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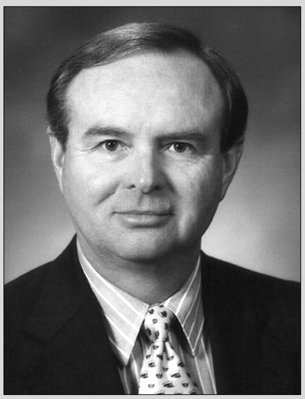
THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Rayovac Corporation (ROV)



KENT J. HUSSEY is a Director of Rayovac and has served as President and Chief Operating Officer since May 1998. Mr. Hussey joined Rayovac in 1996 as Executive Vice President of Finance and Administration, Chief Financial Officer and Director. From 1994 to 1996, Mr. Hussey was Executive Vice President of Finance and Chief Financial Officer of ECC International, a producer of industrial minerals and specialty chemicals. Prior to that, he served as Vice President of Finance and Chief Financial Officer of The Regina Company from 1991 to 1994. From 1985 to 1990, he was President, Chief Operating Officer and Chief Financial Officer of Astechnologies Inc. From 1974 to 1985, he worked for United Technologies Corporation, where he held a number of senior financial management positions. Mr. Hussey serves on the Board of Directors for several companies, including: American Woodmark, a $500 million manufacturer and distributor of kitchen cabinets and vanities for remodeling and new home construction markets; Promega Corporation, a worldwide leader in high-value life science products and systems in the biotechnology market; and Musicnotes, Inc., an e-commerce company that sells and delivers digital sheet music directly to consumers worldwide via the internet. He also holds a seat on the University of Wisconsin-Madison School of Business Dean's Advisory Board.

(TAC217) TWST: What is Rayovac Corporation?

Mr. Hussey: Rayovac is a global, diversified consumer products company focused on growing both its top line and bottom line at above industry growth rates for the foreseeable future. Our company is coming up on its 100th anniversary. The company was founded in 1906 in Madison, Wisconsin, as the French Dry Battery Company. The Rayovac brand name itself actually came into usage in the 1920s and the company changed its name to Rayovac, I believe, in the 1930s. And so while it's gone through a number of changes of ownership, and it's been public more than once in its history, it is today an independent New York Stock Exchange listed company and one of the very, very few listed companies that can say it's about to celebrate its 100th anniversary.

TWST: There have been some recent management changes. Also, the investment community has taken note of your continued acquisition in the pet supply and pet care areas. Can you give us the backdrop for the management changes as well as that acquisition, and how that is part of what you see as the overall strategy for Rayovac?

Mr. Hussey: Most of the current management team joined the company in 1996 when Thomas H. Lee Partners in Boston acquired Rayovac from what was then a private family ownership. We joined the company with a focus on trying to revive what was a great old brand name and a company that had kind of fallen behind its two major competitors, Duracell and Energizer. As we've subsequently grown the company, we focused first on North America, revitalizing the brand, improving the quality of the product and gaining distribution and market share. Subsequently we focused on globalizing ourselves to become one of four, we believe, great global consumer product battery companies. We put ourselves in the company of Duracell, Energizer and the Matsushita Battery Company, which sells the Panasonic label, as being the only four companies that today really have powerful brands, the technology to produce the high-performing batteries that consumers demand today, low cost global manufacturing and distribution infrastructures and great brands that we can use to promote and market our products around the world.

As part of that globalization strategy, we acquired a number of companies around the world in the consumer battery industry, starting with a company called ROV Limited, which we acquired in 1999. ROV Limited gave us a presence in virtually all of Latin America except Brazil. In 2002, we acquired a company called VARTA, which was the largest independent consumer battery company in Europe, and incidentally another approximately 100-year old company with a great brand name. And then more recently Microlite, which was the largest independent battery company in Brazil, and a small battery company in China, Ningbo Baowang. And so through those acquisitions, we really have globalized our company to a point where we are now doing business in over 120 countries around the world. We are manufacturing on four continents, we have relationships with virtually all of the major global retailers, and have significant sales and marketing and distribution capability in all of the key markets around the world that we find attractive. This process took us from being a North American battery company to being a global consumer battery competitor.

