HELEN OF TROY LTD
Form 10-Q
January 09, 2017
Table of Contents

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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 November 30, 2016

or

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

For the transition period from ..... to …..

Commission file number: 001-14669

HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	74-2692550 (I.R.S. Employer Identification No.)
Clarendon House 2 Church Street Hamilton, Bermuda (Address of principal executive offices)	
1 Helen of Troy Plaza El Paso, Texas (Registrant's United States Mailing Address)	79912 (Zip Code)

(915) 225-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 3, 2017
Common Shares, $0.10 par value, per share	26,987,316 shares

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

FORM 10 Q

TABLE OF CONTENTS

PAGE

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Balance Sheets (Unaudited)

(in thousands, except shares and par value)

	November 30, 2016	February 29, 2016
Assets		
Assets, current:		
Cash and cash equivalents	$ 16,780	$ 225,800
Receivables - principally trade, less allowances of $6,637 and $5,898	289,943	217,543
Inventory	301,088	301,609
Prepaid expenses and other current assets	12,251	9,780
Income taxes receivable	-	356
Total assets, current	620,062	755,088
Property and equipment, net of accumulated depreciation of $103,780 and $93,926	133,879	130,465
Goodwill	698,938	583,005
Other intangible assets, net of accumulated amortization of $158,713 and $137,174	430,902	375,751
Deferred tax assets, net	2,713	2,484
Other assets, net of accumulated amortization of $1,907 and $1,828	2,583	2,101
Total assets	$ 1,889,077	$ 1,848,894
Liabilities and Stockholders' Equity		
Liabilities, current:		
Accounts payable, principally trade	$ 134,935	$ 103,713
Accrued expenses and other current liabilities	165,423	141,245
Income taxes payable	2,617	-
Long-term debt, current maturities	24,528	22,644
Total liabilities, current	327,503	267,602
Long-term debt, excluding current maturities	540,374	597,270
Deferred tax liabilities, net	19,484	27,364
Other liabilities, noncurrent	21,838	26,615
Total liabilities	909,199	918,851

Commitments and contingencies				
Stockholders' equity:				
Cumulative preferred stock, non-voting, $1.00 par. Authorized 2,000,000 shares; none issued		-		-
Common stock, $0.10 par. Authorized 50,000,000 shares; 26,987,316 and 27,735,034 shares issued and outstanding		2,699		2,774
Additional paid in capital		212,770		198,077
Accumulated other comprehensive income (loss)		2,087		665
Retained earnings		762,322		728,527
Total stockholders' equity		979,878		930,043
Total liabilities and stockholders' equity	$	1,889,077	$	1,848,894

See accompanying notes to consolidated condensed financial statements.

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Income (Unaudited)

(in thousands, except per share data)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2016	2015	2016	2015
Sales revenue, net	$ 444,414	$ 445,503	$ 1,160,522	$ 1,159,977
Cost of goods sold	250,199	262,979	650,912	686,129
Gross profit	194,215	182,524	509,610	473,848
Selling, general and administrative expense ("SG&A")	130,896	126,891	378,506	356,240
Asset impairment charges	-	-	7,400	3,000
Operating income	63,319	55,633	123,704	114,608
Nonoperating income, net	106	142	343	233
Interest expense	(3,625)	(2,741)	(11,142)	(8,135)
Income before income taxes	59,800	53,034	112,905	106,706
Income tax expense (benefit):				
Current	4,928	3,842	16,625	17,564
Deferred	(2,740)	2,414	(8,713)	(2,498)
Net income	$ 57,612	$ 46,778	$ 104,993	$ 91,640
Earnings per share:				
Basic	$ 2.10	$ 1.66	$ 3.79	$ 3.23
Diluted	$ 2.07	$ 1.63	$ 3.74	$ 3.17
Weighted average shares of common stock used in computing net earnings per share:				
Basic	27,484	28,129	27,700	28,361
Diluted	27,802	28,634	28,058	28,903

See accompanying notes to consolidated condensed financial statements.

