

HELEN OF TROY LTD  
Form 10-K  
April 29, 2016  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended February 29, 2016

OR

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

Commission file number 001-14669

HELEN OF TROY LIMITED

(Exact name of the registrant as specified in its charter)

Bermuda  
(State or other jurisdiction of  
incorporation or organization)

74-2692550  
(I.R.S. Employer  
Identification No.)

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Clarendon House  
2 Church Street  
Hamilton, Bermuda  
(Address of principal executive offices)

1 Helen of Troy Plaza  
El Paso, Texas 79912  
(Registrant's United States Mailing Address ) (Zip Code)

Registrant's telephone number, including area code: (915) 225-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, \$0.10 par value per share	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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  
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes No

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant as of August 31, 2015, based upon the closing price of the common shares as reported by The NASDAQ Global Select Market on such date, was approximately \$2,386,142,154.

As of April 21, 2016 there were 27,752,690 common shares, \$0.10 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this annual report will be set forth in and incorporated herein by reference into Part III of this report from the Company's definitive Proxy Statement for the 2016 Annual General Meeting of Shareholders.

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CERTAIN CONVENTIONS USED IN THIS REPORT

In this report and the accompanying consolidated 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” refer to the operations of OXO International and certain of its affiliated subsidiaries that comprise our Housewares segment. References to “Kaz” refer to the operations of Kaz, Inc. and its subsidiaries, which comprise a segment within the Company referred to as the Health & Home segment (formerly referred to as “Healthcare / Home Environment”). References to “Healthy Directions” refer to the operations of Healthy Directions, LLC and its subsidiaries, acquired on June 30, 2014, that comprise the Nutritional Supplements segment. Our Beauty Segment was formerly referred to as “Personal Care.” 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.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made in this report, in other filings with the Securities and Exchange Commission (the "SEC"), in press releases, and in certain other oral and written presentations. Generally, the words "anticipates", "believes", "expects", "plans", "may", "will", "should", "seeks", "estimates", "project", "predict", "potential", "continue", "intends", and other similar words identify forward-looking statements. All statements that address operating results, events or developments that we expect or anticipate will occur in the future, including statements related to sales, earnings per share results, and statements expressing general expectations about future operating results, are forward-looking statements and are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and assumptions, but there can be no assurance that we will realize our expectations or that our assumptions will prove correct. Forward-looking statements are subject to risks that could cause them to differ materially from actual results. Accordingly, we caution readers not to place undue reliance on forward-looking statements. We believe that these risks include but are not limited to the risks described in this report under Item 1A., "Risk Factors" and that are otherwise described from time to time in our SEC reports as filed. As described later in this report, such risks, uncertainties and other important factors include, among others:

- our ability to deliver products to our customers in a timely manner and according to their fulfillment standards;
- our relationships with key customers and licensors;
  - the costs of complying with the business demands and requirements of large sophisticated customers;
  - our dependence on the strength of retail economies and vulnerabilities to any prolonged economic downturn;
- the retention and recruitment of key personnel;
  - expectations regarding our recent and future acquisitions, including our ability to realize anticipated cost savings, synergies and other benefits along with our ability to effectively integrate acquired businesses;
- foreign currency exchange rate fluctuations;
- disruptions in U.S., Euro zone, Venezuela, and other international credit markets;



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- risks associated with weather conditions, the duration and severity of the cold and flu season and other related factors;
- our dependence on foreign sources of supply and foreign manufacturing, and associated operational risks including, but not limited to, long lead times, consistent local labor availability and capacity, and timely availability of sufficient shipping carrier capacity;
- risks to the Nutritional Supplements segment associated with the availability, purity and integrity of materials used in the manufacture of vitamins, minerals and supplements;
- the impact of changing costs of raw materials, labor and energy on cost of goods sold and certain operating expenses;
- the geographic concentration and peak season capacity of certain U.S. distribution facilities increases our exposure to significant shipping disruptions and added shipping and storage costs;
- our projections of product demand, sales and net income are highly subjective in nature and future sales and net income could vary in a material amount from such projections;
- circumstances which may contribute to future impairment of goodwill, intangible or other long-lived assets;
- the risks associated with the use of trademarks licensed from and to third parties;
- our ability to develop and introduce a continuing stream of new products to meet changing consumer preferences;

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- increased product liability and reputational risks associated with the formulation and distribution of vitamins, minerals and supplements;
- the risks associated with potential adverse publicity and negative public perception regarding the use of vitamins, minerals and supplements;
- trade barriers, exchange controls, expropriations, and other risks associated with foreign operations;
- debt leverage and the constraints it may impose on our cash resources and ability to operate our business;
  - the costs, complexity and challenges of upgrading and managing our global information systems;
- the risks associated with information security breaches;
- the increased complexity of compliance with a number of new government regulations as a result of adding vitamins, minerals and supplements to the Company's portfolio of products;
- risks associated with product recalls, product liability, other claims, and related litigation against us;
- the risks associated with tax audits and related disputes with taxing authorities;
- the risks of potential changes in laws, including tax laws, health insurance laws and regulations related to conflict minerals along with the costs and complexities of compliance with such laws; and
- our ability to continue to avoid classification as a controlled foreign corporation.

We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.



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PART I

ITEM 1. BUSINESS

GENERAL

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 consumer products company offering creative solutions for our customers through a strong portfolio of well-recognized and widely trusted brands. We have built our market positions through new product innovation, product quality and competitive pricing. People around the world use our products every day to help meet their household, health and beauty needs. We have four business segments:

- Housewares. Our Housewares segment provides a broad range of innovative consumer products for the home. Product offerings include food preparation tools and appliances, gadgets, storage containers, cleaning, organization, baby and toddler care products. Key brands include OXO, OXO Good Grips, OXO Soft Works, OXO tot, OXO On and OXO Steel.
- Health & Home. 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. Key brands include Vicks, Braun, Honeywell, PUR, Febreze, Stinger, Duracraft, and SoftHeat.
- Nutritional Supplements. 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. Key brands include Omega Q Plus Resveratrol, Omega Q Plus, Probiotic Advantage, Vision Essentials, Total Cardio Cover, Joint Advantage Gold®, Triveratrol, Trilane, Berberine+GlucoDefense and OxyRub.
- Beauty. Our Beauty segment's 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. Key brands include Revlon, Sure, Pert Plus, Infusium 23, Brut, Ammens, Hot Tools, Pro Beauty, Bed Head, Karina, Sea Breeze, and Gold 'N Hot.

The Nutritional Supplements segment sells directly to consumers. Our other segments sell their products primarily through mass merchandisers, drugstore chains, warehouse clubs, catalogs, grocery stores, and specialty stores. In addition, the Beauty segment sells extensively through beauty supply retailers and wholesalers and the Health & Home segment sells certain of its product lines through medical distributors and other products through home improvement stores. We purchase our products from unaffiliated manufacturers, most of which are located in China, Mexico and the United States.



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Fiscal Year 2016 Operating Initiatives

In fiscal year 2016, we made the following progress on key initiatives:

- Brand Investment and Growth – Accelerating our growth was a high priority in fiscal year 2016. We have made significant progress executing the strategic priorities guiding our multi-year transformation, which led to organic sales growth in fiscal year 2016 of almost 3 percent despite foreign currency headwinds of over 2 percent. We made prudent investments in developing and launching new products, go-to-market plans and marketing activities for brands with leading positions or with the potential to grow share. We also intensified our focus on innovation, based on in-depth consumer and competitive research. Examples of progress made within each segment include:
  - o Housewares. The Housewares segment sales grew almost 5 percent in fiscal year 2016, continuing its track record of strong organic growth. The segment’s growth was driven by product innovation, category extension, expanded shelf placement, and international growth. Housewares continued to leverage its expertise in innovation, product design and category development. The segment successfully introduced a number of new products including its innovative GreenSaver storage containers, which shipped in the Spring of 2015. GreenSaver, designed to extend the life of fresh produce, has been favorably received and is an example of a product that includes a higher-margin consumable with a repeat purchase cycle. This innovation also illustrates the benefits of increased collaboration across the Company, leveraging Health & Home segment expertise in the use of activated carbon, which is effective in preserving produce. We also launched new OXO On kitchen electrics, which leveraged expertise with electrical appliances in other segments and entered the metal bakeware category with products featuring thoughtful design details. Additionally, Housewares continues to expand existing categories, evidenced by the OXO Hand-Held Spiralizer, which turns vegetables and fruits into colorful salad toppings and a new OXO stainless steel professional cutlery line.
  - o Health & Home. Our Health & Home business segment grew in fiscal year 2016 despite the impacts of a below average cold and flu season and significant foreign currency headwinds. Health & Home saw organic sales growth of almost 5 percent despite an approximately 3 percent negative foreign currency impact. The segment continued to expand its reach with several new thermometry products under the Braun brand, which were positively received in key markets. Consumer research indicated a desire to track and share temperature readings, so our new Vicks Smart Temp digital stick thermometer uses a smartphone app to connect wirelessly via Bluetooth to track and share temperatures for multiple users within a family. Another example of innovation is our new Vicks Sweet Dreams humidifier, building on the success of the Starry Night humidifier, which projects night scenes to calm parents and sick children as it provides relief from cough and cold symptoms. The segment also introduced a new identity for the PUR brand and is launching new faucet mount and pitcher water filtration systems in the latter half of fiscal year 2017. We believe that water quality has gained increased awareness in the U.S. and our PUR products are category leaders in contaminant removal. Finally, during fiscal year 2016, we acquired fully paid-up licenses of the Vicks VapoSteam inhalants and VapoPad scent pads, which strategically complements our U.S. humidifier and vaporizer business with consumable refills in both the liquid and pad form. The vast majority of Vicks VapoSteam and VapoPads are used in Vicks humidifiers, vaporizers and other health care devices already marketed by the segment. By combining the businesses of devices and consumables, we can give greater marketing focus to the category and invest in additional product development.

o Nutritional Supplements. Our Nutritional Supplements business participates in the premium doctor-branded vitamins, minerals and supplements category using an education and content driven a direct-to-consumer distribution model. The segment is focused on acquiring new consumers through online and direct mail education and marketing, and continues to see significant growth in customer adoption of its continuity program, called AutoDelivery, whereby customers can place an order once that is automatically refilled based upon customer directed timing. The segment continues to work on new product introductions, while supporting its best-selling products from our established base of physicians. New products introduced in fiscal year 2016 include Probiotic Advantage Bifido Beadlets, MK-7 Artery Circulation and Super Healthy Prostate. We are also leveraging the segment's ability to add new doctors and additional wellness areas. During the fiscal year we added Dr. Daniel Amen and Dr. Luigi Polla to our team. Dr. Amen is a nationally recognized

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brain health expert and NY Times best-selling author and Dr. Polla offers skin care expertise through his Alchimie Forever line from Switzerland. These investments contributed to growth in their respective areas, while others are creating a platform for future growth. During fiscal year 2016, we also completed the warehouse consolidation for Nutritional Supplements, one of our committed cost saving initiatives, which also brought more sophisticated direct-to-consumer fulfillment capabilities in-house.

o Beauty. In fiscal year 2016 we reorganized the Beauty segment to stabilize the business and deliver consumer product innovation in pursuit of promising opportunities. We believe the business showed early signs of stability with organic growth of almost 1 percent in the face of a foreign currency headwind of over 2 percent. The reorganization included a streamlined approach to the retail and professional markets, unifying multiple sales and marketing organizations and key support functions such as finance, creative services and marketing. We added internal and external product design capability and selectively invested in new product development, while employing more efficient brand building by redirecting our marketing support based on quantitative marketing spend analysis. The first set of product and commercial initiatives delivered both innovation and improved marketing. In retail appliances, our new Revlon One-Step Hair Dryer and Styler, was inspired by women searching for convenience and speed. In professional appliances, stylists indicated that longer appliances would make a difference solving needs around longer hair, so under the Hot Tools professional brand, we launched extra-long versions of our straighteners and curling irons. Additionally, we re-launched our Pro Beauty Tools brand with new products and packaging that we believe appeals to consumers' demand for professional-grade products sold at retail. Finally, we eliminated lower performing products, which should improve our working capital efficiency and provides a platform for profitable growth.

· Transforming the Organization – Our global shared services management structure consists of three shared service groups: Global Finance, Global Operations, and Global Legal, Human Resources and Corporate Communications. We continued to implement new initiatives in connection with this structure, including the establishment of a Global Leadership Council and made improvements in our information technology organization and architecture, which is critical to enabling operating efficiencies and best practices. Throughout fiscal year 2016, we brought new talent into the organization, including the additions of a new Global Human Resources Vice President and Chief Information Officer, and introduced a new compensation program designed to attract, retain and motivate top talent. We are also implementing additional best practices in a variety of areas such as demand planning, sourcing, distribution automation, and efficiency and inventory management.

· Shareholder Friendly Policies – We are committed to acting in the best interests of shareholders. A key facet of our shareholder friendly policies is to leverage the strong cash flow generation of our business to make accretive acquisitions, as well as leverage the organic growth potential of our existing businesses. We effectively used our capital structure to make the Healthy Directions acquisition in June 2014 and the VapoSteam acquisition in March 2015. Shortly after the end of fiscal year 2016, we closed the acquisition of Hydro Flask, a leading designer, distributor and marketer of high performance insulated stainless steel food and beverage containers for active lifestyles. We also returned capital to shareholders by repurchasing \$100 million of our common stock on the open market during fiscal year 2016. We will continue to use the strong cash flow generation of our business and the financial flexibility of our balance sheet to invest in our core business, search for accretive acquisitions, and consider return of capital to shareholders. We intend to improve our working capital efficiency through supply chain excellence and product rationalization, which we believe will further strengthen our balance sheet and free additional cash flow for capital transactions that benefit our shareholders.





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Fiscal Year 2016 Developments

- On March 31, 2015, the Company completed the acquisition of the Vicks VapoSteam U.S. liquid inhalant business from The Procter & Gamble Company (“P&G”), which includes a fully paid-up license of P&G’s Vicks VapoSteam inhalants. In a related transaction, the Company acquired a fully paid-up U.S. license of P&G’s Vicks VapoPad scent pads. Our VapoSteam operations are reported in the Health & Home segment. The vast majority of Vicks VapoSteam and VapoPads are used in Vicks humidifiers, vaporizers and other health care devices already marketed by the Company. The aggregate purchase price for the two transactions was approximately \$42.75 million financed primarily with borrowings under our credit facility. The VapoSteam acquisition provided incremental net sales revenue of \$7.99 million for the eleven months of operations included in fiscal year 2016. The VapoSteam business is highly seasonal with peak sales occurring in our third fiscal quarter.
- In March 2015, we announced the introduction of a premium line of kitchen electrics under the OXO On brand. The initial line consists of motorized toasters, coffee makers, a coffee grinder, an electric kettle, an immersion blender, and a hand mixer. The line shipped initially in the U.S. offering several unique features, as well as thoughtful design elements based on OXO’s universal design ethos. We believe OXO On appliances will provide the simplicity, functionality, and thoughtfulness consumers have come to expect from the OXO brand. The line began shipments to retail stores in the third quarter of fiscal year 2016.
- In August 2015, we repurchased 556,591 shares of our common stock in the open market at an average price of \$89.93 per share for a total cost of \$50 million. In January 2016, we repurchased 570,205 shares of our common stock in the open market at an average price of \$87.69 per share for a total cost of \$50 million.
- During fiscal year 2016, we transitioned the Nutritional Supplements order fulfillment operations to our Southaven, Mississippi distribution facility.
- During fiscal year 2016, we consolidated and reorganized our Beauty segment’s organizational structure, eliminating certain overlapping functions to more efficiently leverage our scale, better focus on consumer-centric innovation and best serve our professional and retail customers. The entire segment is now served by a common shared service structure for marketing, financial and other back-office support. We believe this is a critical step in our efforts to stabilize and ultimately grow the Beauty segment.
- On November 12, 2015, the Company settled a lawsuit with its former CEO, which resulted in the payment of severance compensation due under his employment and separation agreements. The severance compensation was previously accrued and disclosed in fiscal year 2014 and was paid through the issuance of common shares of the Company on November 17, 2015. The Company also transferred ownership of a life insurance policy on the lives of its former CEO and his spouse as part of the settlement. As a result of the transfer of the policy and other expenses incurred in connection with the settlement, the Company recorded CEO succession costs of \$6.71 million (\$4.64 million after tax), or \$0.16 per fully diluted share, in fiscal year 2016.

- On January 22, 2016, a jury ruled against the Company in a case that involved claims by Exergen Corporation, headquartered in Watertown, MA. The case alleges patent infringement related to two forehead thermometer models sold by our subsidiary, Kaz USA, Inc., in the United States. Exergen was awarded damages of \$14.6 million with respect to a period of approximately seven years of sales. The Company could be liable for payment of royalties on any future sales of the two products. As a result of the jury verdict, the Company recorded a fourth quarter charge, including legal fees and other related expenses, of \$17.83 million (\$17.79 million after tax). The outcome of the case is not yet final and the Company disagrees with the verdict, which will be subject to several post-trial motions and an appeal. The forehead thermometers involved in this case represent less than 1 percent of consolidated net sales for fiscal year 2016.
- During fiscal year 2016, we recorded non-cash asset impairment charges of \$6.00 million (\$5.31 million after tax). The charges relate to a trademark in our Beauty segment, which was written down to its estimated fair value.