More recently, we've recognized the fact that with this wonderful infrastructure in place, with these customer relationships, it would be to our advantage to leverage those results to bring additional products through our infrastructure to our customer base. That's really what led us to begin diversifying our company. First, with the acquisition of Remington products in 2003, we entered the men's and women's shaving and grooming business and the personal care appliance business. Then more recently, as you've seen, we further diversified into the home and garden and pet supplies categories with the acquisition of United Industries, which closed on February 7 of this year, and the pending acquisition of Tetra Holding GmbH, which is a global leader in aquatic supplies, pet supplies and related products.

TWST: Do you see the future as branded products, particularly for Rayovac, but also in general as you look at consumer trends on a global basis?

Mr. Hussey: Yes, we do. We believe that brands are very important. Being able to easily identify high-quality products that deliver on the value proposition and have recognizable brand names is very important in terms of marketing to consumers. We have a value proposition in most of our markets where we provide the consumer with products under our brand names that are very high quality and that perform as well as the premium branded products in virtually every case. Yet we offer those products at a more attractive price point. So the value proposition is high quality, high performance, as good as the alternatives but at a value price, and we think that's a very powerful value proposition for the consumer. But having that brand name that the consumer can identify and find on the shelf is very, very key. We think that one of Rayovac's core competencies is our expertise in marketing branded consumer products, and it's really the focus of our entire business.

The acquisition of Tetra is a prime example of that. Tetra is a globally recognized brand name in the pet supplies category, one that consumers know and trust. It gives us entry into the pet supplies category literally around the world, and it's a brand that virtually every pet supply retailer considers a must-have brand in terms of consumer loyalty. If the retailer doesn't have that product on the shelf, he is missing significant sales opportunities. That makes Tetra a very attractive asset for us.

TWST: The battery area, also the shaving and equipment areas, both seem to be driven by technology and innovation, with consumer sales and marketing at the forefront trying to distinguish and differentiate the products. How much does that impact the way you see those businesses at Rayovac?

Mr. Hussey: In consumer batteries, as I mentioned before, there are really only four companies today that can produce products with the kind of technologies to bring the consumer the performance that he expects. All of us in the consumer battery industry have successfully focused on improving the performance of our products over time. In fact, quality today is a non-issue. The quality of consumer batteries in general is so high that you don't have to think about it. It's just taken for granted because it is as close to perfection as you can get in terms of manufacturing the consumer product, in terms of consumer complaints or quality issues. And so we at Rayovac really focus on continuing to give the consumer a better performing product for the price. We do that almost on a continuous basis where we're improving the performance and then periodically we make fairly significant step-ups in the performance of our products.

AA alkaline batteries on the shelf today have undergone significant improvements in terms of performance and the technology involved in manufacturing those batteries such that a AA battery today will last as much as 40% longer than a comparable product that you would have purchased five or six years ago. So we've seen an amazing evolution in the technology of alkaline batteries. Rechargeable batteries are the fastest growing category of consumer batteries, and that growth is being driven by a single product, the digital camera. Digital cameras consume huge amounts of electrical power and so the alkaline battery actually is not the best solution for powering those devices. The correct solution is actually a rechargeable Nickel Metal Hydride battery. Rayovac has been on the forefront of rechargeable battery technology for many years, continues to be a significant supplier of those products, and actually has developed some of the most technologically advanced battery charging systems on the market. We today are the only company that supplies a charger that will fully recharge a Nickel Metal Hydride battery in 15 minutes or less. So we are actually the technological leader in that space. We are one of the leading players in that market in North America, and we are actually the number one share player in the rechargeable battery category in Western Europe as well.

So today's alkaline battery is very sophisticated, and very few companies can supply those products. On the shaving and grooming front, Remington has dramatically improved the sophistication, quality and technology embedded in their products over the last five to seven years. We believe the product line today would match the performance of our two major rivals in terms of consumer attributes like closeness and comfort, in terms of the features and functionality of the product and in terms of overall quality and performance. There really are only three players in that space as well — Norelco and Braun, two foreign manufacturers, and then Remington (a Rayovac brand) based here in the US.

TWST: What are the cost savings or synergies of logistics and purchasing power that Rayovac may bring to the business with Tetra and the other pet supply businesses?

