion/disposition and a profit on those costs.

- Property, plant and equipment – The cost approach was utilized to estimate the fair value of approximately 98.0% of the property, plant and equipment. The sales comparison approach was utilized to estimate the fair value of the remaining 2.0% of the property, plant and equipment.

- The Company valued technology using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related licensing agreements and the importance of the technology and profit levels, among other considerations. The Company anticipates using these technologies through the legal life of the underlying patent; therefore, the expected life of these technologies was equal to the remaining life of the underlying patents which was 17 years. The technology assets were valued at $2.1 under this approach.

- The Company valued indefinite-lived trade names using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Salix, related trademarks and trade names, other similar

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trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names. Trade names were valued at $20.0 under this approach.

- The Company valued definite-lived trade names using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Salix, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names. Trade name was valued at $1.0 under this approach and will be amortized over 13 years.

- The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationships, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after- tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Only expected sales from current customers were used, which were estimated using annual expected growth rates of 0.0% to 12.1%. The Company assumed a customer retention rate of approximately 92.5%, which was supported by historical retention rates. Income taxes were estimated at 38% and amounts were discounted using a rate of 12% - 13%. The customer relationships were valued at $34.0 under this approach and will be amortized over 13 years.

- The Company valued a non-compete agreement using the income approach that compares the prospective cash flows with and without the non-compete agreement in place. The value of the non-compete agreement is the difference between the discounted cash flows of the business under each of these two alternative scenarios (with competition and without competition), considering both tax expenditure and tax amortization benefits. The non-compete agreement was valued at $1.4 under this approach and will be amortized over 3 years.

15 SUBSEQUENT EVENTS

ASC 855, “Subsequent Events” (“ASC 855”), establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC 855 requires the Company to evaluate events that occur after the balance date through the date of the Company’s financial statements are issued, and to determine whether adjustments to or additional disclosures in the financial statements are necessary. The Company has evaluated subsequent events through the date these financial statements were issued.

On April 28, 2015, the Company entered into an Agreement and Plan of Merger (the "AAG Merger Agreement") with Armored AutoGroup Parent Inc. ("AAG"), Ignite Merger Sub, Inc., a direct wholly owned subsidiary of Spectrum Brands, Inc., and Avista Capital Partners II GP, LLC, as representative for the shareholders and optionholders of AAG. Under the AAG Merger Agreement, the Company will acquire AAG for a purchase price of approximately $1,400.0 (subject to customary adjustments for cash, debt, net working capital and transaction-related expenses described in the AAG Merger Agreement), which will be paid entirely in cash (the "AAG Acquisition"). The obligations of the parties to complete the AAG Acquisition are subject to various customary closing conditions, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and, in the case of the Company's obligation to complete the acquisition, the accuracy of AAG's representations and warranties (subject to certain qualifications), material compliance by AAG with certain pre-closing covenants and no material adverse change in AAG since the date of the AAG Merger Agreement. The AAG Merger Agreement may be terminated by mutual consent of AAG and the Company and under certain other circumstances, including by AAG or the Company if the closing of the acquisition has not occurred by June 30, 2015. The acquisition is expected to close in the third quarter of our Fiscal 2015. The Company will account for this acquisition in accordance with ASC 805.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Spectrum Brands Holdings, Inc., a Delaware corporation ("SB Holdings"), 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."

Unless the context indicates otherwise, the terms the "Company," "Spectrum," "we," "our" or "us" are used to refer to SB Holdings and its subsidiaries.

Business Overview

We manufacture and market alkaline, zinc carbon and hearing aid batteries, herbicides, insecticides and repellants and specialty pet supplies. We design and market rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. We also design, market and distribute a broad range of branded small household appliances and personal care products. We also design, manufacture, market, distribute and sell certain hardware, home improvement and plumbing products, and are a leading United States ("U.S.") provider of residential locksets and builders' hardware and a leading provider of faucets. Our manufacturing and product development facilities are located in the U.S., Europe, Latin America and Asia. Substantially all of our rechargeable batteries, chargers and portable lighting products, shaving and grooming products, small household appliances and personal care products are manufactured by third-party suppliers, primarily located in Asia.

We sell our 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 enjoy strong name recognition in our 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 and Pfister brands. We also have patented technologies such as Smartkey, a rekeyable lockset technology, and Smart Code Home Connect.

Our diversified global branded consumer products have positions in six major product categories: consumer batteries, small appliances, personal care, hardware and home improvement, pet supplies and home and garden controls.

Our chief operating decision-maker manages the businesses in four 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"); and (iv) Home and Garden, which consists of the Company's home and garden and insect control business ("Home and Garden"). Management reviews our performance based on these segments. For information pertaining to our business segments, see Note 12, "Segment Results" of Notes to Condensed Consolidated Financial Statements (Unaudited), included in this Quarterly Report on Form 10-Q.

Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each business segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for sales and marketing initiatives and the financial results for all product lines within that business segment.

Our operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; our overall product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of certain raw materials and commodities; energy and fuel prices; and our general competitive position, especially as impacted by our competitors' advertising and promotional activities and pricing strategies.

On April 28, 2015, we entered into an agreement to acquire 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

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automotive aftermarket appearance products and performance chemicals categories, respectively, and the AC/PRO® brand of do-it-yourself automotive air conditioner recharge products.

Results of Operations

Fiscal Quarter and Fiscal Six Months Ended March 29, 2015 Compared to Fiscal Quarter and Fiscal Six Months Ended March 30, 2014

In this Quarterly Report on Form 10-Q we refer to the three month period ended March 29, 2015 as the “Fiscal 2015 Quarter,” the six month period ended March 29, 2015 as the “Fiscal 2015 Six Months,” the three month period ended March 30, 2014 as the “Fiscal 2014 Quarter,” and the six month period ended March 30, 2014 as the “Fiscal 2014 Six Months.”

Net Sales. Net sales for the Fiscal 2015 Quarter increased $45.3 million to $1,067.0 million from $1,021.7 million in the Fiscal 2014 Quarter, a 4% increase. The following table details the principal components of the change in net sales from the Fiscal 2014 Quarter to the Fiscal 2015 Quarter (in millions):

	Net Sales
Fiscal 2014 Quarter Net Sales	$ 1,021.7
Increase in global pet supplies	58.1
Increase in hardware and home improvement	27.1
Increase in small appliances	10.2
Increase in home and garden	9.4
Increase in personal care	4.6
Decrease in consumer batteries	(9.3)
Foreign currency impact, net	(54.8)
Fiscal 2015 Quarter Net Sales	$ 1,067.0

Net sales for the Fiscal 2015 Six Months increased $12.5 million to $2,134.8 million from $2,122.3 million in the Fiscal 2014 Six Months, a 1% increase. The following table details the principal components of the change in net sales from the Fiscal 2014 Six Months to the Fiscal 2015 Six Months (in millions):

	Net Sales
Fiscal 2014 Six Months Net Sales	$ 2,122.3
Increase in global pet supplies	52.6
Increase in small appliances	24.7
Increase in hardware and home improvement	22.2
Increase in home and garden	15.1
Increase in personal care	9.9
Decrease in consumer batteries	(20.3)
Foreign currency impact, net	(91.7)
Fiscal 2015 Six Months Net Sales	$ 2,134.8

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Consolidated net sales by product line for the Fiscal 2015 Quarter, the Fiscal 2014 Quarter, the Fiscal 2015 Six Months and the Fiscal 2014 Six Months are as follows (in millions):

Fiscal Quarter	Fiscal Six Months