RAYOVAC

RAYOVAC CASE ANALYSIS

KATE GUYER
JOSH KILLIAN
CHRIS McROBERTS
ROBERT NORR
TIM ROSS

STRATEGY 6302 DR. GARY MOSKOWITZ

Table of Contents

CONSUMER BATTERY INDUSTRY 3

Product 3
Consumer 4
Market 4
Distribution 5

INDUSTRY ANALYSIS—CONSUMER GENERAL & SPECIALTY BATTERIES 5

Suppliers 5
Customers 6
Rivalry 6
Barriers to Entry 6
Substitutes 6

COMPETITION 6

Duracell 7
Energizer 8
Private Label/OEM 9

FUTURE INDUSTRY TRENDS 10

Alkaline Batteries 10
Rechargeable Batteries 11
New Products 11

RAYOVAC 12

Financials 12
Corporate Strategy 13
Competitive Position 14

HEARING AID BATTERIES 14

RECOMMENDATION 15

EXHIBITS 17

Exhibit 1—Battery Chemistry Comparison 17
Exhibit 2—Gillette & Duracell Financials 17
Exhibit 3—Energizer Products 17
Exhibit 4—Energizer Product Innovations 18
Exhibit 5—Rayovac Product Offerings 18
Exhibit 6—Rayovac Financial Statements 19
Balance Sheet 19
Income Statement 20
Cash Flow Statement 20
Exhibit 7—Competitive Advantage Grid 21
Exhibit 8—Rayovac Competence Creation Model 21

Consumer Battery Industry

Product

The Consumer Battery Industry can be divided into two types of consumer batteries: specialty and general. General batteries are standard size batteries that consumers can purchase for their everyday home electronics and can be either rechargeable or disposable. Specialty batteries are ones that are produced for a specific type of usage, such as cars, hearing aids, camcorders, and cameras. In addition, the battery industry is divided into two sections, primary batteries and secondary batteries or rechargeable. A primary battery can convert its chemicals into electricity only once and then must be discarded. A secondary battery has electrodes that can be reconstituted by passing electricity back through it; also called a storage or rechargeable battery, it can be reused many times. Both specialty and general batteries can be purchased in the disposable or rechargeable form.

The three most common types of primary batteries are:

1. ***Alkaline*:** Most common type of battery and used in most household electronics
2. ***Lithium*:** Used mostly in small cells (coin cells) for watches, calculators and high drain applications such as digital cameras.
3. ***Zinc-Air*:** Used mostly in hearing aids due to their high energy density. However, once the battery begins to be used, it will drain itself within four months.

Furthermore, there are five types of rechargeable batteries:

1. ***Nickel-cadmium:*** The workhorse of the industry chargeable up to 500 times. Has a memory problem requiring complete drainage before charging.
2. ***Nickel-metal hydride*:** A replacement for nickel-cadmium; about 30 to 40% longer run-time, same number of charges, but it also has a memory problem.

3. ***Lithium-ion*:** Latest technology; no memory effect, but it has a reduced number of charging cycles. Highest energy density but low capacity. This type of battery is ideal for notebook computers.
4. ***Rechargeable alkaline*:** Limited niche use; cheap, high capacity, but it has a very short cycle life (25 cycles to 50% capacity)
5. ***Non-automotive lead-acid*:** Specialty applications such as uninterruptible power supplies.

Consumer

The battery industry consumer can be divided into four main categories:

- ***Individual consumers***: Purchased for toys and games, consumer electronics, and other household items.
- ***OEM***: Sold directly to consumer electronics manufacturers to be included in the final product.
- ***Automotive Industry:*** OEM automobile manufacturers and customers who retail batteries to car owners.
- ***High Tech*:** Diverse applications such as cellular communications, backup power for telecommunication systems, and satellite power.

However, the consumer battery industry typically consists of individual consumers and OEMs who purchase finished batteries to package with electronic items.