Mr. Hussey: Let me say that we view the pet supplies business opportunity as being one of the most attractive categories for a consumer products company that we could possibly enter into for a number of reasons. It's a very large category, it's an $8 billion category at retail in the United States alone, and it has grown historically at 8% plus per year. That growth is driven by the fact that there are more pets out there, in both numbers of households that have pets and number of pets per household, and by the general trend of the "humanization" of our pets. That stimulates very, very strong demand for these kinds of products. The characteristics of the pet supplies category are the same in Europe, the same in other parts of the world. So it is a global phenomenon, not restricted to the US marketplace. And this is a category where there is no dominant supplier and where a large, sophisticated consumer products company like Rayovac can bring its branding and marketing skills, can bring its sophisticated information technology platform, can bring its sophisticated product sourcing and purchasing power, and its distribution infrastructure to smaller businesses to help dramatically increase their operational efficiency and leverage the broader relationship with the retailers around the world. So we think it's a very attractive category for us and one where we bring a lot of sophistication, and an infrastructure that we can leverage in businesses that are generally a lot smaller than we are today.

TWST: What are the priorities at this point for Rayovac? What's the agenda for the next 12 months? What has to occur in order for that time frame to be a success?

Mr. Hussey: Obviously, the number one priority right now is to successfully integrate United Industries and then following the closing of the Tetra acquisition, integrating that business as well. We view these as two significant and parallel processes. The lawn and garden business is essentially a North American business with the number two share in the US and the number one share in consumer lawn care in Canada. We'll be integrating that business into our North American business unit. There are a number of teams working on that today, first migrating that business onto our SAP IT platform and then identifying other organization structures that we could consolidate to create a more efficient, more powerful supplier in that market place. In the pet business, because it is so distinctively different, we are viewing that as a second integration project. We will be integrating the various businesses that make up the United Pet Group here in North America and ultimately combining that with the Tetra worldwide business. We are going to treat that as a totally separate integration activity, so that we can put that business together in the best way to serve our customers in that specific category. Those integration initiatives will be a primary focus of our operational sales and marketing teams over the next 12 to 18 months.

In a macro sense, the other significant focus will be continuing to maximize the operating cash flow of the business. Obviously, we have used significant leverage to buy these businesses, and we want to maximize the cash flow we generate in order to delever as quickly as possible. We are currently projecting that we would be able to reduce our leverage ratio well over a full turn of leverage in the first 15 months of ownership of these businesses. So that's a key focus as well.

TWST: What are the key metrics that allow an investor to look over your shoulder to see how well you are doing?

Mr. Hussey: I think you'll see us report on a regular basis on the status of these integration activities and the extent to which we are continuing to project synergy cost savings. We've publicly said that we believe there are about $75 million in synergies related to the United Industries acquisition and about $15 million in synergies related to the Tetra acquisition. So each quarter we will update investors as to how quickly we are getting at these synergies, and whether we think those estimates continue to be the appropriate targets. Obviously, another key metric to watch is our ability to achieve our stated goals in terms of organic growth going forward. We've publicly stated we believe this portfolio of businesses should be able to generate 5% to 7% organic revenue growth, just through continuing to operate efficiently, and continuing to innovate in terms of product introductions and effective marketing programs. We've also said that we believe this combined enterprise should be able to generate in excess of 20% fully diluted pro forma earnings per share growth for the next one to two years as we put these businesses together and leverage the infrastructure and get at these synergy savings.

I think those are key metrics — top line and bottom line growth and documented cost savings in the business. Investors should be able to focus on these metrics to evaluate whether we are delivering the value that we said we would.

TWST: On a global basis, what are some of the challenges you face?

Mr. Hussey: One of the things that we recognized early on in building a global platform is that you need to have topnotch international business leaders who know how to conduct business activities in local markets. Our business in Europe is run by very mature, experienced European business people who have grown up in those markets, be they France, Germany, Italy, Baltic, Eastern European nations, etc. We have a management team that knows how to conduct business in those markets. Same thing in Latin America; all of our country managers, all of our regional managers who run that business are experienced business people who have spent the bulk of their careers living, being educated, and working in those markets. So that is first and foremost, really having a management team that is embedded in that market and is allowed to make local business decisions that are appropriate to make sure they're successful. So we operate our business as three regional business units, one in North America, one in Europe, and one in Latin America. Those management teams have a great deal of autonomy to make tactical decisions about how to achieve our long-term financial objectives and business strategies. So that's first and really foremost in achieving success.