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· As further discussed in Note (2) to the accompanying consolidated financial statements and under Item. 7., “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview,” we changed the rate used to re-measure our Venezuelan financial statements as of February 29, 2016 to the SIMADI rate of approximately 205 Bolivars per U.S. Dollar, which was the lowest rate in a three-tiered exchange system in place at the time. Shortly after the end of fiscal year 2016, the Venezuelan government introduced a new rate referred to as DICOM that is intended to be market-based and was initially set at a rate very similar to that of SIMADI. Absent further changes to the exchange systems, or unless future developments call for further changes, we intend to use DICOM to re-measure our financial statements on a go-forward basis. Consolidated net sales revenue includes sales for our operations in Venezuela of \$21.97 and \$10.31 million in fiscal years 2016 and 2015, respectively. Operating income (loss) in Venezuela was (\$9.95) and \$2.87 million in fiscal years 2016 and 2015, respectively. The fiscal year 2016 operating loss includes re-measurement related charges totaling \$18.73 million. At the current DICOM exchange rate, we expect that fiscal year 2017 U.S. Dollar reported net sales and operating income from Venezuela will no longer be meaningful to our consolidated and Beauty segment results.

Recent Development

On March 18, 2016, the Company acquired Steel Technology, LLC, doing business as Hydro Flask (“Hydro Flask”). Hydro Flask is a leading designer, distributor and marketer of high performance insulated stainless steel food and beverage containers for active lifestyles. Hydro Flask adds a fast growing brand that has built equity among outdoor and active lifestyle enthusiasts with a product lineup, innovation pipeline and margin profile that complements, and will operate in, our Housewares segment. The acquisition extends the segment’s reach into the outdoor and athletic specialty, natural foods and e-commerce channels. Hydro Flask’s products have a carefully cultivated brand heritage rooted in the outdoor mecca of Bend, Oregon. The aggregate purchase price for the transaction was approximately \$210 million in cash, subject to customary adjustments. The purchase price was funded with borrowings under our credit facility. Hydro Flask calendar year 2015 revenue was approximately \$54 million.

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Company Strategies

As we look to the future, we have adopted a new way of looking at our strategic choices to improve the focus of our business segments and corporate shared service organization. These choices will guide us regarding where we will operate and how we will achieve our goals in markets around the world. The overall design of our business and organizational plan is intended to create sustainable growth and improve organizational capability.

- Invest in our core businesses. We have developed a portfolio of brands that are clear market leaders or have a path to grow their market position in attractive categories. We believe that prudent investment in new products, new go-to-market plans and new marketing activities can grow them organically. During fiscal year 2016, we increased our investment in those brands with the most promising potential.
- Strategic, disciplined mergers and acquisitions. We have a track record of successful acquisitions and are continually looking for new businesses and opportunities to expand in categories and geographies where we believe we have critical mass and can develop a competitive advantage. We also seek to increase our brand reach through new licensing opportunities. We constantly assess our full suite of businesses to ensure each is a good fit with our long-term plans.
- Invest in consumer-centric innovation. We have a long history of developing or acquiring new technologies, new products that improve consumers' lives and new designs to differentiate our products from competitors. We continue to increase our focus on innovation both in our core categories and product adjacencies. We also focus on initiatives that create commercial value for existing leadership products in order to increase their appeal and accelerate their organic growth.
- Improve our organization and people systems. Our employees are our most valuable asset. Attracting, retaining and developing talent is a key focus of our company. To help us deliver strong business results, we have recently transformed our organizational structure in an effort to increase collaboration across the enterprise, implement best practices across divisions and departments and better leverage our scale. We have also adopted new compensation programs that we believe will promote greater accountability, better align management and shareholder interests and help attract and retain talent.
- Best in class shared services. We have developed an outstanding, diversified base of suppliers in North America, China and Mexico. We have also invested heavily in our distribution centers and information technology systems. We continuously strive to improve our existing supplier base and infrastructure, and to develop new manufacturing partners to ensure our products are innovative, on time, on cost, and on quality. We are applying similar disciplines and best practices to achieve operational excellence and leverage scale in our back-office functions including customer service, product development, finance, legal services, human resources, investor relations, and corporate communications.

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Asset efficiency. As we manage our businesses for long-term growth and success in the marketplace, we are also looking to manage our overall base of assets and capital structure to increase shareholder value. We are focused on maximizing cash flow, controlling our costs, increasing the efficiency of the capital we deploy, and optimizing working capital assets such as inventory and accounts receivable through improved systems. We also seek to optimize our capital structure, with the selective use of leverage to invest in acquisitions and, where appropriate, provide a return of capital to shareholders.

We present financial information by operating segment in Note (20) to the accompanying consolidated financial statements. The matters discussed in this Item 1., “Business,” pertain to all existing operating segments, unless otherwise specified.

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## TRADEMARKS, PATENTS AND PRODUCTS

We sell certain of our products under trademarks licensed from third parties. We also market products under a number of trademarks that we own. The following is a representative listing of some of the more important trademarks by segment and major product category:

SEGMENT	PRODUCT CATEGORY	OWNED TRADEMARKS	LICENSED TRADEMARKS
Housewares	Food Preparation and Storage	OXO®, Good Grips®, OXO On®	
	Cleaning, Bath and Garden	SoftWorks®, OXO Steel®	
Heath & Home	Infant and Toddler	OXO tot®	
	Healthcare	SoftHeat®, Protec®, SmartTemp®	Braun®, Vicks®
	Water Filtration	PUR®	
Nutritional Supplements	Home Environment	Duracraft®, Stinger®, Nosquito®	Honeywell®, Febreze®
	Vitamins, Minerals and Omega Q Plus Resveratrol®, Trilane® Supplements	Joint Advantage Gold®, OxyRub®, Probiotic Advantage®, Triveratrol®, Omega Q Plus®, Vision Essentials®, Total Cardio Cover®, Berberine+GlucoDefense®	
Beauty	Retail and Professional Appliances and Accessories	PRO Beauty Tools®, Karina®, Hot Tools®, Gold 'N Hot®, Carel®, Comare®, Shear Technology®, DCNL®	Revlon®, Vidal Sassoon®, Dr. Scholls®, Bed Head®
	Grooming, Skin Care and Hair Care	Brut®, Infusium 23®, Pert Plus®, Sure®, Ammens®, Ogilvie®, Final Net®	Sea Breeze®

Licensed Trademarks

The Beauty and Health & Home segments depend upon the continued use of trademarks licensed under various agreements for a substantial portion of their net sales revenue. New product introductions under licensed trademarks require approval from the respective licensors. The licensors must also approve the product packaging. Many of our license agreements require us to pay minimum royalties, meet minimum sales volumes and some require us to make minimum levels of advertising expenditures. If we decide to renew upon expiration of their current terms, we may be required to pay renewal fees at the time of that election or we may be unable to renegotiate acceptable terms that will allow for renewal.

We believe our principal trademarks, both owned and licensed, have high levels of brand name recognition among retailers and consumers throughout the world. Through our favorable association with our licensors, we believe we have developed stable, enduring relationships that provide access to unique brands that complement our owned and internally developed trademarks. We believe all our brands have an established reputation for quality, reliability and value.



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Patents, Other Intellectual Property and Infringement Considerations

Helen of Troy maintains utility and design patents in the United States and several foreign countries. We believe the loss of the protection afforded by any one of these patents would not have a material adverse effect on our business as a whole. We also protect certain details about our processes, products and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage.

We monitor and protect our brands against infringement, as we deem practical and appropriate; however, our ability to enforce patents, copyrights, licenses, and other intellectual property is subject to general litigation risks, as well as uncertainty as to the enforceability of various intellectual property rights in various jurisdictions.

Products

We market and sell Housewares, Health & Home, Nutritional Supplements, and Beauty products that we acquire, design, formulate or otherwise develop. The following table summarizes the types of products we sell by business segment:

SEGMENT	PRODUCT CATEGORY	SIGNIFICANT PRODUCTS
Housewares	Food Preparation and Storage	Food preparation tools and gadgets, food storage containers, baking tools, bakeware, barware, salt and pepper grinders and mills, hydration products, small kitchen appliances, and storage and

		organization products Household cleaning sponges, brushes, brooms, mops, sinkware, soap dispensers, laundry and bathroom accessories, and gardening tools Feeding and drinking products, cleaning tools, bath accessories, nursery accessories, and child seating Thermometers, blood pressure monitors, humidifiers, heating pads, and hot/cold wraps Faucet mount water filtration systems and pitcher based water filtration systems Air purifiers, heaters, fans, humidifiers, dehumidifiers, and insect control devices Heart health supplements, digestive health supplements, multi-vitamins, joint health supplements, blood sugar support
	Cleaning, Bath and Garden	
	Infant and Toddler	
Health & Home	Healthcare	
	Water Filtration	
	Home Environment	
Nutritional Supplements	Vitamins, Minerals and  Supplements	

		supplements, sleep health supplements, topical skin care and safe beauty products, brain health supplements, vision health supplements, and topical analgesics Curling and straightening irons, hot air brushes, hand-held dryers, hard and soft-bonnet hair dryers, hair setters, facial/skin care appliances, foot care appliances, hair clippers and trimmers, mirrors, hair brushes, hair styling implements, and decorative hair accessories Liquid hair styling products, treatments and conditioners, shampoos, liquid and/or medicated skin care products, fragrances, deodorants, and antiperspirants
Beauty	Retail and Professional	
	Appliances and Accessories	
	Grooming, Skin Care	
	and Hair Care	



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Innovation is a core strategy of the Company. We continue to develop new products, respond to market innovations and enhance existing products with the objective of improving our market positions. Overall, in fiscal year 2016, we shipped approximately 325 new products across all of our categories. Currently, approximately 300 additional new products are in our product development pipeline for expected introduction in fiscal year 2017.

SALES AND MARKETING

We market our products in approximately 84 countries throughout the world. Sales within the United States comprised approximately 80, 79 and 77 percent of total net sales revenue in fiscal years 2016, 2015 and 2014, respectively. Our segments primarily sell their products through mass merchandisers, drugstore chains, warehouse clubs, home improvement stores, catalogs, grocery stores, specialty stores, beauty supply retailers, e-commerce retailers, wholesalers, and various types of distributors, as well as directly to consumers. We collaborate extensively with our retail customers and in many instances produce specific versions of our product lines with exclusive designs and packaging for their stores, which are appropriately priced for their respective customer bases. We market products principally through the use of outside sales representatives and our own internal sales staff, supported by our internal marketing, category management, engineering, creative services, and customer and consumer service staff. These groups work closely together to develop pricing and distribution strategies, to design packaging and to help develop product line extensions and new products.

The Nutritional Supplements segment sells directly to consumers through highly targeted catalog and other printed collateral mailings, internet websites and direct response print, radio and television media. The segment also sells over the telephone through a number of customer call centers. The segment maintains exclusive development and marketing relationships with several medical and wellness professionals, who provide research and advocacy for Company products and are key components of its marketing and customer outreach programs. The Nutritional Supplements segment does not have any material formal relationships with any re-distributors, nor does it maintain any field sales force outside of its call centers.

The companies from whom we license many of our brand names promote those names extensively. The Honeywell, Braun, Vicks, Febreze, Revlon, Vidal Sassoon, Dr. Scholl's, Scholl, Bed Head, and Toni&Guy trademarks are widely recognized because of the licensors' advertising and the sale of a variety of products in categories other than ours. We believe we benefit from the name recognition associated with a number of our licensed trademarks and seek to further improve the name recognition and perceived quality of all trademarks under which we sell products through our own advertising and product development efforts. We also promote our non-licensed products through television advertising and various media, including consumer and trade magazines, extensive in-store and customer cooperative advertising, company websites, social media websites, other digital media, and various industry trade shows.

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MANUFACTURING AND DISTRIBUTION

We contract with unaffiliated manufacturers, primarily in China and Mexico, to manufacture a significant portion of our finished goods for the Beauty appliances, Housewares, Healthcare, Water Filtration, and Home Environment product categories. The Nutritional Supplements segment and the U.S. region of the Grooming, Skin and Hair Care category of the Beauty segment source most of their products from U.S. manufacturers. For a discussion regarding our dependency on third party manufacturers, see Item 1A., “Risk Factors.” For fiscal years 2016, 2015 and 2014, finished goods manufactured by vendors in the Far East comprised approximately 68, 67 and 69 percent, respectively, of total finished goods purchased.

Many of our key Far East manufacturers have been doing business with us for over 30 years. In some instances, we are now working with the second generation of entrepreneurs from the same families. We believe these relationships give us a stable and sustainable advantage over many of our competitors. Manufacturers who produce our products use formulas, molds and certain other tooling, some of which we own, in manufacturing those products. We employ numerous technical and quality control personnel responsible for ensuring high product quality. Most of our products manufactured outside the countries in which they are sold are subject to import duties, which increase the amount we pay to obtain such products.

The Nutritional Supplements segment owns most of the formulations used in products it sells, with the majority having formulations that are proprietary, and in some cases, include ingredient combinations that are exclusive to the segment. The segment relies predominantly on clinically studied ingredients to validate efficacy and dosage. The segment engages in, and has completed multiple clinical studies on key proprietary formulations. Quality is paramount to the efficacy of our products and a competitive differentiator in nutritional supplements. Products are formulated and manufactured under the direction of the Company, which adheres to a rigorous triple testing method to ensure the stability, purity, potency, and safety of all finished products.

Our retail customers seek to minimize their inventory levels and often demand that we fulfill their orders within relatively short time frames. Consequently, our policy is to maintain several months of supply of inventory in order to meet our customers’ needs. Accordingly, we order products substantially in advance of the anticipated time of their sale to our customers. While we have limited formal long-term arrangements with our suppliers, in most instances, we place purchase orders for products several months in advance of receipt of orders from our customers. Our relationships and arrangements with most of our manufacturers allow for some flexibility in modifying the quantity, composition and delivery dates of orders. Because of long lead times for most of our foreign sourced products, from time to time, we must discount end of model product or sell it through closeout sales channels to eliminate excess inventories. Most purchase orders are in U.S. Dollars.

In total, we occupy approximately 3,392,000 square feet of distribution space in various locations to support our operations, which includes a 1,200,000 square foot distribution center in Southaven, Mississippi, and a 1,300,000 square foot distribution center in Olive Branch, Mississippi, used to support a significant portion of our domestic

distribution. We ship Housewares, Nutritional Supplements and Beauty grooming, skin care and hair care solutions products out of the Southaven facility. We ship Health & Home and Beauty segment appliance products out of the Olive Branch facility.

During fiscal year 2016, we relocated the Nutritional Supplement segment's distribution operations to our Southaven facility. As a result of the relocation, approximately 73 percent of our consolidated gross sales volume shipped from these two facilities in fiscal year 2016. For a further discussion of the risks associated with our distribution capabilities, see Item 1A., "Risk Factors." For further information about our distribution and office facilities, see Item 2., "Properties."

Products that are manufactured in the Far East and sold in North America are shipped to the West Coast of the United States and Canada. The products are then shipped by truck or rail service to distribution centers in El Paso, Texas; Southaven, Mississippi; Olive Branch, Mississippi; and Toronto, Canada, or directly to customers. We ship substantially all products to North American customers from these distribution centers by ground transportation services. The Nutritional Supplement segment's products are shipped almost exclusively through U.S. mail and parcel delivery services. Products sold outside the United States and Canada are shipped from manufacturers, primarily in the Far East, to

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distribution centers in Belgium, the United Kingdom, Mexico, and Hong Kong or directly to customers. We then ship products stored at these international distribution centers to distributors or retailers.

## CUSTOMERS

Sales to Wal-Mart Stores, Inc. (including its worldwide affiliates) accounted for approximately 16, 18 and 19 percent of our consolidated net sales revenue in fiscal years 2016, 2015 and 2014, respectively. Sales to our second largest customer, Target Corporation, accounted for approximately 8, 9 and 11 percent of our consolidated net sales revenue in fiscal years 2016, 2015 and 2014, respectively. No other customers accounted for 10 percent or more of consolidated net sales revenue during those fiscal years. Sales to our top five customers accounted for approximately 40, 41 and 43 percent of our consolidated net sales revenue in fiscal years 2016, 2015 and 2014, respectively. The Nutritional Supplement segment maintains a database of over 600,000 customers to whom it actively markets. A large proportion of these customers take advantage of the segment's auto-delivery service that periodically ships a re-supply of product, resulting in a more stable and less seasonal order flow.

## ORDER BACKLOG

When placing orders, our individual consumer, retail and wholesale customers usually request that we ship the related products within a short time frame. As such, there usually is no significant backlog of orders in any of our distribution channels.

## COMPETITIVE CONDITIONS

The markets in which we sell our products are very competitive and mature. The rapid growth of large mass merchandisers, together with changes in consumer shopping patterns, have contributed to a significant consolidation of the consumer products retail industry and the formation of dominant multi-category retailers with strong negotiating power. The growth in internet sales both by traditional retailers and pure online retailers, such as Amazon, has begun to erode market share at "brick-and-mortar" retailers. Current trends among retailers include fostering high levels of competition among suppliers, insisting on maintaining or reducing prices, requiring delivery of products in shorter lead times, and a significant number of North American store closings by underperforming retail chains. Certain retailers continue to source and sell products under their own private label brands that compete with our Company's products. We believe that we have certain key competitive advantages, such as well recognized brands, engineering expertise and innovation, sourcing and supply chain know-how, and productive co-development relationships with our Far East manufacturers, some of which have been built over 30 years or more of working together. We believe these advantages allow us to bring our retailers a value proposition in our products that can significantly out-perform private label products in most categories. Maintaining and gaining market share depends heavily on product development and enhancement, pricing, quality, performance, packaging and availability, brand



name recognition, patents, and rapidly adaptive marketing and distribution approaches.