Market

The worldwide market for batteries is estimated at $37.1 billion. The overall battery market is divided into rechargeable ($24.9 billion in sales in 2001) and primary (disposable) batteries ($12.8 billion in 2001). The market is dominated by single-use, disposable (primary)

alkaline and zinc-carbon batteries. In 2001, the market for disposable batteries is estimated at nearly $13 billion, with 75% of these sales representing alkaline batteries. Rechargeable batteries are beginning to penetrate the consumer battery market for use in high performance products like digital cameras. In recent years, some battery companies have introduced batteries specifically designed for high performance electronic products. The Duracell Ultra™ alkaline battery is an example of this attempt at segmenting the consumer battery market.

Distribution

Consumer batteries are typically purchased at retail outlets for household applications such as clocks, smoke detectors, radios, cameras, toys, flashlights, and cassette players. Retail outlets used are typically mass merchants, convenience stores, supermarkets, drug stores, home improvement stores, and electronic stores.

Industry Analysis—Consumer General & Specialty Batteries

Suppliers

Suppliers to the consumer battery industry include the manufacturers of chemicals, labels, and packaging products, the employees who produce the batteries, and lastly the government and EPA who regulate the disposal of battery materials. A high concentration of material providers makes supplier power fairly low. Employees don't seem to have too much power either, as many batteries are produced in countries with very low-cost labor. Lastly, the government and EPA do have some power over batter manufacturers with their strict regulations of battery disposal. However, the trend towards more environmentally friendly batteries has decreased some of their power.

Customers

End consumers seem to have little power of price and types of batteries. The consumer seems to be fairly loyal to two or three brands and although price is important, consumers often are brand loyal. The relative cost of batteries also decreases consumer power because batteries are an inexpensive purchase. The lack of viable substitutes also decreases power. The only consumer who may have some power is the OEMs because they purchase in large quantities and have a number of brands to choose from. Lastly there is a very real threat of backward integration by OEMs such as Panasonic and Sony to develop and market a private-label battery.

Rivalry

The high number of battery manufacturers makes rivalry fairly high. The high cost of capital to get into the business and the high switching costs also contribute to the rivalry. In addition, you can also find evidence of rivalry in the advertising of the leading brands, as companies often try to prove how their brand is better than their competitors.

Barriers to Entry

The barriers to entry in this industry are fairly high when one considers the cost of the plant and the low margins. The threat of retaliation is huge and a large advertising budget would be necessary to beat out the large competitors.

Substitutes

The substitutes for consumer batteries are solar power, electricity, home creations (potatoes, frogs, hamsters), industrial batteries, and fly wheels. None of these substitutes is truly viable, especially when you consider the portability of the batteries.

Competition

Duracell

Recognized as the leader in the U.S. consumer battery market, Duracell has experienced declining profits and market share for the past four years. From 1999 to 2000, Duracell's revenues and operating profits have declined 5% and 28%, respectively (Exhibit 2). Duracell maintains its competitive advantage by offering high quality battery products at a premium price. Extensive R&D efforts have positioned Duracell as the top-quality battery with the longest life. Recently, Duracell introduced the next phase of alkaline batteries, M3™ in efforts to shore up market share and profits.

In 2000, Duracell sold over three billion batteries in the U.S. market. Duracell can be classified further into two segments, specialty batteries and general batteries. Photo batteries and hearing aid batteries are the majority of specialty sales for Duracell. Within the photo battery market, Duracell is, by far, the market leader with 72% market share[1]. Within the consumer battery industry, this is the fastest growing sector, growing 35% year over year. The catalyst for this high-growth industry is the digital camera, which require specialized batteries for power and currently accounts for 50% of new camera sales. Duracell is also a major player in the hearing aid battery segment, accounting for approximately 40% of this market.[2] This segment will continue to have constant growth as the "baby boomer" age and the demand for hearing aid devices grows.