The second advantage is that when we do acquisitions, we look for strong brand names and products that can be sold in global markets. Shaving and grooming is a global marketplace. Pet supplies is a global marketplace. So while the businesses that we are acquiring may have current operations that are more focused in one particular geography, what we find very exciting is then taking those products to market on a global scale. For instance, Remington products, which were sold primarily in North America when we bought the business are now beginning to be rolled out to consumer markets in Western Europe, in Eastern Europe, all the way through to Russia, and now through many markets in Latin America. That's the power of our business model and this platform that we've created, that we have sales and marketing teams in all of these key markets, that we have a distribution infrastructure, that we have the information technology to manage and control our business and customer relationships, all of which can be leveraged by bringing other exciting products to those markets.

The thing we find encouraging is that in many of these markets, our retail customers are excited by the opportunity to sell new products that they've not had on their shelves in those marketplaces. We've seen that already with the Remington product line and we certainly expect to see some of that relative to the products for both United Industries and for Tetra as we move to distribute those products around the world.

TWST: What are some of the challenges you are facing as you get analysts onboard? What kind of feedback are you getting?

Mr. Hussey: I would say two or three years ago, we were somewhat frustrated that although we were transforming the business, we were kind of pigeon holed as being a small Midwestern consumer battery business, and we couldn't shake that image. But I think today that image has largely been shed. We are very fortunate that we have a number of leading analysts covering the company, and they have taken the time in the last 12 to 18 months to listen to the story, to study what we've done, and really do some very thorough research on the company. We have spent a lot of time educating not only the sell side but the buy side about who we are, what our new business model is. We've been fortunate to get a fair amount of press for the some of the things that we've been doing most recently from a lot of fine organizations. I think the message is out there, and that's part of the reason that we've had a fairly good increase in the valuation of the company because people do understand the power of the business model, the successes that we've already achieved, and I think they see the wisdom in the strategy that we are following.

TWST: Has it translated into any transition or change in the shareholder universe?

Mr. Hussey: I think we have moved into a different class of institutional investors. We've moved from micro cap to small cap to midcap land. So we've evolved into being attractive to different kinds of institutional investors. We've also become more global, so that we spend more time talking to people in Europe and have attracted a fair number of institutional investors there for both our equity and our debt.

I think we've done a pretty good job of evolving to a much broader investor base particularly in the last 12 months or so.

TWST: Is there anything you would like to add?

Mr. Hussey: You asked about changes in management. One of the things that we try to do is keep the DNA of the acquired company, to use our terminology. So as we've done acquisitions, we've gone out of our way to attract the top executives of the acquired company to become part of the larger organization. We've had tremendous success in doing that, starting with the VARTA acquisition, Remington, and then more recently the United Industries acquisition. Getting the executives who made those target companies successful to stay with us and participate in continuing to grow the business is really a key strategy. For instance, Bob Caulk, formerly CEO and Chairman of United Industries, recently agreed to join us as President and CEO of our North American business unit. I think this demonstrates that he sees the power of the business combination, and therefore he has committed to stay with us to help guide the integration and be part of this bigger enterprise.

John Heil, who is President of the United Pet Group, is also signing on as member of our senior management team, and he is very excited about being part of this larger global pet platform that we put together here with the Tetra acquisition. So I think the stability of the senior management team and the fact that we've augmented it with top talent from the acquired companies has given us a very seasoned, mature management team. At the end of the day, these are the people who are making strategic decisions, overseeing the operation of the business, and ultimately have the responsibility to deliver results to all our investors. That's one of the key assets that we have to offer investors.

TWST: Is there a limitation to continued use of Rayovac as the corporate name?

Mr. Hussey: Rayovac, again, has a certain image associated with it, namely a small consumer battery company. We believe we have outgrown that image. And so we've publicly announced recently our decision to change the corporate name from Rayovac to Spectrum Brands, Inc. That's a name that we believe really more appropriately sends the message of who we are, and who we intend to be going forward. Our shareholders will be voting on the name change on April 27 and we fully expect that they will approve the change and that it will go into effect early the following week. So as people think about us as a company, as Spectrum Brands, they will associate us with a broad spectrum of products in a number of attractive consumer product categories. That's who we are and who we will continue to strive to be, and hopefully people will begin to relate to that name and to our new trading symbol, SPC.

TWST: Thank you.

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