We believe the market for the Nutritional Supplements segment is growing, but highly fragmented. Competition includes multi-level marketers, internet sites, specialty and mass retailers, pharmacy, grocery, and membership clubs. The primary competitive factors across these channels are pricing, perceived value and efficacy of ingredients, supporting clinical research, ease of ordering, customer service, and cost of delivery. We believe we compete favorably with respect to the above factors.

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The following table summarizes our primary competitors by business segment:

SEGMENT	PRODUCT CATEGORY	PRIMARY COMPETITORS
Housewares	Food Preparation and Storage	Lifetime Brands, Inc. (KitchenAid), Zyliss AG, Wilton Industries, Inc. (Copco), Simplehuman LLC, Casabella Holdings LLC, Interdesign, Inc.,
	Cleaning, Bath and Garden	Kuhn Rikon Corporation, Newell Rubbermaid, Inc. (Calphalon Cookware), Boon Inc., Ignite USA, LLC (Contigo), PMI (Aladdin),
	Infant and Toddler	Munchkin, Inc., Skip Hop, Inc., Chef'n, Progressive International, Stokke AS., and De' Longhi S.p.A.
Health & Home	Healthcare	Philips Electronics N.V., Microlife AG Swiss Corporation, Omron Corporation, Medisana AG, Beurer GmbH, Exergen Corporation, Paul Hartmann AG, and Visiomed Group SA (Thermoflash)
	Water Filtration	The Clorox Company (Brita), 3M Company (Filtrete), and Zero Technologies LLC (ZeroWater)
	Home Environment	Panasonic Corporation, Sharp Corporation, Jarden Corporation (Sunbeam, Bionair and Holmes), Lasko Products, Inc., De' Longhi S.p.A., Blueair, Inc., and Samsung Electronics Co., Ltd.
Nutritional Supplements	Vitamins, Minerals and Supplements	Vitacost.com, Inc., Mercola.com, Life Extension, Purity Products, Swanson Health Products, LuckyVitamin Corporation, Vitamin Research Products, Stop Aging Now, LLC, and Axe Wellness, LLC
Beauty	Retail and Professional	Conair, Farouk Systems Inc. (CHI), International Consulting Associates
	Appliances and Accessories	(InfraShine), Turbo Ion, Inc. (Croc Hair Products), FHI Heat, Inc., Spectrum Brands, Inc. (Remington), John Paul Mitchell Systems, Inc., Goody Products, Inc. a division of Newell Rubbermaid, Inc., Wahl

Grooming, Skin Care and Hair Care	Clipper Corporation, AST Systems, LLC (SalonTech), Bio Ionic, Inc., Homedics-U.S.A., Inc., Jamella Limited (GHD), and T3 Micro, Inc. The Procter & Gamble Company, L'Oréal Group, Johnson & Johnson, Unilever N.V., Colgate-Palmolive Company, Henkel AG & Co. KGaA, Beiersdorf AG, Coty Inc., and KAO Brands Company
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Some of these competitors have significantly greater financial and other resources than we do.

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## SEASONALITY

The following table shows our seasonality over the latest three fiscal years.

## SEASONALITY AS A PERCENTAGE OF ANNUAL NET SALES REVENUE

Fiscal Quarter Ended	Fiscal Years Ended the Last Day of February,		
	2016	2015	2014
May	22.3 %	21.6 %	23.1 %
August	23.9 %	22.1 %	24.3 %
November	28.8 %	30.2 %	28.9 %
February	25.0 %	26.1 %	23.7 %

The overall sales pattern for our Nutritional Supplements segment is not highly seasonal. Our other segments are seasonal due to different calendar events, holidays and seasonal weather patterns. Historically, the third fiscal quarter produces the highest net sales revenue during the fiscal year. Seasonality in fiscal year 2015 was skewed in the latter half of the year by the inclusion of eight months of net sales revenue from Healthy Directions following its acquisition on June 30, 2014. Our working capital needs fluctuate during the year because of the impact of the seasonality of our net sales revenue.

## GOVERNMENTAL REGULATION AND ENVIRONMENTAL MATTERS

Our operations are subject to national, state, local, and provincial jurisdictions' environmental, health and safety laws and regulations. These laws and regulations impose workplace standards and regulate the discharge of pollutants into the environment. In addition, they establish various standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of materials, and substances including solid and hazardous wastes.

Many of the products we sell are subject to a number of product safety laws and regulations in various jurisdictions. These laws and regulations specify the maximum allowable levels of certain materials that may be contained in our products, provide statutory prohibitions against misbranded and adulterated products, establish ingredients and manufacturing procedures for certain products, specify product safety testing requirements, and set product identification and labeling requirements. The Nutritional Supplements segment operates almost entirely in the United States. Importing, manufacturing, processing, formulating, packaging, labeling, distributing, selling, and advertising of our Nutritional Supplements segment products may be subject to regulation by one or more federal or state agencies. The Food and Drug Administration (the "FDA") has primary jurisdiction over our products pursuant to the Federal Food, Drug and Cosmetic Act (the "FDCA") as amended by the Dietary Supplement and Health Education Act

of 1994 (the “DSHEA”), and is responsible for issuing regulations under these and associated laws. The FDCA provides the regulatory framework for the safety and labeling of dietary supplements, foods and medical foods. In particular, the FDA regulates the safety, manufacturing, labeling and distribution of dietary supplements. The Federal Trade Commission (the “FTC”) and the FDA share jurisdiction over the promotion and advertising of dietary supplements. Pursuant to a memorandum of understanding between the two agencies, the FDA has primary jurisdiction over claims that appear on product labels and labeling and the FTC has primary jurisdiction over product advertising.

FDA rules impose requirements on the manufacture, packaging, labeling, holding, and distribution of dietary supplement products. For example, it requires that companies establish extensive written procedures and controls governing areas such as: (1) personnel, (2) plant and equipment cleanliness, (3) production controls, (4) laboratory operations, (5) packaging and labeling, (6) distribution, (7) product returns, and (8) complaint handling. The FDA also requires identity testing of all incoming ingredients unless a company successfully petitions for an exemption from this testing requirement in accordance with the regulations. FDA prescribed good manufacturing practices are designed to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities, and are accurately labeled to reflect the active ingredients and other ingredients in the products.



under Section 16 of the Exchange Act of transactions in Company shares by directors and officers. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. Also, on the Investor Relations page, under the heading “Corporate Governance,” are the Company’s Code of Ethics, Corporate Governance Guidelines and the Charters of the Committees of the Board of Directors.

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ITEM 1A. RISK FACTORS

The ownership of our common stock involves a number of risks and uncertainties. When evaluating the Company before making a decision regarding investment in our securities, potential investors should carefully consider the risk factors and uncertainties described below, together with other information contained in this report. If any of the events or circumstances described below or elsewhere in this report actually occur, they could adversely effect our business and operating results. The risks listed below are not the only risks that we face. Additional risks that are presently unknown to us or that we currently believe are not significant may also impact our business operations.

Our ability to deliver products to our customers in a timely manner and to satisfy our customers' fulfillment standards are subject to several factors, some of which are beyond our control.

Retailers place great emphasis on timely delivery of our products for specific selling seasons, especially during our third fiscal quarter, and on the fulfillment of consumer demand throughout the year. We cannot control all of the various factors that might affect product delivery to retailers. Vendor production delays, difficulties encountered in shipping from overseas, customs clearance delays, and operational issues with any of the third-party logistics providers we use in certain countries are on-going risks of our business. We also rely upon third-party carriers for our product shipments from our distribution centers to customers. In certain circumstances, we rely on the shipping arrangements our suppliers have made in the case of products shipped directly to retailers from the suppliers. Accordingly, we are subject to risks, including labor disputes, inclement weather, natural disasters, possible acts of terrorism, availability of shipping containers, and increased security restrictions associated with the carriers' ability to provide delivery services to meet our shipping needs. Failure to deliver products to our retailers in a timely and effective manner, often under special vendor requirements to use specific carriers and delivery schedules, could damage our reputation and brands and result in loss of customers or reduced orders.

Our results of operations are dependent on sales to several large customers and the loss of, or substantial decline in, sales to a top customer could have a material adverse effect on our revenues and profitability.

A few customers account for a substantial percentage of our net sales revenue. Our financial condition and results of operations could suffer if we lost all or a portion of the sales to any one of these customers. In particular, sales to our first and second largest customers accounted for approximately 16 and 8 percent, respectively, of our consolidated net sales revenue in fiscal year 2016. While only one customer individually accounted for 10 percent or more of our consolidated net sales revenue in fiscal year 2016, sales to our top five customers accounted for approximately 40 percent of fiscal year 2016 consolidated net sales revenue. We expect that a small group of customers will continue to account for a significant portion of our net sales revenue. Although we have long-standing relationships with our major customers, we generally do not have written agreements that require these customers to buy from us or to purchase a minimum amount of our products. A substantial decrease in sales to any of our major customers could have a material adverse effect on our financial condition and results of operations. We regularly monitor and evaluate the credit status of our customers and attempt to adjust sales terms as appropriate. Despite these efforts, a deterioration



in the credit worthiness or bankruptcy filing of a key customer could have a material adverse effect on our business, results of operations and financial condition.

With the continuing trend towards retail trade consolidation, we are increasingly dependent upon key customers whose bargaining strength is substantial and growing. We may be negatively affected by changes in the policies of our customers, such as on-hand inventory reductions, limitations on access to shelf space, use of private label brands, price demands, and other conditions, which could negatively impact our financial condition and results of operations.

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Large sophisticated customers may take actions that adversely affect our gross profit and results of operations.

In recent years, we have observed a consumer trend away from traditional grocery and drugstore channels and toward mass merchandisers, which includes super centers and warehouse club stores. In addition, the growth in internet sales, both by large traditional retailers and pure online retailers such as Amazon, has begun to reach a critical mass. This trend has resulted in the increased size and influence of these types of customers. Additionally, certain of these customers source and sell products under their own private label brands that compete with our products. As certain large customers and online retailers grow even larger and become more sophisticated, they may continue to demand lower pricing, special packaging, shorter lead times for the delivery of products, smaller more frequent shipments, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. If we do not effectively respond to these demands, these customers could decrease their purchases from us. A reduction in the demand for our products by these customers and the costs of complying with their business demands could have a material adverse effect on our business, results of operations and financial condition.

We are subject to risks related to our dependence on the strength of retail economies and may be vulnerable in the event of a prolonged economic downturn.

Our business depends on the strength of the retail economies in various parts of the world, primarily in North America and to a lesser extent EMEA, Asia and Latin America. These retail economies are affected primarily by factors such as consumer demand and the condition of the retail industry, which, in turn, are affected by general economic conditions and specific events such as natural disasters, terrorist attacks and political unrest. Consumer spending in any geographic region is generally affected by a number of factors, including local economic conditions, government actions, inflation, interest rates, energy costs, unemployment rates, gasoline prices, and consumer confidence, all of which are beyond our control. Consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower, and may impact sales of our products. Any relapse into recession in the United States, the United Kingdom, Canada, Mexico or any of the other countries in which we conduct significant business, may continue to cause significant readjustments in both the volume and mix of our product sales, which could materially and adversely affect our business, results of operations and financial condition.

The impact of these external factors and the extent to which they may continue is difficult to predict, and one or more of the factors could adversely impact our business. In recent years, the retail industry in the U.S., and increasingly elsewhere, has been characterized by intense competition among retailers and the growth in internet sales, both by traditional retailers and pure online retailers such as Amazon. Because such competition, particularly when weak retail economies exist, can cause retailers to struggle or fail, we must continuously monitor, and adapt to changes in, the profitability, creditworthiness and pricing policies of our customers. A deterioration of any of our key retail economies could have a material adverse effect on our business, results of operations and financial condition.

We rely on our Chief Executive Officer and a limited number of other key senior officers to operate our business. The loss of any of these individuals could have a material adverse effect on our business.

The loss of our Chief Executive Officer or any of our key senior officers could have a material adverse effect on our business, results of operations and financial condition, particularly if we are unable to hire or relocate and integrate suitable replacements on a timely basis or at all. Further, in order to continue to grow our business, we will need to expand our senior management team. We may be unable to attract or retain these persons. This could hinder our ability to grow our business and could disrupt our operations or otherwise have a material adverse effect on our business.

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Expectations regarding recent acquisitions, and any future acquisitions, including our ability to realize anticipated cost savings, synergies and other benefits along with our ability to effectively integrate acquired businesses, may adversely affect the price of our common stock.

We continue to look for opportunities to make complementary strategic business and/or brand acquisitions. Past and future acquisitions, if not favorably received by consumers, shareholders, analysts, and others in the investment community, could have a material adverse effect on the price of our common stock. In addition, any acquisition involves numerous risks, including:

- difficulties in the assimilation of the operations, technologies, products, and personnel associated with the acquisitions;
- difficulties in integrating distribution channels;
- diversion of management's attention from other business concerns;
- difficulties in transitioning and preserving customer, contractor, supplier, and other important third-party relationships;
- difficulties realizing anticipated cost savings, synergies and other benefits related to an acquisition;
- risks associated with subsequent operating asset write-offs, contingent liabilities and impairment of related acquired intangible assets;
- risks of entering markets in which we have no or limited experience; and
- potential loss of key employees associated with the acquisitions.

Any difficulties encountered with acquisitions could have a material adverse effect on our business, results of operations and financial condition.

Our operating results may be adversely affected by foreign currency exchange rate fluctuations.

Our functional currency is the U.S. Dollar. Changes in the relation of other foreign currencies to the U.S. Dollar will affect our sales and profitability and can result in exchange losses because the Company has operations and assets located outside the United States. The Company transacts a significant portion of its international business in currencies other than the U.S. Dollar (“foreign currencies”). Such transactions include sales, certain inventory purchases and operating expenses. As a result, portions of our cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies. Accordingly, foreign operations will continue to expose us to foreign currency fluctuations, both for purposes of actual conversion and financial reporting purposes. Additionally, we purchase a substantial amount of our products from Chinese manufacturers. The Chinese Renminbi has fluctuated against the U.S. Dollar in recent years, devaluing by approximately 6 percent against the U.S. Dollar during fiscal year 2016. If China’s currency continues to fluctuate against the U.S. Dollar in the short-to-intermediate term, we cannot accurately predict the impact of those fluctuations on our results of operations. There can be no assurance that foreign exchange rates will be stable in the future or that fluctuations in Chinese foreign currency markets will not have a material adverse effect on our business, results of operations and financial condition, including increased product costs over time that we may not be able to pass on to our customers.

Where operating conditions permit, we seek to reduce foreign currency risk by purchasing most of our inventory with U.S. Dollars and by converting cash balances denominated in foreign currencies to U.S. Dollars. We have also historically hedged against certain foreign currency exchange rate-risk by using a series of forward contracts designated as cash flow hedges to protect against the foreign currency exchange risk inherent in our forecasted transactions denominated in currencies other than the U.S. Dollar. In these transactions, we execute a forward currency contract that will settle at the end of a forecasted period. Because the size and terms of the forward contract are designed so that its fair market value will move in the opposite direction and approximate magnitude of the underlying foreign currency’s forecasted exchange gain or loss during the forecasted period, a hedging relationship is created. To the extent we forecast

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the expected foreign currency cash flows from the period the forward contract is entered into until the date it will settle with reasonable accuracy, we significantly lower or materially eliminate a particular currency's exchange risk exposure over the life of the related forward contract. We enter into these types of agreements where we believe we have meaningful exposure to foreign currency exchange risk and the hedge pricing appears reasonable. It is not practical for us to hedge all our exposures, nor are we able to project in any meaningful way the possible effect and interplay of all foreign currency fluctuations on translated amounts or future net income. This is due to our constantly changing exposure to various currencies, the fact that each foreign currency reacts differently to the U.S. Dollar and the significant number of currencies involved.

The impact of future exchange rate fluctuations on our results of operations cannot be accurately predicted. Accordingly, there can be no assurance that U.S. Dollar foreign exchange rates will be stable in the future or that fluctuations in foreign currency markets will not have a material adverse effect on our business, results of operations and financial condition.

Disruptions in U.S., Euro zone and other international credit markets may adversely affect our business, results of operations and financial condition.

Disruptions in national and international credit markets could result in limitations on credit availability, tighter lending standards, higher interest rates on consumer and business loans, and higher fees associated with obtaining and maintaining credit availability. Disruptions may also materially limit consumer credit availability and restrict credit availability to our customer base and the Company. In addition, in the event of disruptions in the financial markets, current or future lenders may become unwilling or unable to continue to advance funds under any agreements in place, increase their commitments under existing credit arrangements or enter into new financing arrangements. The failure of our lenders to provide sufficient financing may constrain our ability to operate or grow the business and to make complementary strategic business and/or brand acquisitions. This could have a material adverse effect on our business, results of operations and financial condition.

Our business is subject to weather conditions, the duration and severity of the cold and flu season and other related factors, which can cause our operating results to vary from quarter to quarter.

Sales in our Health & Home segment are influenced by weather conditions. Sales volumes for thermometry, humidifiers and heating appliances are higher during, and subject to, the severity of the cold weather months, while sales of fans, dehumidifiers and insect control devices are higher during, and subject to, weather conditions in spring and summer months. Weather conditions can also more broadly impact sales across the organization. For instance, natural disasters (such as hurricanes and ice storms) or unusually severe winter weather may result in temporary unanticipated reductions in retail traffic and consumer demand, may impact our ability to staff our distribution facilities or could otherwise impede timely transport and delivery of product from our distribution facilities. Sales in our Health & Home segment are also impacted by cough, cold and flu seasonal trends, including the duration and severity of the cold and flu season. These factors could have a material adverse effect on our business, results of

operations and financial condition.