To further bolster sales of consumer alkaline batteries, Duracell has introduced a new technology to extend normal battery life. M3™ is being marketed as the next generation,

[1] Duracell Press Release, (February 13, 2001). Retrieved November 16, 2001 from www.businesswire.com
[2] Duracell Press Release, (October 16, 2001). Retrieved November 16, 2001from www.businesswire.com

offering users more fuel, more efficiency, and more power. Duracell hopes this new product release will strengthen its market leading 43% market share.[3]

In order to reverse the recent profit trend, Duracell is launching a $100 million marketing campaign. The primary product for this campaign is the new M3™ battery. Duracell will use a variety of media channels and promotions to show the long-lasting power of the M3™. Also, Duracell has begun recently to expand significantly internationally by acquiring existing battery companies. In 1998, Duracell purchased Geep of India and renamed it Duracell India. This acquisition positions Duracell in the fourth largest battery market in the world. Also, Duracell acquired Rocket of South Korea, the market leader in that country.

Energizer

Energizer Holdings, Inc., an independent public company spun off from Ralston Purina Co. in April 2000, is the world's largest manufacturer of dry cell batteries and flashlights and the second largest battery maker in the U.S. For the Fiscal Year ended September 30, 2001 the company reported Net Sales of $1.694 Billion (down 11%) and a Net Loss of $39 Million.[4]

Energizer has four Operating divisions (North America, Asia Pacific, Europe, and South and Central America) and competes in five major categories, alkaline, carbon zinc, miniature and rechargeable batteries and lighting products. In the alkaline battery category, the company offers a full line of products to meet the varied need of battery consumers (Exhibit 3). As the second largest battery maker in the U.S., Energizer is positioned as a market leader and maintains a 30% market share of batteries sold at the retail level. The company's focus is on quality and innovation and offering the customer superior value along with a wide range of battery products.

[3] Duracell Press Release, (November 19, 2001). Retrieved November 16, 2001 from www.businesswire.com
[4] Energizer Earnings Release (October 30, 2001). Retrieved November 20, 2001 from http://www.corporate-ir.net

Energizer is seeing an intense level of competition from Gillette Co., maker of Duracell Batteries. Gillette management has placed a renewed focus on the Duracell division with a re-launch of the CopperTop™. The company plans to enter an aggressive pricing environment to compete with Duracell.

Energizer and the Energizer Bunny have strong brand recognition and a sound reputation for quality. They offer a full range of products and have always been regarded as an innovator in the consumer battery industry (Exhibit 4).

	Low Cost	Differentiation
Industry Wide	Cost Leadership	Differentiation 
Single Segment	Focus Cost	Focus Differentiation

Private Label/OEM

In addition to Duracell and Energizer, Rayovac faces competition from private label brands and original equipment manufacturers. Radio Shack Corporation, with nearly 7,200 stores nationwide, primarily sells batteries under their Enercell™ brand, which are manufactured by Duracell. Radio Shack sells Energizer products to a lesser degree; however, they do not sell Rayovac. Radio Shack uses batteries to increase customer traffic in their retail locations and therefore drive sales of higher priced items. Batteries, located in the parts and accessories department, represent the highest gross margin sales category for Radio Shack.

Rayovac also faces pressure from original equipment manufacturers that produce batteries either for sale or simply for use in their own products. Matsushita Electric Industrial

Company, the leading consumer electronics maker in the world, manufacturers and sells its own batteries. Matsushita, owner of the Panasonic, Quasar, Technics, and JVC brands, manufactures manganese, alkaline, lithium, and button batteries through its subsidiary Matsushita Battery Industrial Company, Ltd. Matsushita use their batteries to "differentiate their products and systems from other components by generating higher added value." Matsushita, who regards producing batteries as a requirement to becoming a strong manufacturing company, generates 21% of sales from their components division, mostly from battery sales. Sony Corporation, the second place consumer electronics maker in the world produces several types of batteries including alkaline and lithium-ion. However, Sony primarily manufacturers batteries for use in their own products, as sales of batteries account for less than 1% of total sales.