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(in thousands)

	Three Months Ended November 30,					
	2016			2015		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
Income	$ 59,800	$ (2,188)	$ 57,612	$ 53,034	$ (6,256)	$ 46,778
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	2,049	(370)	1,679	1,841	(270)	1,571
Settlements reclassified to income	(522)	73	(449)	(263)	100	(163)
Total other comprehensive income	1,527	(297)	1,230	1,578	(170)	1,408
Comprehensive income	$ 61,327	$ (2,485)	$ 58,842	$ 54,612	$ (6,426)	$ 48,186

	Nine Months Ended November 30,					
	2016			2015		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
Income	$ 112,905	$ (7,912)	$ 104,993	$ 106,706	$ (15,066)	$ 91,640
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	2,319	(412)	1,907	2,653	(480)	2,173
Settlements reclassified to income	(505)	20	(485)	(503)	135	(368)
Total other comprehensive income	1,814	(392)	1,422	2,150	(345)	1,805
Comprehensive income	$ 114,719	$ (8,304)	$ 106,415	$ 108,856	$ (15,411)	$ 93,445

See accompanying notes to consolidated condensed financial statements.

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows (Unaudited)

(in thousands)

	Nine Months Ended November 30,	
	2016	2015
Cash provided (used) by operating activities:		
Net income	$ 104,993	$ 91,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,323	31,946
Amortization of financing costs	876	869
Provision for doubtful receivables	1,489	501
Non-cash share-based compensation	11,661	6,146
Non-cash intangible asset impairment charges	7,400	3,000
Loss on the sale or disposal of property and equipment	167	66
Deferred income taxes and tax credits	(8,769)	(3,833)
Changes in operating capital, net of effects of acquisition of businesses:		
Receivables	(66,005)	(66,981)
Inventories	7,001	(46,316)
Prepaid expenses and other current assets	(2,134)	(361)
Other assets and liabilities, net	(3,772)	8,251
Accounts payable	29,004	24,020
Accrued expenses and other current liabilities	22,410	22,892
Accrued income taxes	1,496	1,908
Net cash provided by operating activities	139,140	73,748
Cash provided (used) by investing activities:		
Capital and intangible asset expenditures	(14,989)	(12,418)
Proceeds from the sale of property and equipment	32	7
Payments to acquire businesses	(209,258)	(42,750)
Net cash used by investing activities	(224,215)	(55,161)
Cash provided (used) by financing activities:		
Proceeds from line of credit	328,600	415,200
Repayment of line of credit	(380,600)	(371,800)
Repayment of long-term debt	(3,800)	(1,900)
Payment of financing costs	(89)	(19)
Proceeds from share issuances under share-based compensation plans	7,451	10,778
Payment of tax obligations resulting from cashless share award settlements	(507)	-
Payment of tax obligations resulting from cashless share settlement of severance obligation	-	(12,000)

Payments for repurchases of common stock	(75,000)	(50,000)
Net cash used by financing activities	(123,945)	(9,741)
Net increase (decrease) in cash and cash equivalents	(209,020)	8,846
Cash and cash equivalents, beginning balance	225,800	12,295
Cash and cash equivalents, ending balance	$ 16,780	$ 21,141

See accompanying notes to consolidated condensed financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

November 30, 2016

Note 1 - Basis of Presentation and Conventions Used in this Report

The accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our consolidated financial position as of November 30, 2016 and February 29, 2016, and the results of our consolidated operations for the interim periods presented. We follow the same accounting policies when preparing quarterly financial data as we use for preparing annual data. These statements should be read in conjunction with the consolidated financial statements and the notes included in our latest annual report on Form 10-K for the fiscal year ended February 29, 2016, and our other reports on file with the Securities and Exchange Commission (the “SEC”).