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We are dependent on third-party manufacturers, most of which are located in the Far East, and any inability to obtain products from such manufacturers could have a material adverse effect on our business, results of operations and financial condition.

All of our products are manufactured by unaffiliated companies, most of which are in the Far East, principally in China. This concentration exposes us to risks associated with doing business globally, including: changing international political relations; labor availability and cost; changes in laws, including tax laws, regulations and treaties; changes in labor laws, regulations and policies; changes in customs duties and other trade barriers; changes in shipping costs; currency exchange fluctuations; local political unrest; an extended and complex transportation cycle; the impact of changing economic conditions; and the availability and cost of raw materials and merchandise. The political, legal and cultural environment in the Far East is rapidly evolving, and any change that impairs our ability to obtain products from manufacturers in that region, or to obtain products at marketable rates, could have a material adverse effect on our business, results of operations and financial condition.

With most of our manufacturers located in the Far East, our production lead times are relatively long. Therefore, we must commit to production in advance of customer orders. If we fail to forecast customer or consumer demand accurately, we may encounter difficulties in filling customer orders on a timely basis or in liquidating excess inventories. We may also find that customers are canceling orders or returning products. Any of these results could have a material adverse effect on our business, results of operations and financial condition.

Historically, labor in China has been readily available at relatively low cost as compared to labor costs in North America, Europe and other countries. China has experienced rapid social, political and economic change in recent years. There is no assurance labor will continue to be available in China at costs consistent with historical levels or that changes in labor or other laws will not be enacted which would have a material adverse effect on the cost of products manufactured in China. Many of our suppliers in China continue to experience labor shortages, which could result in future supply delays and disruptions and have resulted in a substantial increase in labor costs over the last three fiscal years. Similarly, evolving government labor regulations and associated compliance standards could cause our product costs to rise or could cause manufacturing partners we rely on to exit the business. This could have an adverse impact on product availability and quality. The Chinese economy has experienced rapid expansion and highly fluctuating rates of inflation. Higher general inflation rates will require manufacturers to continue to seek increased product prices. The Chinese Renminbi has fluctuated against the U.S. Dollar in recent years, devaluing by approximately 6 percent against the U.S. Dollar during fiscal year 2016. If the Chinese Renminbi appreciates with respect to the U.S. Dollar in the future, the Company may experience cost increases on such purchases, and this can adversely impact profitability. Future interventions by China may result in further currency appreciation and increase our product costs over time. The Company may not be successful at implementing customer pricing or other actions in an effort to mitigate the related effects of the product cost increases. Although China currently enjoys “most favored nation” trading status with the U.S., the U.S. government has in the past proposed to revoke such status and to impose higher tariffs on products imported from China. There is no assurance that our business will not be affected by any of the aforementioned risks, each of which could have a material adverse effect on our business, results of operations and financial condition.





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The availability, purity and integrity of raw materials used in the manufacture of the Nutritional Supplements segment's products could be compromised.

The Nutritional Supplements segment depends on outside suppliers for raw materials, acquiring all of its raw materials for the manufacture of its products from third-party suppliers. The segment uses multiple agreements for the supply of materials used in the manufacture of its products in order to hedge against shortages or potential spikes in material costs. The segment also contracts with third-party manufacturers and suppliers for the production of its products. In the event of a loss of any significant supplier, the segment could experience difficulties in finding or transitioning to alternative suppliers, which could result in product shortages or product back orders, which could harm its business. There can be no assurance that suppliers will be able to provide the segment with the raw materials in the quantities and at the appropriate level of quality requested or at prices it will be willing to pay. The segment is also subject to the delays caused by any interruption in the production of these materials including weather, crop conditions, climate change, transportation interruptions, and natural disasters or other catastrophic events.

Occasionally, suppliers have experienced production difficulties with respect to the segment's products, including the delivery of materials or products that do not meet rigorous quality control standards. These quality problems have in the past resulted in, and in the future could result in, stock outages or shortages of our products, and could harm sales or create inventory write-offs for unusable product.

High costs of raw materials and energy may result in increased cost of goods sold and certain operating expenses and adversely affect our results of operations and cash flow.

Significant variations in the costs and availability of raw materials and energy may negatively affect our results of operations. Our suppliers purchase significant amounts of metals and plastics to manufacture our products. In addition, they also purchase significant amounts of electricity to supply the energy required in their production processes. Changes in the cost of fuel as a result of Middle East tensions and related political instabilities may continue to drive up fuel prices resulting in higher transportation prices and product costs. The cost of these raw materials and energy, in the aggregate, represents a significant portion of our cost of goods sold and certain operating expenses. Our results of operations could be adversely affected by future increases in these costs. We have had some success in implementing price increases to our customers or passing on product cost increases by moving customers to newer product models with enhancements that justify higher prices, and we intend to continue these efforts. We can make no assurances that these efforts will be successful in the future or will materially offset the cost increases we may incur.

Certain of our U.S. distribution facilities are geographically concentrated and operate during peak shipping periods at or near capacity. These factors increase our risk that disruptions could occur and significantly affect our ability to deliver products to our customers in a timely manner. Such disruptions could have a material adverse effect on our business.

To make our distribution operations more efficient, we have consolidated most of our U.S. distribution, receiving and storage functions into two distribution facilities in northern Mississippi. Approximately 73 percent of our consolidated gross sales volume shipped from facilities in this region in fiscal year 2016. For this reason, any disruption in our distribution process in either of these facilities, even for a few days, could adversely effect our business and operating results.

Additionally, our U.S. distribution operations may incur capacity constraints during peak shipping periods as we continue to grow our sales revenue through a combination of organic growth and acquisitions. These and other factors described above could cause delays in the delivery of our products and increases in shipping and storage costs that could have a material and adverse effect on our business, results of operations and financial condition.

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Our projections of product demand, sales and net income are highly subjective in nature and our future sales and net income could vary in a material amount from our projections.

From time to time, we may provide projections to our shareholders, lenders, investment community, and other stakeholders of our future sales and net income. Since we do not require long-term purchase commitments from our major customers and the customer order and ship process is very short, it is difficult for us to accurately predict the demand for many of our products, or the amount and timing of our future sales and related net income. Our projections are based on management's best estimate of sales using historical sales data and other information deemed relevant. These projections are highly subjective since sales to our customers can fluctuate substantially based on the demands of their retail customers and due to other risks described in this report. Additionally, changes in retailer inventory management strategies could make our inventory management more difficult. Because our ability to forecast product demand and the timing of related sales includes significant subjective input, our future sales and net income could vary materially from our projections.

If our goodwill, indefinite-lived intangible assets or other long-term assets become impaired, we will be required to record impairment charges, which may be significant.

A significant portion of our long-term assets continues to consist of goodwill and other indefinite-lived intangible assets recorded as a result of past acquisitions. We do not amortize goodwill and indefinite-lived intangible assets, but rather review them for impairment on an annual basis or more frequently whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of each of the individual assets exceeds its fair market value. If our analysis indicates that an individual asset's carrying value does exceed its fair market value, the next step is to record a loss equal to the excess of the individual asset's carrying value over its fair value. The steps required by GAAP entail significant amounts of judgment and subjectivity.

We complete our analysis of the carrying value of our goodwill and other intangible assets during the first quarter of each fiscal year, or more frequently, whenever events or changes in circumstances indicate their carrying value may not be recoverable. Events and changes in circumstances that may indicate there is impairment and which may indicate interim impairment testing is necessary include, but are not limited to: strategic decisions to exit a business or dispose of an asset made in response to changes in economic, political and competitive conditions; the impact of the economic environment on our customer base and on broad market conditions that drive valuation considerations by market participants; our internal expectations with regard to future revenue growth and the assumptions we make when performing our impairment reviews; a significant decrease in the market price of our assets; a significant adverse change in the extent or manner in which our assets are used; a significant adverse change in legal factors or the business climate that could affect our assets; an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset; and significant changes in the cash flows associated with an asset. We analyze these assets at the individual asset, reporting unit and company levels. As a result of such circumstances, we may be required to record a significant charge to net income in our financial statements during the period in which any impairment of our goodwill, indefinite-lived intangible assets or other long-term assets is determined. Any such impairment charges could have a material adverse effect on our business, results of operations and financial condition.



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We rely on licensed trademarks with third parties and license certain trademarks to third parties in exchange for royalty income, the loss of which could have a material adverse effect on our revenues and profitability.

A substantial portion of our sales revenue comes from selling products under licensed trademarks. As a result, we are dependent upon the continued use of these trademarks, including the Revlon, Vicks, Braun, Honeywell, and Vidal Sassoon trademarks. Additionally, we license certain owned trademarks, including OXO and PUR, to third parties in exchange for royalty income. It is possible that certain actions taken by the Company, its licensors, licensees, or other third parties might diminish greatly the value of any of our licensed trademarks. Some of our licensors and licensees also have the ability to terminate their license agreements with us at their option subject to each parties' right to continue the license for a limited period of time following notice of termination. If we or our licensees were unable to sell products under these licensed trademarks, or one or more of our license agreements were terminated or the value of the trademarks were diminished, the effect on our business, results of operations and financial condition could be both negative and material.

To compete successfully, we must develop and introduce a continuing stream of innovative new products to meet changing consumer preferences.

Our long-term success in the competitive retail environment depends on our ability to develop and commercialize a continuing stream of innovative new products that meet changing consumer preferences and take advantage of opportunities sooner than our competition. We face the risk that our competitors will introduce innovative new products that compete with our products. Our core initiatives include fostering our culture of innovation and new product development, enhancing and extending our existing product categories and developing new allied product categories. There are numerous uncertainties inherent in successfully developing and commercializing new products on a continuing basis and new product launches may not deliver expected growth in sales or operating income. If we are unable to develop and introduce a continuing stream of new products, it may have an adverse effect on our business, results of operations and financial condition.

The Nutritional Supplements segment may be subject to product liability claims, which could materially and adversely affect our business, results of operations, and financial condition, or reputation.

As a formulator and distributor of products designed for human consumption or use on or in the body, our Nutritional Supplements segment may be subject to product liability claims if the use of our products is alleged to have resulted in illness or injury or if our products include inadequate instructions or warnings. These products generally consist of vitamins, minerals, herbs, and other ingredients that are classified as foods, over-the-counter drugs, dietary supplements, and medical devices and generally are not subject to pre-market regulatory approval or clearance by governmental authorities. In the event products contained spoiled or contaminated substances, or, in the case of products that contain ingredients that do not have long histories of human consumption, previously unknown adverse reactions resulting from human consumption of these ingredients could occur. We could also be subject to product liability claims, including among others, that our products include insufficient instructions for use or inadequate

warnings concerning possible side effects or interactions with other substances. Any product liability claim against us could result in increased costs and adversely affect our reputation with our customers, which in turn could materially adversely affect our business, results of operations and financial condition.

The Nutritional Supplements segment may be subject to the effects of potential adverse publicity and negative public perception.

Consumer acceptance of the safety, efficacy and quality of the Nutritional Supplements segment's products, as well as similar products distributed by other companies can be significantly influenced by scientific research or findings, national media attention and other publicity about product use. A product may initially be received favorably, resulting in high sales associated with that product that may not be sustainable as consumer preferences change. In addition, recent studies have challenged the safety or benefit of certain nutritional supplements and dietary ingredients. Future scientific research or publicity could be unfavorable to the industry or any of our products and may not be consistent with earlier favorable research or publicity. Any research or publicity that is perceived by consumers as less than favorable or that

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questions earlier favorable research or publicity could have a material adverse effect on the Nutritional Supplements segment's ability to generate revenue. Adverse publicity in the form of published scientific research, statements by regulatory authorities or otherwise, whether or not accurate, that associates consumption of our products or any other similar products with illness or other adverse effects, or that questions the benefits of our or similar products, or that claims that such products are ineffective, could have a material adverse effect on our business, reputation, financial condition or results of operations.

Our operating results may be adversely affected by trade barriers, exchange controls, expropriations, and other risks associated with foreign operations.

The economies of foreign countries important to our operations, including countries in Asia, EMEA and Latin America, could suffer slower economic growth or economic, social and/or political instability or hyperinflation in the future. Our international operations in countries in Asia, EMEA and Latin America, including manufacturing and sourcing operations (and the international operations of our customers), are subject to inherent risks which could adversely affect us, including, among other things:

- protectionist policies restricting or impairing the manufacturing, sales or import and export of our products;
- new restrictions on access to markets;
- lack of developed infrastructure;
- inflation (including hyperinflation) or recession;
- changes in, and the burdens and costs of compliance with, a variety of foreign laws and regulations, including tax laws, accounting standards, environmental laws, and occupational health and safety laws;
- social, political or economic instability;
- acts of war and terrorism;
- natural disasters or other crises;
- reduced protection of intellectual property rights in some countries;



- increases in duties and taxation;
- restrictions on transfer of funds or exchange of currencies;
- currency devaluations;
- expropriation of assets; and
- other adverse changes in policies, including monetary, tax or lending policies, encouraging foreign investment or foreign trade by our host countries.

Should any of these events occur, our ability to sell or export our products or repatriate profits could be impaired, we could experience a loss of sales and profitability from our international operations, and/or we could experience a substantial impairment or loss of assets, any of which could materially and adversely affect our business, results of operations and financial condition.

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We have incurred significant debt and may incur additional debt to fund future acquisitions, share repurchases and capital expenditures, which could have an adverse impact on our business and profitability.

Our debt levels can adversely affect our financial condition and can add constraints on our ability to operate our business. Our indebtedness can, among other things:

- increase our vulnerability to general adverse economic conditions;
- limit our ability to obtain necessary financing and to fund future working capital, capital expenditures and other general corporate requirements;
- require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and capital expenditures, and for other general corporate purposes;
- subject us to higher interest expense (the majority of our debt is floating rate, if interest rates rise and we do not, or are otherwise unable to convert debt to fixed rates through refinancing or the use of derivative instruments, we may be subject to higher interest rates in the future);
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit our ability to pursue acquisitions or sell assets; and
- limit our ability to borrow additional funds.

Any of these events could have a material adverse effect on us. In addition, our debt agreements contain restrictive financial and operational covenants. Significant restrictive covenants include limitations on, among other things, our ability under certain circumstances to:

- incur additional debt, including guarantees;
- grant certain types of liens;

- sell or otherwise dispose of assets;
- engage in mergers, acquisitions or consolidations;
- pay dividends on our common stock;
- repurchase our common stock;
- enter into substantial new lines of business; and
- enter into certain types of transactions with our affiliates.

Our failure to comply with these and other restrictive covenants could result in an event of default, which if not cured or waived, could have a material adverse effect on us.

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We rely on central Global Enterprise Resource Planning (“ERP”) systems and other peripheral information systems. Obsolescence or interruptions in the operation of our computerized systems or other information technologies could have a material adverse effect on our operations and profitability.

We now conduct most of our businesses using a single ERP system. Our operations are largely dependent on this system. We continuously make adjustments to improve the effectiveness of the ERP and other peripheral information systems, including the installation of significant new subsystems. During fiscal year 2014, our Health & Home segment converted from its legacy ERP system onto our global ERP system. During fiscal year 2016, our Nutritional Supplements segment converted certain of its legacy ERP applications onto our global ERP system, with additional application conversions planned. We are constantly upgrading and adding functionality to the overall system with key enhancements currently underway in various functional areas. Testing of any new subsystems before active deployment often requires significant additional effort across much of our organization. Complications or delays in completing these projects could cause considerable disruptions to our business and may result in higher implementation costs than planned, along with a concurrent reallocation of human resources.

Any failures or disruptions in the ERP and other information systems or any complications resulting from ongoing adjustments to our systems could cause interruption or loss of data in our information or logistical systems that could materially impact our ability to procure products from our factories and suppliers, transport them to our distribution centers, and store and deliver them to our customers on time and in the correct amounts. In addition, natural disasters or other extraordinary events may disrupt our information systems and other infrastructure, and our data recovery processes may not be sufficient to protect against loss. Furthermore, application program bugs, system conflict crashes, user error, data integrity issues, customer data conflicts, and integration issues all pose significant risks.

We rely on certain outside vendors to assist us with the upgrade of our software, the ongoing implementation of new enhancements to our information systems and the maintenance of some of our information technology infrastructure. Should any of these vendors fail to perform as expected, it could adversely affect our service levels and restrict our ability to conduct business.

Information security breaches and any related operational interruptions could have a material adverse effect on our operations and profitability.

Information systems require constant updates to their security policies and hardware systems to reduce the risk of unauthorized access, malicious destruction of data or information theft. We rely on commercially available systems, software, tools, and monitoring to provide security for processing, transmission and storage of confidential information. Improper activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries, and other events or developments may facilitate or result in a compromise or breach of our computer systems, some of which may go undetected for extended periods.

Any such compromise or breach could cause interruptions in our operations, cause damage to our reputation and might require us to spend significant management time and money investigating the event and dealing with local and federal law enforcement. In addition, we could become the subject of litigation and various claims from our customers, employees, suppliers, service providers, and shareholders. Regardless of the merits and ultimate outcome of these matters, litigation and proceedings of this type are expensive to respond to and defend, and we could be forced to devote substantial resources and time responding to and defending them, which could have a material adverse effect on our business, results of operations and financial condition.

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The products, business practices and manufacturing activities of the Nutritional Supplements segment are subject to extensive government regulations and could be subject to additional laws and regulations in the future.