Future Industry Trends

Alkaline Batteries

Alkaline batteries have essentially hit their peak as a primary (non-rechargeable) power source. There is no technology being developed that will allow low cost alkaline-based batteries to truly double their capacity[5]. Companies such as Duracell and Energizer have tweaked their alkaline batteries to have marginal performance gains over standard uses and considerable gains in high-drain applications by perfecting the make-up of the chemicals involved and improving the physical design of how those chemicals interact. Rayovac is not working on such technology for their batteries giving the high performance alkaline battery market to Duracell and Energizer.[6]

[5] Rosch, Winn, (June 8, 2001). Batteries: History, Present, and Future of Battery Technology. Retrieved November 20, 2001 from www.extremetech.com

[6] Harbrecht, Douglas, ed. (January 18, 2000). Q&A with Rayovac's Hard-Charging David Jones. Retrieved November 10, 2001 from www.businessweek.com.

Rechargeable Batteries

There have been a large number of technological advances in secondary (rechargeable) batteries. These advances have mostly revolved around finding better chemical reagents and perfecting these technologies. These technologies include alkaline rechargeable, nickel-cadmium, nickel-metal-hydroxide, and lithium-ion. The latest trends involve using a different version of lithium-ion batteries known as lithium polymer. This technology does not increase the power efficiency of the lithium-ion battery, but instead allows the battery to be manufactured in any shape desired[7]. Since lithium is the most reactive metal and it is currently the foundation for several battery technologies, rechargeable battery technologies are expected to improve only marginal.

New Products

The latest area for great advances in portable power lies in the area of fuel cells. Fuel cells produce electricity much in the same way as a battery, but instead of the chemical change taking place on the anode and cathode, the electrolyte (fuel) provides electrons for the production of electricity. Once the fuel is spent, the user only has to add more fuel to keep the fuel cell going. Currently, methanol, ethanol, and hydrogen are fuels used for these fuel cells. Companies have already reported successful prototypes as laptop batteries, but none have begun production. There are still issues to work out with fuel cells such as heat, fuel delivery, and fuel dangers to humans. Once these issues are worked out, fuel cells will redefine how we think of portable (and stationary) electricity.[8]

[7] Rosch.
[8] Rosch.

Rayovac

Headquartered in Madison, WI, Rayovac was founded in 1906 as the French Battery Company. Renamed in the 1930s, Rayovac is the third largest U.S. manufacturer of batteries, smaller only than Duracell and Energizer. The company website claims that "according to data provided by A.C. Nielsen, Rayovac is the fastest growing U.S. battery company." The company classifies their product offerings under the categories of: alkaline, cordless, rechargeable, photo/electronic, keyless entry, watch/calculator, hearing aids, and flashlights. (Exhibit 5) The company markets the number one domestic selling rechargeable brand, and is the world leader in hearing aid batteries. Rayovac has 3300 employees worldwide and is led by CEO David A. Jones. The company is traded on the New York Stock Exchange under the ROV symbol.

Financials

Rayovac is in overall good shape according to the available financial data. They maintain a balance of $10 million[9] in cash and a revolving credit line to help withstand any downturns in the economy. Alkaline and rechargeable battery sales increased 10% and 27% respectively during 4Q01 over 4Q00. These gains were offset by a decrease in specialty battery and lighting sales. Revenues during this quarter fell 3.5% compared to Energizer's fall of 9%[10] and Duracell's rise of 1%[11]. Interest expense fell 35.9% due to the payback of long-term loans.

Rayovac experienced a 0.5% decrease in cost of goods sold compared to a 3.5% decrease in revenues as well as a 10.6% and 2.6% increase in R&D and SG&A expenses, respectively. Rayovac also took a $3.5 million charge as part of a restructuring program that reduced

[9] Edgar Online, (July 1, 2001). Balance Sheet. Retrieved November 20, 2001 from biz.yahoo.com/fin/l/r/rov_qb.html.
[10] Energizer Holdings Press Release, (October 30, 2001). Energizer Holdings, Inc. Announces Fourth Quarter and Fiscal Year 2001 Results. Retrieved November 28, 2001 from biz.yahoo.com/prnews/011030/cgtu012_1.html
[11] Gillette Co., (November 6, 2001). Quarterly Report (SEC form 10-Q). Retrieved November 22, 2001 from biz.yahoo.com/e/011106/g.html

headcount by 17%. These factors combined with the decrease in revenues caused profits to fall 48.8% from $12.7 million to $6.5 million. (Exhibit 6)