In this report and the accompanying consolidated condensed financial statements and notes, unless otherwise indicated or the context suggests otherwise, references to “the Company”, “our Company”, “Helen of Troy”, “we”, “us”, or “our” refer to Helen of Troy Limited and its subsidiaries. We refer to the Company's common shares, par value $0.10 per share, as “common stock.” References to “OXO” and “Hydro Flask” refer to businesses that operate together under the Housewares segment. The Hydro Flask business refers to the operations of Steel Technology, LLC, acquired on March 18, 2016. References to “Kaz” refer to the operations of Kaz, Inc. and its subsidiaries that comprise our Health & Home segment. References to “Healthy Directions” refer to the operations of Healthy Directions, LLC and its subsidiaries that comprise our Nutritional Supplements segment. References to “EMEA” refer to the combined geographic markets of Europe, the Middle East and Africa. We use product and service names in this report for identification purposes only and they may be protected in the United States and other jurisdictions by trademarks, trade names, service marks, and other intellectual property rights of the Company and other parties. The absence of a specific attribution in connection with any such mark does not constitute a waiver of any such right. All trademarks, trade names, service marks, and logos referenced herein belong to their respective owners. References to “the FASB” refer to the Financial Accounting Standards Board. References to “GAAP” refer to U.S. generally accepted accounting principles. References to “ASU” refer to the codification of GAAP in the Accounting Standards Updates issued by the FASB. References to “ASC” refer to the codification of GAAP in the Accounting Standards Codification issued by the FASB.

We incorporated as Helen of Troy Corporation in Texas in 1968 and were reorganized as Helen of Troy Limited in Bermuda in 1994. We are a global designer, developer, importer, marketer, and distributor of an expanding portfolio of brand-name consumer products. We have four segments: Housewares, Health & Home, Nutritional Supplements, and Beauty. Our Housewares segment provides a broad range of innovative consumer products for the home. Product offerings include food preparation tools and appliances, insulated stainless steel food and beverage containers, gadgets and storage containers, cleaning, organization, and baby and toddler care products. The Health & Home segment focuses on healthcare devices such as thermometers, humidifiers, blood pressure monitors, and heating pads; water filtration systems; and small home appliances such as portable heaters, fans, air purifiers, and insect control devices. Our Nutritional Supplements segment is a leading provider of premium branded vitamins, minerals and supplements, as well as other health products sold directly to consumers. Our Beauty segment products include electric hair care, beauty care and wellness appliances; grooming tools and accessories; and liquid-, solid- and powder-based personal care and grooming products.

Our business is seasonal due to different calendar events, holidays and seasonal weather patterns. Historically, our highest sales volume and operating income occur in our third fiscal quarter ending November 30th. We purchase our products from unaffiliated manufacturers, most of which are located in China, Mexico and the United States.

Our consolidated condensed financial statements are prepared in U.S. Dollars and in accordance with GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. We have reclassified, combined or separately disclosed certain amounts in the prior period’s

Table of Contents

consolidated condensed financial statements and accompanying footnotes to conform to the current period's presentation.

Note 2 – New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt according to the various timetables the FASB specifies. Unless otherwise discussed below, we believe the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial position, results of operations and cash flows upon adoption.

Not yet adopted:

In October 2016, the FASB issued ASU 2016-16, "Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other Than Inventory." ASU 2016-16 amends accounting guidance for intra-entity transfer of assets other than inventory to require the recognition of taxes when the transfer occurs. The amendment will be effective for the Company in fiscal year 2019 with early adoption permitted as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. A modified retrospective approach will be required for transition to the new guidance, with a cumulative-effect adjustment consisting of the net impact from (1) the write-off of any unamortized expense previously deferred and (2) recognition of any previously unrecognized deferred tax assets, net of any valuation allowance. The new guidance does not include any specific new disclosure requirements. The new guidance may impact the Company's effective tax rate, after adoption. The Company is currently evaluating the impact this guidance may have on our consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 will require lessees to recognize on their balance sheets "right-of-use assets" and corresponding lease liabilities, measured on a discounted basis over the lease term. Virtually all leases will be subject to this treatment except leases that meet the definition of a "short-term lease." For expense recognition, the dual model requiring leases to be classified as either operating or finance leases has been retained from the prior standard. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. Classification will use criteria very similar to those applied in current lease accounting, but without explicit bright lines. The new lease guidance will essentially eliminate off-balance sheet financing. The guidance is effective for fiscal years beginning after December 15, 2019. The new standard must be adopted using a modified retrospective transition that provides for certain practical expedients and requires the new guidance to be applied at the beginning of the earliest comparative period presented. We are currently evaluating the effect this new accounting guidance may have on our consolidated financial position, results of operations and cash flows.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”, issued as a new Topic, ASC Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB affirmed its proposal to defer the effective date of the standard to annual reporting periods beginning after December 15, 2017 (and interim reporting periods within those years). Accordingly, we will be required to adopt the new standard in our fiscal year 2019 and can adopt either retrospectively or as a cumulative effect adjustment as of the date of adoption. We are currently evaluating the effect of this new accounting guidance. Therefore, we have not yet selected a transition method nor have we determined the impact that the new standard may have on our consolidated financial position, results of operations and cash flows.