The addition of the Nutritional Supplements segment brings with it requirements to comply with an extensive new body of regulations by national, state and provincial governmental authorities including regulations issued in the United States by the FDA, the FTC, the Consumer Products Safety Commission, and the United States Department of Agriculture. These regulations, and their evolving nature, can from time-to-time require us to reformulate products for specific markets, conform product labeling to market regulations and register or qualify products or obtain necessary approvals with the applicable governmental authorities in order to market products in these markets. Failure to comply with the regulatory requirements of these various governmental agencies and authorities could result in enforcement actions including: cease and desist orders, injunctions, limits on advertising, consumer redress, divestitures of assets, rescission of contracts, or such other relief as may be deemed necessary. Violation of these regulations could result in substantial financial or other penalties. Any action against us could materially affect our ability to successfully market not only the affected products, but other products as well.

In the future, we may be subject to additional laws or regulations administered by the FDA or other federal, state, local or regulatory authorities, the repeal or amendment of laws or regulations which we consider favorable and/or more stringent interpretations of current laws or regulations. We can neither predict the nature of such future laws, regulations, interpretations or applications, nor what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business. However, they could require reformulation of certain products to meet new standards, recall or discontinuance of certain products not able to be reformulated, imposition of additional record-keeping requirements, expanded documentation of the properties of certain products, expanded or altered labeling and/or scientific substantiation. Any or all such requirements could increase our costs of operating the Nutritional Supplements segment, and which could have a material adverse effect on our business, reputation, financial condition, or results of operations.

Our business involves the potential for product recalls, product liability and other claims against us, which could materially and adversely affect our business, results of operations and financial condition.

We are, from time to time, involved in various claims, litigation matters and regulatory proceedings that arise in the ordinary course of our business and that could have a material adverse effect on us. These matters may include personal injury and other tort claims, deceptive trade practices disputes, intellectual property disputes, product recalls, contract disputes, warranty disputes, employment and tax matters and other proceedings and litigation, including class actions. It is not possible to predict the outcome of pending or future litigation. As with any litigation, it is possible that some of the actions could be decided unfavorably, resulting in significant liability and, regardless of the ultimate outcome, can be costly to defend. Our results and our business could also be negatively impacted if one of our brands suffers substantial damage to its reputation due to a significant product recall or other product-related litigation and if we are unable to effectively manage real or perceived concerns about the safety, quality, or efficacy of our products.

We also face exposure to product liability and other claims in the event that one of our products is alleged to have resulted in property damage, bodily injury or other adverse effects. Although we maintain liability insurance in amounts that we believe are reasonable, that insurance is, in most cases, subject to large self-insured retentions for which we are responsible. We cannot provide assurance that we will be able to maintain such insurance on acceptable terms, if at all in the future, or that product liability or other claims will not exceed the amount of insurance coverage, or that all such matters would be covered by our insurance. As a result, these types of claims could have a material adverse effect on our business, results of operations and financial condition.

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Audits and related disputes with taxing authorities could have an adverse impact on our business.

We are involved in tax audits and related disputes in various taxing jurisdictions. Recent acquisitions have added considerable complexity to our tax structure, and some have added the risk of liability for past activities under prior ownership. We believe that we have complied with all applicable reporting and tax payment obligations. However, in the past we have sometimes disagreed with taxing authority positions on various issues. Historically, we have vigorously defended our tax positions through available administrative and judicial avenues. Based on currently available information, we have established reserves for our best estimate of the probable tax liabilities. Future actions by taxing authorities may result in tax liabilities that are significantly higher or lower than the reserves established, which could have a material effect on our consolidated results of operations or cash flows. For more information about tax audits and related disputes, see Note (11) to the accompanying consolidated financial statements.

Potential changes in laws, including tax laws, and the costs and complexities of compliance with such laws could have an adverse impact on our business.

The impact of future legislation in the U.S. or abroad, including such things as employment and health insurance laws, climate change related legislation, tax legislation, regulations or treaties is always uncertain. Federal and local legislative agendas from time to time contain numerous proposals dealing with taxes, financial regulation, energy policy, environmental policy, transportation policy and infrastructure policy, among others that, if enacted into law, could increase our costs of doing business.

Under current tax law, favorable tax treatment of our non-U.S. income is dependent on our ability to avoid classification as a Controlled Foreign Corporation. Changes in the composition of our stock ownership could have an impact on our classification. If our classification were to change, it could have a material adverse effect on the largest U.S. shareholders and, in turn, on the Company's business.

A non-U.S. corporation, such as ours, will constitute a "controlled foreign corporation" or "CFC" for U.S. federal income tax purposes if its largest U.S. shareholders (i.e., those owning 10 percent or more of its shares) together own more than 50 percent of the stock outstanding. If the IRS or a court determined that we were a CFC, then each of our U.S. shareholders who own (directly, indirectly, or constructively) 10 percent or more of the total combined voting power of all classes of our stock on the last day of our taxable year would be required to include in gross income for U.S. federal income tax purposes its pro rata share of our "subpart F income" (and the subpart F income of any of our subsidiaries determined to be a CFC) for the period during which we (and our non-U.S. subsidiaries) were a CFC. In addition, any gain on the sale of our shares realized by such a shareholder may be treated as ordinary income to the extent of the shareholder's proportionate share of our and our CFC subsidiaries' undistributed earnings and profits accumulated during the shareholder's holding period of the shares while we were deemed to be a CFC.





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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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## ITEM 2. PROPERTIES

As of February 29, 2016, the Company owns, leases or otherwise utilizes through third-party management service agreements, a total of 39 properties worldwide, which include selling, procurement, research and development, administrative, distribution facilities, and land held for expansion. All properties operated by the Company are adequate for their intended purpose. Summarized information regarding the location, number, type and use, segment, ownership, and approximate size of our principal and other properties as of February 29, 2016 is provided in the table below:

Location	Type and Use	Business Segment	Approximate Size (Square Feet or Acres)
<b>Owned Properties</b>			
El Paso, Texas, USA	Land & Building - U.S. Headquarters	All Segments	135,000
El Paso, Texas, USA	Land - Held for Future Expansion	All Segments	4 Acres
El Paso, Texas, USA	Land & Building - Distribution Facility	Housewares, Health & Home and Beauty	408,000
Olive Branch, Mississippi, USA	Land & Building - Distribution Facility	Health & Home and Beauty	1,300,000
Southaven, Mississippi, USA	Land & Building - Distribution Facility	Housewares, Beauty and Nutritional Supplements	1,200,000
Southaven, Mississippi, USA	Land - Held for Future Expansion	All Segments	31 Acres
Sheffield, England	Land & Building - Office Space	Housewares, Health & Home and Beauty	10,400
Mexico City, Mexico	Office Space - Latin American Headquarters	Health & Home and Beauty	3,900
<b>Leased Properties</b>			
3 - Facilities Worldwide	Office Space	Housewares	32,600
1 - Facility, Hong Kong, China	Distribution Facility	Housewares	3,000
6 - Facilities Worldwide	Office Space	Health & Home	70,450
2 - Facilities Worldwide	Distribution Facilities	Health & Home	62,275
1 - Facility, Bethesda, Maryland, USA	Office Space	Nutritional Supplements	32,000
5 - Facilities Worldwide	Office Space	Beauty	27,250
6 - Facilities Worldwide	Distribution Facilities	Beauty	161,200
1 - Facility, Darwen, England	Distribution Facility	Housewares and Beauty	80,000
2 - Facilities Worldwide	Office Space	Health & Home and Beauty	5,100 8,600

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1 - Facility, Lausanne, Switzerland	Office Space - EMEA Headquarters	Housewares, Health & Home and Beauty	
2 - Facilities in China	Office Space - Supply Chain Operations	Housewares, Health & Home and Beauty	42,400
1 - Facility, Genk, Belgium	Distribution Facility	Housewares, Health & Home and Beauty	177,700

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ITEM 3. LEGAL PROCEEDINGS

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

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ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

## PRICE RANGE OF COMMON STOCK

Our common stock is listed on the NASDAQ Global Select Market ("NASDAQ") [symbol: HELE]. The following table sets forth, for the periods indicated, in dollars per share, the high and low sales prices of the common stock as reported on the NASDAQ. These quotations reflect the inter-dealer prices, without retail markup, markdown or commission and may not necessarily represent actual transactions.

	High	Low
FISCAL YEAR 2016		
First quarter	\$ 92.62	\$ 74.95
Second quarter	100.33	80.88
Third quarter	105.46	81.61
Fourth quarter	106.50	82.28
FISCAL YEAR 2015		
First quarter	\$ 70.23	\$ 57.48
Second quarter	62.55	53.17
Third quarter	65.65	51.80
Fourth quarter	79.90	60.79

## APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS OF RECORD

Our common stock is our only class of equity security outstanding at February 29, 2016. As of April 21, 2016, there were 166 holders of record of the Company's common stock. A substantially greater number of holders of the Company's common stock are "street name" or beneficial holders whose shares are held of record by banks, brokers and other financial institutions.

## CASH DIVIDENDS

Our current policy is to retain earnings to provide funds for the operation and expansion of our business, common stock repurchases and for potential acquisitions. We have not paid any cash dividends on our common stock since inception. Any change in dividend policy will depend upon future conditions, including earnings and financial condition, general business conditions, any applicable contractual limitations, and other factors deemed relevant by our Board of Directors. Generally, our Credit Agreement limits our ability to declare or pay cash dividends to our shareholders if, (1) the Leverage Ratio (as defined in the Credit Agreement) on a pro forma basis is greater than (a) 3.00 to 1.00 if any of our 3.90% Senior Notes due January 2018 are outstanding and (b) 3.25 to 1.00 if our 3.90% Senior Notes are not outstanding or the maximum leverage ratio permitted under agreements relating to our 3.90% Senior Notes is increased to 3.50 to 1.00 and (2) unrestricted cash, cash equivalents and availability for borrowings under the Credit Agreement is less than \$25 million.

#### ISSUER PURCHASES OF EQUITY SECURITIES

In February 2014, our Board of Directors approved a resolution to repurchase \$550 million of the Company's outstanding common stock in keeping with its stated intention to return to shareholders excess capital not otherwise deployed for strategic acquisitions or other needs. This resolution superseded the previous resolution in place. As of February 29, 2016, we were authorized to purchase \$159.02 million of common stock. These repurchases may include open market purchases, privately negotiated transactions, block trades, accelerated stock repurchase transactions, or any combination of such methods. The number of shares purchased and the timing of the purchases will depend on a number



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of factors, including share price, trading volume and general market conditions, working capital requirements, general business conditions, financial conditions, any applicable contractual limitations, and other factors, including alternative investment opportunities.

Our current equity compensation plans include provisions that allow for the “net exercise” of stock options by all plan participants. In a net exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from option or other share-based award holders can be paid for by having the holder tender back to the Company a number of shares at fair value equal to the amounts due. Net exercises are accounted for by the Company as a purchase and retirement of shares.

The following table summarizes our share repurchase activity for the periods covered below:

## SHARE REPURCHASES

	Fiscal Years Ended the Last Day of February,		
	2016	2015	2014
Common stock repurchased on the open market or through tender offer:			
Number of shares	1,126,796 (1)	4,102,143 (3)	33,862
Aggregate value of shares (in thousands)	\$ 100,000	\$ 273,599	\$ 1,311
Average price per share	\$ 88.75	\$ 66.70	\$ 38.71
Common stock received in connection with share-based compensation:			
Number of shares	117,294 (2)	71,950 (4)	112,677
Aggregate value of shares (in thousands)	\$ 6,411	\$ 4,826	\$ 6,937
Average price per share	\$ 54.66	\$ 67.08	\$ 61.57

(1) Includes two open market purchases at a total cost of \$50 million each, in the second and fourth quarters of fiscal year 2016, for 556,591 and 570,205 shares, respectively.

(2) On November 17, 2015, in connection with the settlement of the lawsuit discussed in Note (13) to the accompanying consolidated financial statements, the Company issued 276,548 shares of common stock as payment of separation compensation due to our former CEO under his employment and separation agreements. Our former CEO tendered 116,012 shares back to the Company as payment for related federal tax obligations. Under the terms of the employment and separation agreements, the number of shares issued and tendered was computed based upon a value of \$54.24 per share. This was the fair value of the shares on September 4, 2014, the date the compensation payment would have been made, if payment had not been delayed by the associated dispute. The Company previously accrued and disclosed the separation compensation in fiscal year 2014. The balance of 1,282 shares were repurchased in connection with net exercises by other Company employees during the first quarter of fiscal year 2016.

- (3) Includes a modified “Dutch auction” tender offer completed on March 14, 2014, resulting in the repurchase of 3,693,816 shares of our outstanding common stock at a total cost of \$247.83 million, including tender offer transaction-related costs.
  
- (4) Includes 68,086 shares of common stock having a market value of \$67.10 per share, or \$4.57 million in the aggregate, which were tendered by our former CEO as payment for related federal tax obligations arising from the vesting and settlement of performance-based restricted stock units and restricted stock awards.

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The following schedule sets forth the purchase activity for each month during the three months ended February 29, 2016:

## ISSUER PURCHASES OF EQUITY SECURITIES FOR THE THREE MONTHS ENDED FEBRUARY 29, 2016

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands)
December 1 through December 31, 2015	-	\$ -	-	\$ 209,017
January 1 through January 31, 2016	570,205	87.69	570,205	159,017
February 1 through February 29, 2016	-	-	-	159,017
Total	570,205	\$ 87.69	570,205	

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PERFORMANCE GRAPH

The graph below compares the cumulative total return of our Company to the NASDAQ Market Index and a peer Group Index, assuming \$100 was invested on March 1, 2011. The Peer Group Index is the Dow Jones–U.S. Personal Products, Broad Market Cap, Yearly, and Total Return Index. The comparisons in this table are required by the SEC and are not intended to forecast or be indicative of the possible future performance of our common stock.

The Performance Graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to the liabilities of Section 18 under the Exchange Act. In addition, it shall not be deemed incorporated by reference by any statement that incorporates this annual report on Form 10-K by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that we specifically incorporate this information by reference.

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## ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated statements of income and cash flow data for the years ended on the last day of February 2016, 2015 and 2014, and the selected consolidated balance sheet data as of the last day of February 2016 and 2015, have been derived from our audited consolidated financial statements included in this report. The selected consolidated statements of income and cash flow data for the years ended on the last day of February 2013 and 2012, and the selected consolidated balance sheet data as of the last day of February 2014, 2013 and 2012, have been derived from our audited consolidated financial statements, which are not included in this report. This information should be read together with the discussion in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and notes to those statements included in this report. All currency amounts are denominated in U.S. Dollars.

Years Ended the Last Day of February,

(in thousands, except per share data)

	2016 (1)	2015 (1)	2014	2013 (2)	2012 (2)
<b>Income Statement Data:</b>					
Sales revenue, net	\$ 1,545,701	\$ 1,445,131	\$ 1,317,153	\$ 1,288,263	\$ 1,181,676
Gross profit	636,005	599,559	516,703	518,211	478,484
Asset impairment charges	6,000	9,000	12,049	-	-
Operating income	130,615	161,719	117,100	148,773	139,386
Interest expense	11,096	15,022	10,193	13,345	12,917
Income tax expense	18,590	16,050	20,886	19,848	15,718
Net income	101,228	131,164	86,248	115,666	110,374
Earnings per share - basic	\$ 3.58	\$ 4.59	\$ 2.69	\$ 3.64	\$ 3.52
Earnings per share - diluted	\$ 3.52	\$ 4.52	\$ 2.66	\$ 3.62	\$ 3.48
<b>Weighted average shares outstanding -</b>					
basic	28,273	28,579	32,007	31,754	31,340
Weighted average shares outstanding -					
diluted	28,749	29,035	32,386	31,936	31,705
<b>Cash Flow Data:</b>					
Depreciation and amortization	\$ 42,749	\$ 39,653	\$ 33,839	\$ 34,425	\$ 30,178
Net cash provided by operating					
activities	185,261	178,603	154,165	87,558	103,880
Capital and intangible asset expenditures	20,603	6,521	40,463	14,688	16,051
Payments to acquire businesses, net of					
cash received	43,150	195,943	-	-	160,000
Net amounts borrowed (repaid)	190,700	240,600	(64,393)	(92,100)	47,100

Last Day of February,

(in thousands)

	2016 (1)	2015 (1)	2014	2013 (2)	2012 (2)
Balance Sheet Data:					
Working capital	\$ 503,966	\$ 302,895	\$ 286,122	\$ 236,540	\$ 109,647
Goodwill and other intangible assets	958,756	948,157	775,550	808,869	829,500
Total assets	1,869,643	1,653,755	1,533,302	1,474,004	1,435,723
Long-term debt	600,107	411,307	95,707	155,000	175,000
Stockholders' equity (3)	930,043	904,565	1,029,487	926,606	796,729
Cash dividends	-	-	-	-	-

(1) Fiscal year 2015 includes eight months of operating results for the Nutritional Supplements segment formed when we acquired Healthy Directions and fiscal year 2016 includes a full year's operating results. We acquired Healthy Directions on June 30, 2014 for a net cash purchase price of \$195.94 million. The acquisition was funded from borrowings under our Credit Agreement and cash on hand. In connection with the acquisition, we initially recorded (\$12.09) in net working capital, \$5.96 million of property and equipment, \$204.61 million of goodwill and other

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intangible assets, and \$2.54 million of other long-term liabilities. See Notes (6) and (19) to our accompanying consolidated financial statements for more information regarding the Healthy Directions acquisition.