Rayovac paid off a substantial portion of its long-term debt in 3Q2001. A secondary stock issuance raised nearly $72 million and was mainly applied towards long-term debt reducing it by 22.8% from $303 million to $234 million. This move nearly doubled stockholder equity while raising the number of shares from 29 million to 32.5 million.

Corporate Strategy

Rayovac's growth and success can be attributed to a well-defined and executed strategic plan. First, as the third largest battery maker, Rayovac's alkaline battery strategy is to compete on price. They price their alkaline batteries below Duracell and Energizer to gain market share. Rayovac has made significant progress in establishing partnerships with low-cost mass merchandisers to distribute its products. Giants, such as Wal-Mart, Lowes, and BJ's Warehouses have teamed with Rayovac to market its batteries. Currently, Rayovac batteries can be found in over 100,000 stores in North America, tripling its distribution points in just four years.[12]

Second, Rayovac has had significant global expansion. They have concentrated on the Latin America market and have copied its North American strategic and marketing plan and implemented throughout Latin America. To continue to grow the 24% market share in Latin America, Rayovac will continue to expand distribution outlets with mass merchandisers. In addition, Rayovac will expand its product offering by introducing the successful North American products. Rayovac has plans to further expand its European market. With a foothold in the UK, Rayovac again will leverage its North American distribution strategy by partnering with mass merchandisers. Rayovac's key relationship with Wal-Mart in the U.S. will help further expand its operations in continental Europe. Additionally, Rayovac will continue to expand

[12] Rayovac Annual Report 2000. Retrieved November 27, 2001 from www.rayovac.com

geographically through strategic mergers and acquisitions of competitors in key countries to establish a market position.

Competitive Position

After decades of losing market share, Rayovac decided to make a change in its competitive position. In 1996 investment firm Thomas H. Lee repositioned Rayovac as a "value brand". Rayovac was able to increase sales through discounted prices up to 20% lower than their major competitors. Partnering with low-cost merchandisers allowed Rayovac to strengthen its position as a quality battery at an affordable price. (Exhibit 7) As the alkaline segment continues to mature, Rayovac's cost leadership position should prove beneficial as their major competitors continue to compete with each other on innovation and performance. Anticipating a decrease in future opportunities in the alkaline segment, Rayovac continues to focus on growing segments like hearing aid and rechargeable batteries.

Hearing Aid Batteries

Rayovac, as the fastest growing battery company, has used innovative strategic decisions and marketing plans to grow its products rapidly. The alkaline batteries segment and the rechargeable battery segment enjoyed double-digit growth over the past year, while lighting products grew at a modest 5%.[13] Over the same time period, the hearing aid battery segment achieved negative revenue growth. With growth in other areas by following a low-cost mass merchandiser strategy, hearing aid batteries have been the "dog" of the company. The main strategic problem Rayovac is facing is declining market share and revenues in one of its key segments, hearing aid batteries. Ironically, Rayovac commands 62% of the worldwide market in hearing aids. Additionally, Rayovac is the leading innovator of hearing aid batteries by introducing new technology, Zinc-Air, to make batteries last up to 50% longer. Furthermore,

[13] Rayovac.

Rayovac holds 31 patents in the hearing aid battery technology. Within the next ten years, the population of "baby boomers," those most likely to need hearing aids, will grow to 40% by 2015.[14] The growth in this age group represents huge market potential to Rayovac by sustaining its market leading position in this segment. Only 20% of people who need hearing aids, currently uses them. These factors lead to the identification of a clear problem in Rayovac. As this population continues to grow, Rayovac must develop a new strategy to maintain market leadership and increase its revenues.