New pronouncements adopted:

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which changes the accounting for certain aspects of share-based payments to employees. The provisions of the new guidance affecting the Company require excess tax benefits and tax deficiencies to be recorded in the income

Table of Contents

statement when the awards vest or are settled; remove the requirement to include hypothetical excess tax benefits in the application of the treasury stock method when computing earnings per share; and provided for a new policy election to either: (1) continue applying forfeiture rate estimates in the determination of compensation cost, or (2) account for forfeitures as a reduction of share-based compensation cost as they occur. The new guidance also requires cash flows related to excess tax benefits to be classified as an operating activity in the cash flow statement and now requires shares withheld for tax withholding purposes to be classified as a financing activity.

We elected to early adopt the new guidance in the first quarter of fiscal year 2017. This required us to reflect any adjustments as of March 1, 2016. The primary impact of adoption was the recognition of excess tax benefits in our provision for income taxes rather than additional paid-in capital for all periods after fiscal year 2016. We elected to change our accounting policy regarding forfeitures. Previously, we estimated forfeitures expected to occur in the determination of compensation costs. Going forward we will now recognize forfeitures in the period they occur. The cumulative effect adjustments made upon adoption were not material. For the three- and nine-months ended November 30, 2016, we recognized additional share-based compensation expense of $0.44 and $1.13 million, respectively, from the change in accounting for forfeitures of share-based awards, and we recognized $0.29 and $1.64 million, respectively, of excess tax benefits in income tax expense rather than additional paid-in capital. The excess tax benefits were reported as an increase to cash provided by operations in the statement of cash flows.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes”, which eliminates the requirement for companies to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, upon adoption, companies are required to classify all deferred tax assets and liabilities as non-current. We elected to early adopt the new guidance in the first quarter of fiscal year 2017 and have made the necessary conforming reclassifications to the accompanying February 29, 2016 consolidated condensed balance sheet. The application of the provisions of ASU 2015-17 did not have a material effect on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs”. ASU 2015-03 changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an asset. We adopted the new guidance in the first quarter of fiscal year 2017 and have made the necessary conforming reclassifications to the accompanying February 29, 2016 consolidated condensed balance sheet and related footnote disclosures. The application of the provisions of ASU 2015-03 did not have a material effect on our consolidated financial position, results of operations or cash flows.

We have provided the table below, which summarizes the impact of each of the adopted accounting changes to the accompanying consolidated condensed financial statements.

IMPACT OF RECENT ACCOUNTING CHANGES

(in thousands)

			Increase (Decrease)	
	Standard	Transition Method	November 30, 2016	February 29, 2016
Consolidated Balance Sheets				
Current deferred tax assets, net	ASU 2015-17	Retrospective	$ (23,303)	$ (17,636)
Long-term deferred tax assets, net	ASU 2015-17	Retrospective	$ 1,207	$ 879
Long-term deferred tax assets, net	ASU-2016-09	Modified retrospective	$ (232)	$ -
Other assets - debt issuance costs	ASU 2015-03	Retrospective	$ (12,706)	$ (12,618)
Other assets - accumulated amortization	ASU 2015-03	Retrospective	$ (9,500)	$ (8,625)
Long-term debt, current maturities	ASU 2015-03	Retrospective	$ (1,172)	$ (1,156)
Long-term deferred tax liabilities, net	ASU 2015-17	Retrospective	$ (22,096)	$ (16,757)
Long-term debt, excluding current maturities	ASU 2015-03	Retrospective	$ (2,033)	$ (2,837)
Additional paid-in capital	ASU-2016-09	Modified retrospective	$ 588	$ -
Retained earnings	ASU-2016-09	Modified retrospective	$ (820)	$ -