- (2) Fiscal year 2012 includes two months of operating results from PUR and fiscal year 2013 and thereafter includes a full year's operating results. We acquired PUR on December 30, 2011 for a net cash purchase price of \$160 million. The acquisition of PUR was funded with \$160 million in short-term debt. In connection with the acquisition, we initially recorded \$12.50 million of property and equipment, \$1.43 million in supplier advances, \$178 million of goodwill and other intangible assets, and \$31.93 million of deferred tax liabilities.
- (3) For the fiscal years ended 2016, 2015, 2014, 2013, and 2012, we repurchased and retired 1,244,090, 4,174,093, 146,539, 110,552, and 1,124,563 shares of common stock at a total purchase price of \$106.41, \$278.42, \$8.25, \$3.39, and \$40.05 million, respectively.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the other sections of this report, including Part I, Item 1., "Business"; Part II, Item 6., "Selected Financial Data"; and Part II, Item 8., "Financial Statements and Supplementary Data." The various sections of this MD&A contain a number of forward-looking statements, all of which are based on our current expectations. Actual results may differ materially due to a number of factors, including those discussed on page 3 of this report in the section entitled "Information Regarding Forward-Looking Statements," in Item 1A., "Risk Factors," and in Item 7A., "Quantitative and Qualitative Disclosures About Market Risk."

Throughout MD&A, we refer to certain measures used by management to evaluate financial performance. We also may refer to a number of financial measures that are not defined under GAAP, but have corresponding GAAP-based measures. Where non-GAAP measures appear, we provide tables reconciling these to their corresponding GAAP-based measures and refer to a discussion of their use. We believe these measures provide investors with important information that is useful in understanding our business results and trends. Please see "Explanation of Certain Terms and Measures Used in MD&A" beginning on page 71 for more information on the use and calculation of certain financial measures.

OVERVIEW

We operate our business under four segments: Housewares, Health & Home (formerly referred to as "Healthcare / Home Environment"), Nutritional Supplements, and Beauty (formerly referred to as "Personal Care"). Our Housewares segment reports the operations of OXO, whose product offerings include food preparation tools and appliances, gadgets and storage containers, cleaning, organization, and baby and toddler care products. The Health & Home segment sells products in the following categories: health care 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, formed following our acquisition of Healthy Directions, LLC and its subsidiaries ("Healthy Directions") on June 30, 2014, is a leading provider of premium branded vitamins, minerals and supplements, as well as other health products sold directly to consumers. Our Beauty segment offers products in three categories: electric hair care, personal care and wellness appliances; grooming tools and hair accessories; and liquid-, solid- and powder-based personal care and grooming products.

The Nutritional Supplements segment sells directly to consumers. Our other segments sell their products primarily through mass merchandisers, drugstore chains, warehouse clubs, catalogs, grocery stores, and specialty stores. In addition, the Beauty segment sells extensively through beauty supply retailers and wholesalers, and the Health & Home segment sells certain of its product lines through medical distributors and other products through home improvement stores.



The overall sales pattern for our Nutritional Supplements segment is not highly seasonal. Our other segments are seasonal due to different calendar events, holidays and seasonal weather patterns. Historically, the third fiscal quarter produces the highest net sales revenue and operating income during a fiscal year. Seasonality in fiscal year 2015 was skewed in the latter half of the year by the inclusion of eight months of net sales revenue from Healthy Directions following its acquisition on June 30, 2014.

During the second half of fiscal year 2015, international sales were dampened by the strengthening of the U.S. Dollar against most currencies, in particular the British Pound, Euro, Canadian Dollar, and Mexican Peso. These currencies weakened against the U.S. Dollar by approximately 3, 10, 8, and 7 percent, respectively, when compared to average levels for the second half of fiscal year 2014. The trend continued during fiscal year 2016, with the same currencies weakening against the U.S. Dollar by approximately 7, 15, 14, and 21 percent, respectively, when compared to average levels for fiscal year 2015.

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We believe that the growth in the internet as a sales channel continues to erode market share in the traditional “brick and mortar” channels. For fiscal year 2016, sales to our internet-based customers grew approximately 16 percent, compared to fiscal year 2015. For fiscal years 2016, 2015 and 2014, sales to our internet-based customers comprised approximately 10, 9 and 6 percent, respectively, of our total consolidated net sales revenues for each fiscal year. We believe it will become increasingly important to leverage our domestic distribution capabilities to meet the logistical challenge of higher frequency, smaller order size shipments, and continue to evolve our distribution capabilities to adjust to this new form of demand.

Our business depends upon discretionary consumer demand for most of our products and primarily operates within mature and highly developed consumer markets. The principal driver of our operating performance is the strength of the U.S. retail economy, as approximately 80, 79 and 77 percent of our net sales were from U.S. shipments in fiscal years 2016, 2015 and 2014, respectively. Domestically, we believe that the trend of consumers becoming slightly more relaxed with their discretionary spending continued from fiscal year 2015 due to continued low gasoline prices, low interest rates and improving employment activity. We believe these factors contributed to higher overall core business net sales revenue in fiscal year 2016, as compared to the prior fiscal year. Seasonal cough/cold/flu patterns also influence sales for the Health & Home segment. In the United States, the season historically runs from November through March, with peak activity normally in January to March. Based upon U.S. Center for Disease Control data through March 2016, we believe the most recent season’s cough/cold/flu and fever incidence trends are well behind the prior year and historical averages, which negatively impacted sales in fiscal year 2016. However, this impact was partially offset by the trailing impacts of the stronger than average prior year U.S. cough/cold/flu season, our expanded distribution in Europe and growth in Asian thermometry sales as a result of regional Middle East Respiratory Syndrome outbreaks. We expect that the weakness in the most recent cough/cold/flu season will have an unfavorable impact on initial replenishment of affected categories during fiscal year 2017 due to high retail inventory levels.

The outlook for our international operations continues to remain uncertain as these operations, particularly those in Latin America and Europe, serve consumers in more inconsistently recovering economies that are more susceptible to fiscal and geo-political instabilities. Foreign currency fluctuations continue to expose our international operating results to significant variability and uncertainty, which is compounded by weakness in the retail environment in many of our foreign markets. In February 2016, the Venezuelan government announced further changes to its foreign currency exchange system. These changes included an immediate devaluation of its official rate, now known as DIPRO, from 6.30 Bolivars per U.S. Dollar to 10.00 Bolivars per U.S. Dollar. The government also announced the dissolution of its previous alternative exchange rate systems, and the institution of a new alternative exchange system known as DICOM governing all other transactions not covered by DIPRO, effective in March 2016. DICOM replaced SIMADI, which was the lowest rate in the previous three-tiered exchange system. SIMADI closed at February 29, 2016 at approximately 205 Bolivars per U.S. Dollar. DICOM opened in early March 2016 at approximately 207 Bolivars per U.S. Dollar. As a result of the further devaluation of the official rate, continued economic instability from declines in oil prices and the declaration of an economic emergency, among other factors, we determined that SIMADI was the most appropriate rate to use to re-measure our financial statements as of February 29, 2016. The determination was further substantiated by the announcement of DICOM as an intended market-based rate, which opened at approximately the same rate as SIMADI shortly after the end of our fiscal year. As a result of the adoption of SIMADI, we recorded a charge of \$9.57 million (before and after tax) in fiscal year 2016 from the re-measurement of our Venezuelan financial statements at February 29, 2016. In addition to re-measuring Venezuelan monetary assets and liabilities, we also recorded \$9.16 million of non-cash impairment charges (before and after tax) related to inventory and property and equipment in order to reflect their respective estimated net realizable and fair values as of

February 29, 2016.

Absent further changes to the exchange systems, or unless future developments call for further changes, we intend to use DICOM to re-measure our financial statements on a go-forward basis. However, even with the recent changes made by the Venezuelan government, there remains a significant degree of uncertainty as to whether DICOM will hold its current value or maintain enough liquidity to satisfy demand, or whether the floating exchange mechanism will survive the existing economic and political instabilities. For fiscal years 2016, 2015 and 2014, sales in Venezuela represented 1.4, 0.7 and 0.6 percent, respectively, of the Company's consolidated net sales revenue at the official exchange rate of 6.3 Bolivars per U.S. Dollar. For fiscal years 2016, 2015 and 2014, operating income (loss) in Venezuela was (\$9.95), \$2.87 and \$2.67 million, respectively, at the official exchange rate of 6.3 Bolivars per U.S. Dollar. As referred to previously, the

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fiscal year 2016 operating loss includes re-measurement related charges totaling \$18.73 million. At the current DICOM exchange rate, we expect that fiscal year 2017 U.S. Dollar reported net sales and operating income from Venezuela will no longer be meaningful to the Company's consolidated and Beauty segment results.

Other Significant Developments During Fiscal Year 2016

- On March 31, 2015, the Company completed the acquisition of the Vicks VapoSteam U.S. liquid inhalant business from The Procter & Gamble Company ("P&G"), which includes a fully paid-up license of P&G's Vicks VapoSteam inhalants. In a related transaction, the Company acquired a fully paid-up U.S. license of P&G's Vicks VapoPad scent pads. Our VapoSteam operations are reported in the Health & Home segment. The vast majority of Vicks VapoSteam and VapoPads are used in Vicks humidifiers, vaporizers and other health care devices already marketed by the Company. The aggregate purchase price for the two transactions was approximately \$42.75 million financed primarily with borrowings under our credit facility. The VapoSteam acquisition provided incremental net sales revenue of \$7.99 million for the eleven months of operations included in fiscal year 2016. The VapoSteam business is highly seasonal with peak sales occurring in our third fiscal quarter.
- In March 2015, we announced the introduction of a premium line of kitchen electrics under the OXO On brand. The initial line consists of motorized toasters, coffee makers, a coffee grinder, an electric kettle, an immersion blender, and a hand mixer. The line shipped initially in the U.S. offering several unique features, as well as thoughtful design elements based on OXO's universal design ethos. We believe OXO On appliances will provide the simplicity, functionality, and thoughtfulness consumers have come to expect from the OXO brand. The line began shipments to retail stores in the third quarter of fiscal year 2016.
- In August 2015, we repurchased 556,591 shares of our common stock in the open market at an average price of \$89.93 per share for a total cost of \$50 million. In January 2016, we repurchased 570,205 shares of our common stock in the open market at an average price of \$87.69 per share for a total cost of \$50 million.
- During fiscal year 2016, we transitioned the Nutritional Supplements order fulfillment operations to our Southaven, Mississippi distribution facility.
- During fiscal year 2016, we consolidated and reorganized our Beauty segment's organizational structure, eliminating certain overlapping functions to more efficiently leverage our scale, better focus on consumer-centric innovation, and best serve our professional and retail customers. The entire segment is now served by a common shared service structure for marketing, financial and other back-office support. We believe this is a critical step in our efforts to stabilize and ultimately grow the Beauty segment.
- On November 12, 2015, the Company settled a lawsuit with its former CEO, which resulted in the payment of severance compensation due under his employment and separation agreements. The severance compensation was previously accrued and disclosed in fiscal year 2014 and was paid through the issuance of common shares of the Company on November 17, 2015. The Company also transferred ownership of a life insurance policy on the lives of

its former CEO and his spouse as part of the settlement. As a result of the transfer of the policy and other expenses incurred in connection with the settlement, the Company recorded CEO succession costs of \$6.71 million (\$4.64 million after tax), or \$0.16 per fully diluted share, in fiscal year 2016.

· On January 22, 2016, a jury ruled against the Company in a case that involved claims by Exergen Corporation, headquartered in Watertown, MA. The case alleges patent infringement related to two forehead thermometer models sold by our subsidiary, Kaz USA, Inc., in the United States. Exergen was awarded damages of \$14.6 million with respect to a period of approximately seven years of sales. The Company could be liable for payment of royalties on any future sales of the two products. As a result of the jury verdict, the Company recorded a fourth quarter charge, including legal fees and other related expenses of \$17.83 million (\$17.79 million after tax). The outcome of the case is not yet final and the Company disagrees with the verdict, which will be subject to several post-trial motions and an appeal. The forehead thermometers involved in this case represent less than 1 percent of consolidated net sales for fiscal year 2016.

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- During fiscal year 2016, we recorded non-cash asset impairment charges of \$6.00 million (\$5.31 million after tax). The charges relate to a trademark in our Beauty segment, which was written down to its estimated fair value.

Recent Development

On March 18, 2016, the Company acquired Steel Technology, LLC, doing business as Hydro Flask (“Hydro Flask”). Hydro Flask is a leading designer, distributor and marketer of high performance insulated stainless steel food and beverage containers for active lifestyles. Hydro Flask adds a fast growing brand that has built equity among outdoor and active lifestyle enthusiasts with a product lineup, innovation pipeline and margin profile that complements, and will operate in, our Housewares segment. The acquisition extends the segment’s reach into the outdoor and athletic specialty, natural foods and e-commerce channels. Hydro Flask’s products have a carefully cultivated brand heritage rooted in the outdoor mecca of Bend, Oregon. The aggregate purchase price for the transaction was approximately \$210 million in cash, subject to customary adjustments. The purchase price was funded with borrowings under our credit facility. Hydro Flask calendar year 2015 revenue was approximately \$54 million.



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Financial Recap of Fiscal Year 2016

- Consolidated net sales revenue increased 7.0 percent, or \$100.57 million, to \$1,545.70 million in fiscal year 2016 compared to \$1,445.13 million in fiscal year 2015. Net sales revenue growth from acquisitions was \$60.87 million, or 4.2 percentage points. Core business net sales revenue growth was \$39.70 million, or 2.8 percentage points. Net sales revenue in our Housewares segment increased \$14.41 million, or 4.9 percent, in fiscal year 2016 compared to fiscal year 2015. Net sales revenue in our Health & Home segment increased \$29.48 million, or 4.8 percent, in fiscal year 2016 compared to fiscal year 2015. The Nutritional Supplements segment contributed \$153.13 million of net sales revenue for a full fiscal year in 2016, compared to net sales revenue of \$100.40 million for its initial eight months of operations in fiscal year 2015. Net sales revenue in our Beauty segment increased \$3.95 million, or 0.9 percent, in fiscal year 2016 compared to fiscal year 2015. Our fiscal year 2016 net sales revenue includes the unfavorable impact of net foreign exchange fluctuations of approximately \$29.80 million, or 2.1 percentage points, compared to fiscal year 2015, nearly all of which impacted the Beauty and Health & Home segments.
- Consolidated gross profit margin as a percentage of net sales revenue decreased 0.4 percentage points to 41.1 percent in fiscal year 2016 compared to 41.5 percent in fiscal year 2015. Fiscal year 2016 gross profit margin includes a non-cash impairment charge of \$9.08 million recorded to reflect Venezuelan inventory at its estimated net realizable value at February 29, 2016, which reduced consolidated gross profit margin by 0.6 percentage points.
- Our SG&A ratio increased 2.6 percentage points to 32.3 percent in fiscal year 2016 compared to 29.7 percent in fiscal year 2015.
- Operating margin decreased 2.7 percentage points to 8.5 percent in fiscal year 2016 compared to 11.2 percent in fiscal year 2015. Operating income for fiscal year 2016 included non-cash intangible asset impairment charges totaling \$6.00 million compared to \$9.00 million in fiscal year 2015. Fiscal year 2016 operating income also includes pre-tax charges for which there were no comparable charges in fiscal year 2015. These charges included CEO succession costs of \$6.71 million, Venezuelan currency re-measurement related charges totaling \$18.73 million and a patent litigation charge of \$17.83 million, which reduced fiscal year 2016 operating margin by 2.8 percentage points on a combined basis.
- Adjusted operating margin decreased 0.2 percentage points to 14.0 percent in fiscal year 2016 compared to 14.2 percent in fiscal year 2015.
- Income tax expense was \$18.59 million, or 15.5 percent of income before taxes, in fiscal year 2016 compared to \$16.05 million, or 10.9 percent of income before taxes, in fiscal year 2015.
- Net income was \$101.23 million in fiscal year 2016 compared to net income of \$131.16 million in fiscal year 2015. Diluted EPS was \$3.52 in fiscal year 2016 compared to \$4.52 in fiscal year 2015.
- Adjusted income was \$179.66 million in fiscal year 2016, compared to \$169.92 million in fiscal year 2015.



- Adjusted diluted EPS was \$6.25 in fiscal year 2016 compared to \$5.85 in fiscal year 2015.
- SG&A, operating income, adjusted operating margin, net income, and adjusted income for fiscal year 2015 include a \$7 million gain (\$6.98 million after tax) from the amendment of a trademark license agreement with Honeywell International Inc. This gain had a \$0.24 impact on diluted EPS and adjusted diluted EPS. There was no comparable gain or income in fiscal year 2016.

The effect of the Healthy Directions acquisition on net sales revenue is discussed on pages 49 and 51. Adjusted operating income, adjusted operating margin, adjusted income, and adjusted diluted EPS are non GAAP financial measures as contemplated by SEC Regulation G, Rule 100. These measures are discussed further, and reconciled to their applicable GAAP based measures, on pages 58 through 61.

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## RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our selected operating data, in U.S. Dollars, as a percentage of net sales revenue, and as a year-over-year percentage change.