Recommendation

For the most part, Rayovac has implemented a very successful strategic platform evidenced by their consistent financial performance and record earnings in 2000 and 2001. The company should maintain its focus as the low cost provider of consumer batteries offering a full range of battery solutions. Rayovac needs to continue to expand its alkaline business (accounts for nearly 50% of sales) and increase its retail outlets in North America. They have increased their number of retail outlets threefold since 1996, but are still only sold in half of their targeted retail distribution channels. The company also plans to increase their penetration in Latin America, a market they have identified to have the highest growth potential.

The area where we see Rayovac with a potential strategic problem is in the Hearing Aid Battery market. The company is currently the worldwide leader with a 62% market share, however sales have fallen 5-10% over the past two years, the only segment in their product line with declining sales. Besides increased competition from the other major battery manufacturers (Duracell & Energizer), Rayovac is faced with the threat of forward integration by leading

[14] US Census Bureau. (2001). Population Growth. Retrieved November 27, 2001 from www.census.gov

hearing aid manufacturers. Companies such as Siemens and Beltone already produce their own hearing aid batteries and there is potential for others to follow suit.

Many opportunities exist in this market for Rayovac to capitalize on and extend their worldwide market leadership position. Hearing aids are an underdeveloped market, as only a small percentage of those requiring them actually wear them. As mentioned earlier, the Baby Boomer generation is entering their golden years, which will provide tremendous growth in the Hearing Aid market over the next ten years. Technology continues to improve. Manufactures are designing smaller in-the-ear and canal devices. Many of the larger, international manufacturers such as Telex and Widex are developing digitally enhanced hearing aids. With this new technology comes the need for configuring battery solutions.

We recommend Rayovac forming several strategic alliances with some of the top international OEMs such as Widex, Starkey or Unitron. Rayovac must focus on their core competency, making batteries. A strategic alliance would allow both partners to branch out externally and leverage off of each other's distribution channels to reach previously unavailable distributors (i.e. audiologists) and retail outlets. (Exhibit 8) Numerous co-branding and co-packaging options would be available through an alliance to help with economies of scale and allow Rayovac to generate positive sales growth and protect its leadership position in this emerging market.

Exhibits

Exhibit 1—Battery Chemistry Comparison

Primary Battery Chemistry Comparison			
Attribute	**Zinc-Air**	**Alkaline**	**Lithium**
Energy Density	High	Medium	High
Energy Storage	High	Medium	Medium
Cost	Low	Low	High
Safety	High	High	Medium
Environment	High	High	Medium

Rechargeable Battery Chemistry Comparison			
Attribute	**Nickel Cadmium**	**Nickel Metal Hydride**	**Lithium-Ion**
Energy Density	Low	Medium	High
Energy Storage	Low	Medium	Medium
Cycle Life	High	High	High
Cost	Low	Medium	High
Safety	High	High	Medium
Environment	Low	Medium	Medium

Source: http://www.aerenergy.com/batt_typetradeoff.html

Exhibit 2—Gillette & Duracell Financials

	2000		1999	
	Gillette	**Duracell**	**Gillette**	**Duracell**
Revenues	$ 9,295	$ 2,577	$ 9,154	$ 2,726
Operating Profit	$ 1,512	$ 439	$ 2,087	$ 606

*In millions

Source: 2000 Gillette Annual Report

Exhibit 3—Energizer Products

Device	General	Cameras	Digital Cameras, PDA's, & Other Devices	Hearing Aids	Watches, Calculators, & Other Devices
Battery Sizes	AA AAA C D 9V	EL123 EL1CR2 EL1CR5 L91 EL223 ELCRV3	AA AAA C D 9V	AC13E AC675E AC312E AC10E/23 0E AC5E	L3120 L2391 L0231 L923