Table of Contents

IMPACT OF RECENT ACCOUNTING CHANGES

(in thousands)

	Standard	Transition Method	Increase (Decrease) Three Months Ended November 30, 2016	2015
Consolidated Statements of Income				
Share-based compensation expense	ASU-2016-09	Modified retrospective	$ 435	$ -
Current income tax expense	ASU-2016-09	Modified retrospective	$ (294)	$ -
Consolidated Statements of Cash Flows				
Cash provided by operating activities:				
Accrued income taxes	ASU-2016-09	Retrospective	$ 294	$ 396
Cash provided by financing activities:				
Share-based compensation tax benefit	ASU-2016-09	Retrospective	$ (294)	$ (396)

	Standard	Transition Method	Increase (Decrease) Nine Months Ended November 30, 2016	2015
Consolidated Statements of Income				
Share-based compensation expense	ASU-2016-09	Modified retrospective	$ 1,126	$ -
Current income tax expense	ASU-2016-09	Modified retrospective	$ (1,638)	$ -
Consolidated Statements of Cash Flows				
Cash provided by operating activities:				
Accrued income taxes	ASU-2016-09	Retrospective	$ 1,638	$ 989
Cash provided by financing activities:				
Share-based compensation tax benefit	ASU-2016-09	Retrospective	$ (1,638)	$ (989)

Note 3 – Commitments and Contingencies

On January 22, 2016, a jury ruled against the Company in a case that involved claims by Exergen Corporation. The case involved the alleged patent infringement related to two forehead thermometer models sold by our subsidiary, Kaz USA, Inc., in the United States. As a result of the jury verdict, the Company recorded a charge in the fiscal quarter ended February 29, 2016, including legal fees and other related expenses, of $17.83 million ($17.79 million, after tax). On June 8, 2016, certain post-trial motions were concluded with Exergen Corporation being awarded an additional $1.47 million of pre-judgment compensation. We accrued this additional amount in the fiscal quarter ended May 31, 2016. On July 6, 2016, the Company appealed the judgment to the United States Court of Appeals for the Federal Circuit. The Company intends to vigorously pursue its appellate rights and defend against the underlying judgment.

We are involved in various other legal claims and proceedings in the normal course of operations. We believe the outcome of these matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Most of our products are under warranty against defects in material and workmanship for periods ranging from two to five years. We estimate our warranty accrual using historical trends and believe that these trends are the most reliable method by which we can estimate our warranty liability.

Table of Contents

The following table summarizes the activity in our warranty accrual for the periods covered below:

ACCRUAL FOR WARRANTY RETURNS

(in thousands)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2016	2015	2016	2015
Beginning balance	$ 19,459	$ 20,797	$ 20,622	$ 23,553
Additions to the accrual	14,858	17,127	43,052	43,885
Reductions of the accrual - payments and credits issued	(12,457)	(14,386)	(41,814)	(43,900)
Ending balance	$ 21,860	$ 23,538	$ 21,860	$ 23,538

Notes 7, 10, 12, 13 and 16 to these consolidated condensed financial statements provide additional information regarding certain of our significant commitments and contingencies.

Note 4 – Earnings per Share

We compute basic earnings per share using the weighted average number of shares of common stock outstanding during the period. We compute diluted earnings per share using the weighted average number of shares of common stock outstanding plus the effect of dilutive securities. Dilutive securities at any given point in time may consist of outstanding stock options, issued and contingently issuable unvested restricted share units ("RSUs"), and performance-based restricted share units ("PSUs"). Options for common stock are excluded from the computation of diluted earnings per share if their effect is antidilutive. See Note 15 to these consolidated condensed financial statements for more information regarding share-based payment awards.