## SELECTED OPERATING DATA

(in thousands)

	Fiscal Years Ended the Last Day of February,			% of Sales Revenue, net (2)			% Change	
	2016	2015(1)	2014	2016	2015(1)	2014	16/15	15/14
Sales revenue by segment, net								
Housewares	\$ 310,663	\$ 296,252	\$ 274,478	20.1 %	20.5 %	20.8 %	4.9 %	7.9 %
Health & Home	642,735	613,253	568,075	41.6 %	42.4 %	43.1 %	4.8 %	8.0 %
Nutritional								
Supplements	153,126	100,395	-	9.9 %	6.9 %	- %	52.5 %	*
Beauty	439,177	435,231	474,600	28.4 %	30.1 %	36.0 %	0.9 %	(8.3) %
Total sales revenue, net	1,545,701	1,445,131	1,317,153	100.0 %	100.0 %	100.0 %	7.0 %	9.7 %
Cost of goods sold	909,696	845,572	800,450	58.9 %	58.5 %	60.8 %	7.6 %	5.6 %
Gross profit	636,005	599,559	516,703	41.1 %	41.5 %	39.2 %	6.1 %	16.0 %
Selling, general and administrative expense (SG&A)	499,390	428,840	387,554	32.3 %	29.7 %	29.4 %	16.5 %	10.7 %
Asset impairment charges	6,000	9,000	12,049	0.4 %	0.6 %	0.9 %	(33.3) %	(25.3) %
Operating income	130,615	161,719	117,100	8.5 %	11.2 %	8.9 %	(19.2) %	38.1 %
Nonoperating income, net	299	517	227	- %	- %	- %	(42.2) %	127.8 %
Interest expense	(11,096)	(15,022)	(10,193)	(0.7) %	(1.0) %	(0.8) %	(26.1) %	47.4 %
Total other expense	(10,797)	(14,505)	(9,966)	(0.7) %	(1.0) %	(0.8) %	(25.6) %	45.5 %
Income before income taxes	119,818	147,214	107,134	7.8 %	10.2 %	8.1 %	(18.6) %	37.4 %
Income tax expense	18,590	16,050	20,886	1.2 %	1.1 %	1.6 %	15.8 %	(23.2) %
Net income	\$ 101,228	\$ 131,164	\$ 86,248	6.5 %	9.1 %	6.5 %	(22.8) %	52.1 %

\* Calculation is not meaningful

- (1) Includes eight months of operations for Healthy Directions, which was acquired on June 30, 2014.
- (2) Sales revenue percentages by segment are computed as a percentage of the related segment's sales revenue, net to total sales revenue, net. All other percentages are computed as a percentage of total sales revenue, net.

Consolidated Net Sales Revenue:

Comparison of fiscal year 2016 to fiscal year 2015

Consolidated net sales revenue increased \$100.57 million, or 7.0 percentage points, in fiscal year 2016 compared to fiscal year 2015. Net sales growth from acquisitions was \$60.87 million, or 4.2 percentage points. Core business net sales revenue growth was \$39.70 million, or 2.8 percentage points. We experienced net sales revenue growth in each of our business segments and core business net sales revenue growth in three of our four segments. Fiscal year 2016 core business net sales in the Nutritional Supplements segment, acquired in fiscal year 2015, was approximately flat for the eight months for which comparable information was reported in fiscal year 2015. Housewares segment net sales revenue increased \$14.41 million, or 4.9 percent, in fiscal year 2016 compared to fiscal year 2015. Within the segment, year-over-year unit volume increases had a favorable 5.7 percentage point impact on net sales revenue. The unit volume increase was slightly offset by a 0.8 percentage point decline in the average unit selling price, primarily due to higher year-over-year promotional discounts. Health & Home segment net sales revenue increased \$29.48 million, or 4.8 percent, in fiscal year 2016 compared to fiscal year 2015. Within the segment, year-over-year unit volume increases had a favorable impact of 5.8 percentage points, partially offset by a 1.0 percentage point negative impact of lower average unit selling prices due to a combination of changes in category sales mix, higher promotional discounts and the unfavorable impact of foreign currency fluctuations year-over-year. Beauty segment net sales revenue increased \$3.95 million, or 0.9 percent, in fiscal year 2016 compared to fiscal year 2015. Within the segment, year-over-year unit volume decreases had an unfavorable impact of 1.3 percentage points on net sales revenue, while higher average unit selling prices increased net sales revenue

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by 2.2 percentage points due primarily to a better sales mix and lower promotional discounts. Our fiscal year 2016 consolidated net sales revenue includes the unfavorable impact of net foreign exchange fluctuations of approximately \$29.80 million, or 2.1 percentage points, compared to fiscal year 2015, nearly all of which impacted our Beauty and Health & Home segments.

Beauty segment net sales revenue includes sales from our operations in Venezuela of \$21.97 and \$10.31 million in fiscal years 2016 and 2015, respectively. As further discussed in Note (2) to the accompanying consolidated financial statements and under “– Overview” above, we changed the rate used to re-measure our Venezuelan financial statements as of February 29, 2016 to the SIMADI rate of approximately 205 Bolivars per U.S. Dollar, which was the lowest rate in a three-tiered exchange system in place at the time. Shortly after the end of fiscal year 2016, the Venezuelan government introduced a new rate referred to as DICOM that is intended to be market based and was initially set at a rate very similar to that of SIMADI. Absent further changes to the exchange systems, or unless future developments call for further changes, we intend to use DICOM to re-measure our financial statements on a go-forward basis. For fiscal years 2016, 2015 and 2014, sales in Venezuela represented 1.4, 0.7 and 0.6 percent, respectively, of the Company’s consolidated net sales revenue at the official exchange rate of 6.3 Bolivars per U.S. Dollar. At the current DICOM exchange rate, we expect that fiscal year 2017 U.S. Dollar reported net sales from Venezuela will no longer be meaningful to our consolidated and Beauty segment net sales revenue.

Comparison of fiscal year 2015 to fiscal year 2014

Consolidated net sales revenue increased \$127.98 million, or 9.7 percentage points, in fiscal year 2015 compared to fiscal year 2014. Net sales revenue growth from acquisitions was \$100.40 million, or 7.6 percentage points. Core business net sales revenue growth was \$27.58 million, or 2.1 percentage points. The increase in consolidated core

business net sales revenue was driven by Housewares and Health & Home segment growth, which was partially offset by a decline in Beauty segment net sales revenue. Housewares segment net sales revenue increased \$21.77 million, or 7.9 percent, in fiscal year 2015 compared to fiscal year 2014. Within the segment, year-over-year unit volume increases had a favorable 8.3 percentage point impact on net sales revenue. The unit volume increase was slightly offset by a 0.4 percentage point decline in the average unit selling price, primarily due to slightly higher year-over-year promotional discounts. Health & Home segment net sales revenue increased \$45.18 million, or 8.0 percent, in fiscal year 2015 compared to fiscal year 2014. Within the segment, year-over-year unit volume increases had a favorable impact of 1.5 percentage points and higher average unit selling prices, largely due to a more favorable sales mix, contributed 6.5 percentage points to net sales revenue growth. The Nutritional Supplements segment contributed net sales revenue of \$100.40 million for fiscal year 2015, which included eight months of operations since its acquisition earlier in the fiscal year. Beauty segment net sales revenue decreased \$39.37 million, or 8.3 percent, in fiscal year 2015 compared to fiscal year 2014. Within the segment, year-over-year unit volume declines had an unfavorable 5.6 percentage point impact on net sales revenue, and lower average unit selling prices due to changes in sales mix decreased net sales revenue by 2.7 percentage points. Our fiscal year 2015 net sales revenue includes the unfavorable impact of net foreign exchange fluctuations of \$7.50 million compared to fiscal year 2014, most of which impacted our Beauty and Health & Home segments. The impact of foreign exchange fluctuations reduced our fiscal year 2015 core business growth rate by approximately 0.6 percentage points.



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## Segment Net Sales Revenue:

## Comparison of fiscal year 2016 to fiscal year 2015

Housewares Segment - Net sales revenue in the Housewares segment for fiscal year 2016 increased \$14.41 million, or 4.9 percent, to \$310.66 million compared to \$296.25 million for the same period last year. Within the segment, year-over-year unit volume increases had a favorable impact of 5.7 percentage points on net sales revenue. The unit volume increase was slightly offset by a 0.8 percentage point decline in the average unit selling price, primarily due to higher year-over-year promotional discounts in support of new product introductions. Year-over-year international sales grew in the low double digits through distribution gains in Western Europe and China, while domestic sales grew in the mid-single digits. Growth was strong across most channels, particularly internet, which grew in excess of 25 percent year-over-year. Similar to fiscal year 2015, closeout and club channel sales continued to decline as they have become less important to the segment's growth strategy. From a product perspective, Housewares had net sales revenue growth through innovative category extensions in small kitchen appliances and metal bakeware. In addition, new innovations produced sales gains in its more traditional product lines, including the introduction of its OXO Good Grips Hand Held Spiralizer and its GreenSaver line of produce containers. OXO tot (Housewares' infant and toddler product line) also continued making inroads worldwide, resulting in fiscal year 2016 net sales revenue growth of approximately 13 percent, compared to the same period last year. Housewares has increased its product lines to over 900 items as of the 2016 fiscal year end and growth continues to be driven by expanded shelf space and assortments at key traditional and internet retailers.

Health & Home Segment - Net sales revenue in the Health & Home segment for fiscal year 2016 increased \$29.48 million, or 4.8 percent, to \$642.74 million compared to \$613.25 million for the same period last year. Within the segment, year-over-year unit volume increases had a favorable impact of 5.8 percentage points, partially offset by a 1.0 percentage point impact of lower average unit selling prices, due to a combination of changes in category sales mix and higher promotional discounts. Health & Home fiscal year 2016 segment sales were unfavorably impacted by foreign currency exchange fluctuations of \$18.20 million, or 3.0 percent, compared to the same period last year. The segment's largest net sales revenue gains continue to be realized in its healthcare category, as a result of recent new product introductions, particularly in thermometry and humidification, which includes the VapoSteam acquisition. Seasonal cough/cold/flu patterns influence sales for the Health & Home segment. As described above, fiscal year 2016 sales have been negatively impacted by a milder cough/cold/flu season and lower fever incidence. However, this impact was partially offset for the full fiscal year by the trailing impacts of the stronger than average prior year U.S. cough/cold/flu season, our expanded distribution in Europe and growth in Asian thermometry sales as a result of regional Middle East Respiratory Syndrome outbreaks. We expect the weakness in the most recent U.S. cough/cold/flu season will have an unfavorable impact on initial replenishment of affected categories during fiscal year 2017 due to high retail inventory levels. During fiscal year 2016, we experienced 3 percent growth in our water filtration business driven by enhancements to brand identity and higher consumer demand. We believe that municipal water quality issues in Flint, Michigan and other cities around the U.S. are increasing consumer awareness of the benefits of PUR branded water filtration products and have positively impacted demand. In the home environment category, fan shipments achieved high sell-through in the U.S., Canada and Europe due to sustained high summer temperatures.

Nutritional Supplements Segment - The Nutritional Supplements segment includes the operating results from Healthy Directions, which we acquired on June 30, 2014. The Nutritional Supplements segment contributed net sales revenue of \$153.13 million in fiscal year 2016. Core business net sales in the Nutritional Supplements segment for the eight months of comparable operating results since acquisition (July 2015 to February 2016 compared to July 2014 to February 2015) was approximately flat. The segment saw growth in its direct-to-consumer product sales, offset by declines in its legacy print newsletter subscription business, which has been de-emphasized as part of the segment's growth strategy. The segment is making strategic changes to drive a higher portion of sales and new buyer file growth from online channels, as opposed to the legacy direct mail channel, as its older age demographic becomes more accustomed to researching and purchasing online and the segment attempts to attract a younger demographic. We are making investments in technology to improve marketing execution, customer conversion rates and enable growth drivers such as one-click ordering and mobile first websites as the segment crosses the tipping point between desktop and mobile visits. The segment is also testing alternative forms of customer acquisition, such as direct response television, and will

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continue to do so in an effort to identify further growth opportunities and the optimal channel mix. The segment continues to see significant growth in customer adoption of its continuity program, called AutoDelivery, where customers can place an order once and have it automatically refilled based upon customer directed timing.

Beauty Segment - Net sales revenue in the Beauty segment for fiscal year 2016 increased \$3.95 million, or 0.9 percent, to \$439.18 million compared with \$435.23 million for the same period last year. Lower unit volumes had an unfavorable impact of 1.3 percentage points on net sales revenue, while higher average unit selling prices increased net sales revenue 2.2 percentage points, primarily due to the impact of hyperinflation in Venezuela, a better sales mix and lower promotional discounts. Modest overall gains in beauty appliances and accessories were partially offset by declines in personal care grooming categories due to continued competitive pressures and some lost distribution at retail. Additionally, fiscal year 2016 sales were impacted by unfavorable foreign currency exchange fluctuations of \$10.34 million, or 2.4 percent, compared to the same period last year. Beginning in fiscal year 2015, the segment increased its investment in consumer centric research driven product development, which began to show results in fiscal year 2016. The Beauty segment released the Revlon One-Step Hairdryer and Styler and professional straighteners and styling irons with extra-long barrels after identifying an unmet need through research with professional stylists. Additionally, the segment re-launched its Pro Beauty Tools brand with new products and packaging that we believe will appeal to consumers' demand for professional-grade products sold at retail. We expect the segment will continue to face a number of difficulties in the grooming, skin care and haircare category, including the impacts of continued promotional pricing following new product rollouts by significantly larger category participants. We also expect a decline in sales in fiscal year 2017 related to our distribution agreement for pedicure products due to competitive pressures and high inventory at retail.

Beauty segment net sales revenue includes sales from our operations in Venezuela of \$21.97 and \$10.31 million in fiscal years 2016 and 2015, respectively. As further discussed in Note (2) to the accompanying consolidated financial statements and under “– Overview” above, we changed the rate used to re-measure our Venezuelan financial statements as of February 29, 2016 to the SIMADI rate of approximately 205 Bolivars per U.S. Dollar, which was the lowest rate in a three-tiered exchange system in place at the time. Shortly after the end of fiscal year 2016, the Venezuelan government introduced a new rate referred to as DICOM that is intended to be market based and was initially set at a rate very similar to that of SIMADI. Absent further changes to the exchange systems, or unless future developments call for further changes, we intend to use DICOM to re-measure our financial statements on a go-forward basis. For fiscal years 2016, 2015 and 2014, sales in Venezuela represented 1.4, 0.7 and 0.6 percent, respectively, of the Company's consolidated net sales revenue at the official exchange rate of 6.3 Bolivars per U.S. Dollar. At the current DICOM exchange rate, we expect that fiscal year 2017 U.S. Dollar reported net sales from Venezuela will no longer be meaningful to our consolidated and Beauty segment net sales revenue.

## Comparison of fiscal year 2015 to fiscal year 2014

Housewares Segment - Net sales revenue in the Housewares segment for fiscal year 2015 increased \$21.77 million, or 7.9 percent, to \$296.25 million compared to \$274.48 million for the same period last year. Year-over-year unit volume increases had a favorable impact of 8.3 percentage points on net sales revenue. The unit volume increase was slightly offset by a 0.4 percentage point decline in the average unit selling price, despite a better product sales mix and a better



channel mix, primarily due to higher year-over-year promotional discounts. Year-over-year international sales grew in the low double digits while domestic sales grew in the mid-to-high single digits. Growth was strong across most channels with the only significant decline occurring in the closeout channel. From a product perspective, Housewares had net sales revenue growth through line extensions in our infant and toddler category and gains in the gadgets, bath, cleaning products, barware, and baking and measuring categories. OXO tot (Housewares' infant and toddler product line) continued to gain traction with consumers, resulting in net sales revenue growth of approximately 30 percent, compared to the same period last year.

Health & Home Segment - Net sales revenue in the Health & Home segment for fiscal year 2015 increased \$45.18 million, or 8.0 percent, to \$613.25 million compared to \$568.08 million for the same period last year. Higher unit volume contributed approximately 1.5 percentage points of growth. An increase in average unit selling prices, largely due to a more favorable sales mix, contributed approximately 6.5 percentage points to the increase in net sales revenue. The

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segment experienced growth in the thermometry, air purification and fan product lines. In addition, the humidification product line recovered in the fourth fiscal quarter due to a strong cold/cough/flu season, ending fiscal year 2015 with mid-single digit category growth. Worldwide sales gains continue in thermometry and associated consumables as a result of new product introductions during the year and a strong flu season, which included a higher incidence of fever. These gains were partially offset by overall declines in water filtration and heater shipments. A relatively warm fall had the offsetting effects of improving fan sales and weakening early season heater shipments.

**Nutritional Supplements Segment** - The Nutritional Supplements segment consists of the operating results from Healthy Directions, which we acquired on June 30, 2014. Net sales revenue for the eight months of its operation during fiscal year 2015 was \$100.40 million.

**Beauty Segment** - Net sales revenue in the Beauty segment for fiscal year 2015 decreased \$39.37 million, or 8.3 percent, to \$435.23 million compared with \$474.60 million for the same period last year. Lower unit volumes had an unfavorable impact of 5.6 percentage points on net sales revenue and a decrease in the average unit selling price contributed an additional 2.7 percentage points to the overall decline. The decrease in net sales revenue was spread across most major product categories within the segment. The environment for most categories in this segment has been difficult and highly promotional for a large part of fiscal year 2015 as a result of low demand and a retail and consumer focus on lower price-point merchandise. The grooming, skin care and hair care category continued to confront significant competitive product launches and promotional spending in hair care. The results for fiscal year 2015 also include the impact of an inventory reduction in the retail appliances category at our largest customer. The retail appliances category was also negatively impacted by the loss of distribution with a Canadian retailer in the third quarter of fiscal year 2015. The loss of distribution had an ongoing impact on net sales revenue in fiscal year 2016, but the impact on operating income was not material. In addition, during fiscal year 2015 we experienced an approximate \$12.50 million year-over-year decline in our European appliance net sales revenue attributed to a product distribution agreement that did not repeat in fiscal year 2015.