Source: www.energizer.com

Exhibit 4—Energizer Product Innovations

Year	Innovation
1896	Energizer markets the very first battery for consumer use
1956	Eveready/Energizer introduce the first 9-volt battery
1958	Introduced first batteries used in transistor radios
1959	Manufactured the first alkaline battery
1960	First silver-oxide button cell for use in hearing aids and watches
1963	Developed lithium battery technology
1990	First to eliminate Mercury to its batteries
1992	Introduced world's first AA size lithium battery
1995	Became first manufacturer to feature an on-battery tester

Source: www.energizer.com

Exhibit 5—Rayovac Product Offerings

Device	Battery Size
Alkaline	AA AAA C D 9V
Rechargeable (NiMH & Alkaline)	AA AAA C D 9V
Cordless	NiMH Cordless-30 types
Photo/Electronic	7 Types
Keyless Entry	5 Types
Watch/Calculator	36 Types (Silver Oxide)
Hearing Aids	Ultra Proline Zinc Air—4 Types Loud and Clear Zinc Air—4 Types
Flashlights	Numerous Varieties
OEM	Computer Clock Batteries—4 Types Lifex Lithium Carbon Monoflouride Coin Cell ▪ BR1225—14 Configurations ▪ BR1632—4 Configurations ▪ BR2016—2 Configurations ▪ BR2032—5 Configurations ▪ BR2325—7 Configurations Lifex FB Encapsulated—2 Types Silver Oxide—36 Types
Industrial Batteries	AAA AA C D 9V Lantern

Source: www.rayovac.com

Exhibit 6—Rayovac Financial Statements

Balance Sheet

Period Ending	1-Jul-01	1-Apr-01	31-Dec-00	30-Sep-00
Current Assets				
Cash And Cash Equivalents	$ 10,260,000	$ 10,563,000	$ 11,292,000	$ 9,757,000
Net Receivables	$ 153,720,000	$ 127,534,000	$ 143,264,000	$ 159,741,000
Inventory	$ 92,313,000	$ 90,926,000	$ 94,736,000	$ 100,676,000
Other Current Assets	$ 37,868,000	$ 37,917,000	$ 36,609,000	$ 20,996,000
Total Current Assets	**$ 294,161,000**	**$ 266,940,000**	**$ 285,901,000**	**$ 291,170,000**
Long Term Assets				
Property Plant And Equipment	$ 108,013,000	$ 99,819,000	$ 101,999,000	$ 111,897,000
Goodwill	$ -	$ -	$ -	$ 33,878,000
Intangible Assets	$ 119,418,000	$ 120,316,000	$ 121,284,000	$ 93,915,000
Accumulated Amortization	$ -	$ -	$ -	$ 5,679,000
Other Assets	$ -	$ -	$ -	$ 10,054,000
Deferred Long Term Asset Charges	$ 39,994,000	$ 46,261,000	$ 42,035,000	$ 33,781,000
Total Assets	**$ 561,586,000**	**$ 533,336,000**	**$ 551,219,000**	**$ 569,016,000**
Current Liabilities				
Accounts Payable	$ 133,887,000	$ 111,844,000	$ 134,695,000	$ 141,665,000
Short Term And Current Long Term Debt	$ 25,075,000	$ 24,038,000	$ 35,091,000	$ 44,815,000
Other Current Liabilities	$ -	$ -	$ -	$ -
Total Current Liabilities	**$ 158,962,000**	**$ 135,882,000**	**$ 169,786,000**	**$ 186,480,000**
Long Term Debt	$ 234,161,000	$ 302,686,000	$ 273,308,000	$ 288,180,000
Other Liabilities	$ 12,480,000	$ 13,608,000	$ 29,633,000	$ 5,418,000
Deferred Long Term Liability Charges	$ -	$ -	$ -	$ 8,242,000
Total Liabilities	**$ 405,603,000**	**$ 452,176,000**	**$ 472,727,000**	**$ 488,320,000**
Stock Holders Equity				
Common Stock	$ 616,000	$ 574,000	$ 574,000	$ 571,000
Retained Earnings	$ 113,531,000	$ 110,809,000	$ 106,684,000	$ 108,450,000
Treasury Stock	$ (130,070,000)	$ (130,070,000)	$ (130,070,000)	$ (129,982,000)
Capital Surplus	$ 181,019,000	$ 109,116,000	$ 108,998,000	$ 104,197,000
Other Stockholder Equity	$ (9,113,000)	$ (9,269,000)	$ (7,694,000)	$ (2,540,000)
Total Stockholder Equity	**$ 155,983,000**	**$ 81,160,000**	**$ 78,492,000**	**$ 80,696,000**