For the periods covered below, the basic and diluted shares are as follows:

WEIGHTED AVERAGE DILUTED SECURITIES

(in thousands)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2016	2015	2016	2015
Weighted average shares outstanding, basic	27,484	28,129	27,700	28,361
Incremental shares from share-based payment arrangements	318	505	358	542
Weighted average shares outstanding, diluted	27,802	28,634	28,058	28,903
Dilutive securities, stock options	325	505	401	553
Dilutive securities, unvested or unsettled stock awards	163	269	163	292
Antidilutive securities, stock options	149	139	142	162

Table of Contents

Note 5 – Segment Information

The following tables contain segment information for the periods covered below:

THREE MONTHS ENDED

(in thousands)

November 30, 2016	Housewares (1)	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 124,723	$ 179,842	$ 32,163	$ 107,686	$ 444,414
Asset impairment charges	-	-	-	-	-
Operating income (loss)	29,223	20,155	(80)	14,021	63,319
Capital and intangible asset expenditures	1,100	1,492	1,558	624	4,774
Depreciation and amortization	1,429	5,221	2,108	2,467	11,225

November 30, 2015	Housewares	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 87,816	$ 186,418	$ 37,492	$ 133,777	$ 445,503
Asset impairment charges	-	-	-	-	-
Operating income	15,536	18,072	3,034	18,991	55,633
Capital and intangible asset expenditures	406	4,734	865	467	6,472
Depreciation and amortization	1,065	5,281	1,956	2,417	10,719

(1) The three months ended November 30, 2016 includes three months of operating results of Hydro Flask, which was acquired on March 18, 2016. There were no comparable results in the same period last year. See Notes 8 and 9 to these consolidated condensed financial statements for further information regarding the acquisition.

NINE MONTHS ENDED

(in thousands)

November 30, 2016	Housewares (1)	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 315,302	$ 470,650	$ 101,215	$ 273,355	$ 1,160,522

Asset impairment charges	-	-	5,000	2,400	7,400
Operating income (loss)	68,956	39,156	(6,581)	22,173	123,704
Capital and intangible asset expenditures	3,938	3,526	3,665	3,860	14,989
Depreciation and amortization	4,200	15,738	6,242	7,143	33,323

November 30, 2015	Housewares	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 231,850	$ 472,714	$ 114,980	$ 340,433	$ 1,159,977
Asset impairment charges	-	-	-	3,000	3,000
Operating income	41,861	31,298	8,623	32,826	114,608
Capital and intangible asset expenditures	1,022	6,258	2,771	2,367	12,418
Depreciation and amortization	3,148	15,858	5,889	7,051	31,946

(1) The nine months ended November 30, 2016 includes approximately eight and a half months of operating results of Hydro Flask, which was acquired on March 18, 2016. There were no comparable results in the same period last year. See Notes 8 and 9 to these consolidated condensed financial statements for further information regarding the acquisition.

We compute segment operating income based on net sales revenue, less cost of goods sold, SG&A, and any asset impairment charges associated with the segment. The SG&A used to compute each segment's operating income is directly associated with the segment, plus shared service and corporate overhead expenses that are allocable to the segment. We do not allocate nonoperating income and expense, including interest or income taxes, to operating segments.

Table of Contents

Note 6 – Comprehensive Income (Loss)

The table below presents the changes in accumulated other comprehensive income (loss) by component and the amounts reclassified out of accumulated other comprehensive income (loss) for the 2017 fiscal year-to-date:

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

(in thousands)

	Unrealized Holding Gains (Losses) on Cash Flow Hedges (1)
Balance at February 29, 2016	$ 665
Other comprehensive income before reclassification	2,319
Amounts reclassified out of accumulated other comprehensive income	(505)
Tax effects	(392)
Other comprehensive income (loss)	1,422
Balance at November 30, 2016	$ 2,087

(1) Represents activity associated with certain foreign currency contracts. Balances at November 30, 2016 and February 29, 2016 include net deferred tax benefits (expense) of ($0.39) and $0.00 million, respectively.

Note 7 – Supplemental Balance Sheet Information

PROPERTY AND EQUIPMENT

(in thousands)

	Estimated Useful Lives (Years)	November 30, 2016	February 29, 2016
Land	-	$ 12,800	$ 12,800
Building and improvements	3 - 40	108,971	108,509
Computer, furniture and other equipment	3 - 15	74,946	70,778
Tools, molds and other production equipment	1 - 10	30,870	28,254
Construction in progress	-	10,072	4,050

Property and equipment, gross	237,659	224,391
Less accumulated depreciation	(103,780)	(93,926)
Property and equipment, net	$ 133,879	$ 130,465

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

(in thousands)

	November 30, 2016	February 29, 2016
Accrued compensation, benefits and payroll taxes	$ 31,358	$ 28,912
Accrued sales returns, discounts and allowances	31,823	27,530
Accrued warranty returns	21,860	20,622
Accrued advertising	27,849	22,087
Accrued legal fees and settlements	17,173	16,699
Accrued royalties	10,864	7,961
Accrued property, sales and other taxes	8,917	6,938
Accrued freight and duty	4,872	2,043
Accrued product liability	1,814	2,098
Derivative liabilities, current	169	495
Liability for uncertain tax positions	-	536
Other	8,724	5,324
Total accrued expenses and other current liabilities	$ 165,423	$ 141,245

12

OTHER LIABILITIES, NONCURRENT

(in thousands)

	November 30, 2016	February 29, 2016
Deferred compensation liability	$ 6,340	$ 8,298
Liability for uncertain tax positions	6,724	8,201
Other liabilities	8,774	10,116
Total other liabilities, noncurrent	$ 21,838	$ 26,615

Note 8 – Goodwill and Intangible Assets

Our annual impairment testing for goodwill and indefinite lived intangible assets has historically occurred in the first quarter of our fiscal year. In December 2016, we elected to change our annual impairment testing to the fourth quarter of our fiscal year. Accordingly, we will perform annual impairment testing and report the results concurrent with the reporting of our fiscal year 2017 results, which will be in addition to the impairment tests described below.

Annual Impairment Testing in the First Quarter of Fiscal Year 2017 - We performed our annual evaluation of goodwill and indefinite-lived intangible assets for impairment during the first quarter of fiscal year 2017. As a result of our testing of indefinite-lived trademarks, we recorded non-cash asset impairment charges of $7.40 million ($5.10 million after tax). The charges were related to certain brand assets and trademarks in our Beauty and Nutritional Supplements segments, which were written down to their estimated fair values, determined on the basis of our estimated future discounted cash flows using the relief from royalty valuation method.

Impairments in the Fourth Quarter of Fiscal Year 2016 – We performed certain interim impairment testing in the fourth quarter of fiscal year 2016 for certain of our brands as a result of revised growth outlooks. As a result of our testing, we recorded a non-cash impairment charge of $3.00 million ($2.66 million after tax). The charge was related to a trademark in our Beauty segment, which was written down to fair value, determined on the basis of our estimated future discounted cash flows using the relief from royalty valuation method.

Annual Impairment Testing in the First Quarter of Fiscal Year 2016 - We performed our annual evaluation of goodwill and indefinite-lived intangible assets for impairment during the first quarter of fiscal year 2016. As a result of our testing of indefinite-lived trademarks, we recorded a non-cash asset impairment charge of $3.00 million ($2.66 million after tax). The charge was related to a trademark in our Beauty segment, which was written down to its estimated fair value, determined on the basis of our estimated future discounted cash flows using the relief from royalty valuation method.

Table of Contents

A summary of the carrying amounts and associated accumulated amortization for all intangible assets by operating segment follows:

GOODWILL AND INTANGIBLE ASSETS

(in thousands)

November 30, 2016				February 29, 2016			
Gross Carrying Amount	Cumulative Goodwill	Accumulated	Net Book	Gross Carrying	Cumulative Goodwill	Accumulated	Net Book