Income Statement

Period Ending:	1-Nov-01	1-Jul-01	1-Apr-01	31-Dec-00	30-Sep-00
Total Revenue	$187,600,000	$159,132,000	$142,833,000	$185,918,000	$194,547,000
Cost Of Revenue	$96,800,000	$84,230,000	$76,033,000	$107,536,000	$97,363,000
Gross Profit	**$90,800,000**	**$74,902,000**	**$66,800,000**	**$78,382,000**	**$97,184,000**
Operating Expenses					
Research And Development	$3,200,000	$2,990,000	$3,005,000	$3,015,000	$2,891,000
Selling General And Admin Exp	$69,200,000	$52,650,000	$49,986,000	$68,739,000	$67,433,000
Other Operating Expenses		$141,000	($14,564,000)	$6,467,000	$4,450,000
Operating Income	$18,400,000	$18,962,000	$13,809,000	$6,628,000	$26,860,000
Total Other Inc And Expenses Net	($3,500,000)	$180,000	($181,000)	($952,000)	($720,000)
Earnings Before Interest And Taxes	$14,900,000	$19,142,000	$13,628,000	$5,676,000	$26,140,000
Interest Expense	$4,900,000	$7,017,000	$7,182,000	$8,192,000	$7,647,000
Income Before Tax	$10,000,000	$12,125,000	$6,446,000	($2,516,000)	$18,493,000
Income Tax Expense	$3,500,000	$4,053,000	$2,321,000	($750,000)	$5,791,000
Net Income	**$6,500,000**	**$2,722,000**	**$4,125,000**	**($1,766,000)**	**$12,702,000**

Cash Flow Statement

Period Ending:	1-Jul-01	1-Apr-01	31-Dec-00	30-Sep-00
Net Income	**$2,722,000**	**$4,125,000**	**($1,766,000)**	**$12,702,000**
Cash Flow Operating Activities				
Depreciation	$5,577,000	$5,618,000	$5,983,000	$5,584,000
Adjustments To Net Income	**$8,080,000**	**$3,423,000**	**$1,810,000**	**($3,082,000)**
Cash Flows From Operating Activities	**$16,520,000**	**($1,398,000)**	**$12,494,000**	**$592,000**
Cash Flow Investing Activities				
Capital Expenditures	($10,998,000)	($2,715,000)	($1,502,000)	($6,544,000)
Other Cashflows From Inv Activities	$485,000	$18,000	$6,000	$644,000
Cash Flows From Investing Activities	**($9,951,000)**	**($2,697,000)**	**($1,496,000)**	**($5,900,000)**
Cash Flow Financing Activities				
Net Borrowings	($73,222,000)	$2,424,000	($8,913,000)	$4,530,000
Other Cashflows From Fin Activities	($206,000)	($480,000)	($560,000)	$1,915,000
Cash Flows From Fin Activities	**($5,647,000)**	**$1,944,000**	**($9,473,000)**	**$6,180,000**
Effect Of Exchange Rate	($1,225,000)	$1,422,000	$10,000	($44,000)
Change In Cash And Cash Equiv	($303,000)	($729,000)	$1,535,000	$828,000

Source: biz.yahoo.com/fin/l/r/rov_qb.html

Exhibit 7—Competitive Advantage Grid

		Sources of Competitive Advantage	
		Low Cost	**Differentiation**
Competitive Scope	**Industry Wide**	RAYOVAC	DURACELL, Energizer
	Single Segment		Valence Technology, Inc.

Exhibit 8—Rayovac Competence Creation Model