## Impact of Acquisitions:

The following table summarizes, for the periods indicated, the impact that acquisitions had on our net sales revenue:

## IMPACT OF ACQUISITIONS ON NET SALES REVENUE

(in thousands)

	Fiscal Years Ended		
	the Last Day of February,		
	2016	2015	2014
Prior year's sales revenue, net	\$ 1,445,131	\$ 1,317,153	\$ 1,288,263

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Components of sales revenue change, net					
Core business	39,698	27,583	28,890		
Incremental net sales revenue from acquisitions (non-core business):					
Healthy Directions (four and eight months in fiscal years 2016 and 2015, respectively)	52,885	100,395	-		
Vicks VapoSteam (eleven months in fiscal year 2016)	7,987	-	-		
Change in sales revenue, net	100,570	127,978	28,890		
Total sales revenue, net	\$ 1,545,701	\$ 1,445,131	\$ 1,317,153		
Total net sales revenue growth	7.0	% 9.7	% 2.2	%	%
Core business	2.8	% 2.1	% 2.2	%	%
Acquisitions	4.2	% 7.6	% 0.0	%	%

In the above table, core business is net sales revenue associated with product lines or brands after the first twelve months from the date the product line or brand was acquired. Net sales revenue from internally developed brands or product lines is always considered core business. Net sales revenue from acquisitions is net sales revenue associated with product lines or brands that we have acquired and operated for less than twelve months during each period presented.

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## Geographic Net Sales Revenue:

The following table sets forth, for the periods indicated, our net sales revenue by geographic region, in U.S. Dollars, as a percentage of net sales revenue, and the year-over-year percentage change in each region.

(in thousands)	Fiscal Years Ended the Last Day of February,			% of Sales Revenue, net (2)			% Change	
	2016	2015(1)	2014	2016	2015(1)	2014	16/15	15/14
Sales revenue, net by geographic region								
United States	\$ 1,233,464	\$ 1,139,959	\$ 1,019,525	79.8 %	78.9 %	77.4%	8.2 %	11.8 %
Canada	57,482	69,996	69,190	3.7 %	4.8 %	5.3 %	(17.9) %	1.2 %
EMEA	191,485	181,147	176,674	12.4 %	12.5 %	13.4%	5.7 %	2.5 %
Latin America	63,270	54,029	51,764	4.1 %	3.7 %	3.9 %	17.1 %	4.4 %
Total sales revenue, net	\$ 1,545,701	\$ 1,445,131	\$ 1,317,153	100.0 %	100.0 %	100.0%	7.0 %	9.7 %

(1) Includes eight months of operations for Healthy Directions, acquired on June 30, 2014, which sells almost entirely in the U.S.

(2) Percentages of net sales revenue by geographic region are computed as a percentage of the geographic region's net sales revenue to consolidated total net sales revenue.

## Comparison of fiscal year 2016 to fiscal year 2015

In fiscal year 2016, Canada, EMEA, and Latin America operations (collectively "international operations") each accounted for approximately 18, 61 and 20 percent of total international net sales revenue, respectively. The U.S. contributed 6.5 percentage points to consolidated net sales revenue growth, or \$93.51 million, which included four months of incremental net sales revenue totaling \$52.89 million from our Nutritional Supplements segment, acquired June 30, 2014, which sells almost entirely in the U.S. International operations contributed 0.5 percentage points, or \$7.06 million, to consolidated net sales revenue growth. Canadian operations accounted for a 0.9 percentage point decrease in our consolidated net sales revenue, or \$12.51 million. EMEA accounted for a 0.7 percentage point increase in our consolidated net sales revenue, or \$10.34 million. Latin American operations accounted for a 0.6 percentage point increase in our consolidated net sales revenue, or \$9.24 million. In addition to relatively weaker international consumer economies, overall international net sales revenue performance was hurt by the impact of net unfavorable exchange rate fluctuations, which decreased our overall reported international net sales by approximately

\$29.80 million in fiscal year 2016, compared to the same period last year. In our Health & Home segment, where our EMEA and Canadian operations comprise a high proportion of foreign revenues, foreign exchange fluctuations had an \$18.20 million unfavorable impact on reported net sales revenues, compared to the same period last year. In our Beauty segment, where our Canadian and Latin American operations comprise a high proportion of foreign revenues, foreign exchange fluctuations had a \$10.34 million unfavorable impact on reported net sales revenue, compared to the same period last year. The unfavorable impact on reported net sales revenue in the Housewares segment was \$1.25 million in fiscal year 2016, compared to the same period last year.

Latin America region net sales revenue includes sales from our operations in Venezuela of \$21.97, \$10.31 and \$8.47 million in fiscal years 2016, 2015 and 2014, respectively. As further discussed in Note (2) to the accompanying consolidated financial statements and under “– Overview” above, we changed the rate used to re-measure our Venezuelan financial statements as of February 29, 2016 to the SIMADI rate of approximately 205 Bolivars per U.S. Dollar, which was the lowest rate in a three-tiered exchange system in place at the time. Shortly after the end of fiscal year 2016, the Venezuelan government introduced a new rate referred to as DICOM that is intended to be market based and was initially set at a rate very similar to that of SIMADI. Absent further changes to the exchange systems, or unless future developments call for further changes, we intend to use DICOM to re-measure our financial statements on a go-forward basis. For fiscal years 2016, 2015 and 2014, sales in Venezuela represented 1.4, 0.7 and 0.6 percent, respectively, of the Company’s consolidated net sales revenue at the official exchange rate of 6.3 Bolivars per U.S. Dollar. At the current

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DICOM exchange rate, we expect that fiscal year 2017 U.S. Dollar reported net sales from Venezuela will no longer be meaningful to our consolidated and Beauty segment net sales revenue.

Comparison of fiscal year 2015 to fiscal year 2014

In fiscal year 2015, Canada, EMEA, and Latin America operations each accounted for approximately 23, 59 and 18 percent of total international net sales revenue, respectively. The U.S. contributed 9.1 percentage points to consolidated net sales revenue growth or \$120.43 million, primarily due to \$100.40 million of sales from the addition of the Nutritional Supplements segment, which transacts almost entirely in the U.S. International operations contributed 0.6 percentage points, or \$7.55 million, to consolidated net sales revenue growth. Canadian operations accounted for a 0.1 percentage point increase in our consolidated net sales revenue, or \$0.81 million. EMEA accounted for a 0.3 percentage point increase in our consolidated net sales revenue, or \$4.47 million, despite the approximate \$12.50 million year-over-year decline in our European Beauty appliance net sales revenue attributed to a product distribution agreement that did not repeat in fiscal year 2015. Latin American operations accounted for a 0.2 percentage point increase in our consolidated net sales revenue, or \$2.27 million. In addition to relatively weaker international consumer economies, overall international net sales revenue performance was hurt by the impact of net unfavorable exchange rate fluctuations, which decreased our overall reported international net sales by approximately \$7.50 million in fiscal year 2015, compared to the same period in the previous year. In our Beauty segment, where our Canadian and Latin American operations comprise a high proportion of foreign revenues, foreign exchange fluctuations had a \$3.61 million unfavorable impact on reported net sales revenues, compared to the same period in the previous year. In our Health & Home segment, where our EMEA and Canadian operations comprise a high proportion of foreign revenues, foreign exchange fluctuations had a \$4.15 million unfavorable impact on reported net sales revenues, compared to the same period in the previous year.

Gross Profit Margin:

A significant portion of the products we sell are purchased from third-party manufacturers in China. The Chinese Renminbi has fluctuated against the U.S. Dollar in recent years, devaluing by approximately 6 percent against the U.S. Dollar during fiscal year 2016. If China's currency continues to fluctuate against the U.S. Dollar in the short-to-intermediate term, we cannot accurately predict the impact of those fluctuations on our results of operations. There can be no assurance that foreign exchange rates will be stable in the future, or that fluctuations in Chinese foreign currency markets will not have a material adverse effect on our product gross profit margins.

Comparison of fiscal year 2016 to fiscal year 2015

Consolidated gross profit as a percentage of net sales revenue decreased 0.4 percentage points to 41.1 percent in fiscal year 2016 from 41.5 percent in fiscal year 2015. The year-over-year decrease in consolidated gross profit margin

reflects the following:

- a re-measurement related charge of \$9.08 million with respect to Venezuelan inventory at February 29, 2016, which reduced consolidated gross profit margin by 0.6 percentage points; and
- the impact of net unfavorable foreign currency fluctuations, partially offset by;
- an incremental four months of operating results from the Nutritional Supplements segment, which increased consolidated gross profit margin by 1.1 percentage points.

Because of the nature of its products and direct-to-consumer business model, the Nutritional Supplements segment's spending patterns differ from our other segments. Higher gross margins are partially offset by comparatively higher percentages of spending devoted to selling, promotional and distribution activities.

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Comparison of fiscal year 2015 to fiscal year 2014

Consolidated gross profit as a percentage of net sales revenue increased 2.3 percentage points to 41.5 percent in fiscal year 2015 from 39.2 percent in fiscal year 2014. The addition of eight months of operations of the Nutritional Supplements segment had a favorable impact of 2.3 percentage points on the consolidated gross profit margin. Because of the nature of its products and direct-to-consumer business model, this segment's spending patterns differ from our core business. As a result, higher gross margins are partially offset by comparatively higher percentages of spending devoted to selling, promotional and distribution activities. The overall fiscal year 2015 gross profit margin for our core business was flat compared to fiscal year 2014, despite an approximate \$7.50 million unfavorable impact on net sales revenue from foreign currency exchange rate fluctuations.

Selling, General and Administrative Expense:

Comparison of fiscal year 2016 to fiscal year 2015

Our SG&A ratio increased 2.6 percentage points to 32.4 percent of net sales revenue for fiscal year 2016, compared to 29.7 percent for the same period last year. The year-over-year increase in the SG&A ratio is primarily due to the following items:

- Venezuelan re-measurement related charges of \$9.57 million, which increased the SG&A ratio by 0.6 percentage points;
- the impact of a \$17.83 million patent litigation charge recorded in the fourth quarter of fiscal year 2016, which increased the SG&A ratio by 1.2 percentage points;
- the impact of \$6.71 million of CEO succession costs recorded during the third quarter of fiscal year 2016 as result of the lawsuit settlement with our former CEO, which increased the SG&A ratio by 0.4 percentage points;
- the unfavorable comparison resulting from a \$7 million gain from the amendment of a trademark license agreement in the third quarter of fiscal year 2015, which decreased the comparative period SG&A ratio by 0.5 percentage points; and
- an incremental four months of operating results from the Nutritional Supplements segment, which operates with a higher SG&A ratio than our other segments.



These factors were partially offset by:

- lower year-over-year foreign currency revaluation losses, partially due to the increase in the use of cash flow hedges and a cross-currency debt swap;
- lower outbound freight costs; and
- the impact that higher overall net sales had on operating leverage.

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Comparison of fiscal year 2015 to fiscal year 2014

Our SG&A ratio increased 0.3 percentage points to 29.7 percent of net sales revenue for fiscal year 2015, compared to 29.4 percent for the same period last year. The year-over-year increase in the SG&A ratio is primarily due to the following items:

- the Nutritional Supplements segment operates with a higher SG&A ratio than our core business. The addition of eight months of operations of this segment, excluding the acquisition related expenses discussed below, increased the consolidated SG&A ratio by 2.3 percentage points;
- expenses of \$3.61 million incurred in connection with the Healthy Directions acquisition during the second fiscal quarter increased our SG&A ratio for fiscal year 2015 by 0.2 percentage points; and
- a year-over-year decrease of 2.2 percentage points in the SG&A ratio for the core business due to a combination of: the impact of CEO succession costs of \$18.23 million in fiscal year 2014, with no comparable cost in fiscal year 2015; and the impact of a \$7 million gain from the amendment of our trademark license agreement with Honeywell International Inc. in fiscal year 2015; partially offset by \$5.01 million of higher media and advertising expenses and approximately \$4.77 million of higher foreign currency exchange losses in fiscal year 2015.

Asset Impairment Charges:

A significant portion of our long-term assets continues to consist of goodwill and other indefinite-lived intangible assets recorded because of past acquisitions. The Company conducts its annual test of impairment of goodwill and indefinite-lived intangible assets in the first quarter of each fiscal year. The Company also tests for impairment if events or circumstances indicate a more frequent evaluation is necessary. The steps required by GAAP to test for impairment entail significant amounts of judgment and subjectivity. The results of our annual testing may result in us recording declines in asset value that are not apparent until all test work is completed. Any such impairment charges could have a material adverse effect on our business, results of operations and financial condition.

Fourth Quarter of Fiscal Year 2016 - The Company performed interim impairment testing in the fourth quarter of fiscal year 2016 for certain of its brands as a result of revised growth outlooks. As a result of its testing, the Company 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 future discounted cash flows using the relief from royalty valuation method.

First Quarter of Fiscal Year 2016 - The Company performed its 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 future discounted cash flows using the relief from royalty valuation method.

First Quarter of Fiscal Year 2015 - The Company performed its annual evaluation of goodwill and indefinite lived intangible assets for impairment during the first quarter of fiscal year 2015. As a result of our testing of indefinite lived trademarks and licenses, we recorded a non cash asset impairment charge of \$9.00 million (\$8.16 million after tax) during the first quarter of fiscal year 2015. The charge was related to certain trademarks in our Beauty segment, which were written down to their estimated fair value, determined based on future discounted cash flows using the relief from royalty valuation method.

First Quarter of Fiscal Year 2014 - The Company performed its annual evaluation of goodwill and indefinite-lived intangible assets for impairment during the first quarter of fiscal year 2014. As a result of our testing of indefinite-lived trademarks and licenses, we recorded a non-cash intangible asset impairment charge of \$12.05 million (\$12.03 million after tax). The charge was related to certain trademarks in our Beauty segment, which were written down to their estimated fair value, as a result of lower revenue outlooks due to competitive factors. Fair values were determined based on future discounted cash flows using the relief from royalty valuation method.

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## Operating Income by Segment:

Operating income by segment for fiscal years 2016, 2015 and 2014 was as follows:

(in thousands)	Fiscal Years Ended			% of Sales Revenue, net (2)			% Change	
	the Last Day of February, 2016	2015(1)	2014	2016	2015(1)	2014	16/15	15/14
Housewares	\$ 56,659	\$ 59,392	\$ 50,828	18.2 %	20.0 %	18.5 %	(4.6) %	16.8 %
Health & Home	38,078	50,821	20,764	5.9 %	8.3 %	3.7 %	(25.1) %	144.8 %
Nutritional								
Supplements	11,446	9,512	-	7.5 %	9.5 %	- %	20.3	*
Beauty	24,432	41,994	45,508	5.6 %	9.6 %	9.6 %	(41.8) %	(7.7) %
Total operating income	\$ 130,615	\$ 161,719	\$ 117,100	8.5 %	11.2 %	8.9 %	(19.2) %	38.1 %

\* Calculation is not meaningful

(1) Includes eight months of operations for Healthy Directions, which was acquired on June 30, 2014.

(2) Percentages by segment are computed as a percentage of the segments' net sales revenue.

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. In fiscal year 2016, we began making an allocation of shared service and corporate overhead costs to the Nutritional Supplements segment. For fiscal year 2016, these allocations totaled \$4.69 million.

## Comparison of fiscal year 2016 to fiscal year 2015

Housewares - The Housewares segment's operating income decreased \$2.73 million, or 4.6 percent, for fiscal year 2016 compared to fiscal year 2015. Segment operating margin decreased 1.8 percentage points to 18.2 percent, compared to 20.0 percent for the same period last year. The decrease in operating margin was due to higher

promotional spending, increased media advertising in support of new products and categories, higher compensation expense incurred to support category expansion and increased operating capacity, lower margin kitchen electric sales, and an allocation of CEO succession costs.

Health & Home - The Health & Home segment's operating income decreased \$12.74 million, or 25.1 percent, for fiscal year 2016 compared to fiscal year 2015. Segment operating margin decreased 2.4 percentage points to 5.9 percent, compared to 8.3 percent for the same period last year. The decrease in operating margin is primarily due to the unfavorable impact of foreign currency fluctuations on U.S. Dollar reported net sales, allocated CEO succession costs of \$2.72 million, and a patent litigation charge of \$17.83 million recorded in the fourth quarter of fiscal year 2016. In addition, the year-over-year comparison is negatively impacted by a \$7.00 million gain from the amendment of a trademark license agreement recorded in fiscal year 2015.

Nutritional Supplements Segment - The Nutritional Supplements segment's operating income reflects the

operating results from Healthy Directions, which we acquired on June 30, 2014. Operating margin for fiscal year 2016 was 7.5% compared to an operating margin of 9.5% for the 8 months of operating results included in the same period last year. The decline in operating margin is primarily due to:

- a decline of 3.1 percentage points from an allocation of \$4.69 million of shared service and corporate overhead expenses that were not made in fiscal year 2015, the year of acquisition;
- an unfavorable impact of 0.5 percentage points from allocated CEO succession costs; and
- increased investments in promotions, advertising, customer acquisition, and online sales channel development.

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These factors were partially offset by the comparative impact of \$3.61 million of acquisition-related expenses recorded in the same period last year, which reduced operating margin by 3.6 percentage points in fiscal year 2015.

Beauty Segment - The Beauty segment's operating income decreased \$17.56 million, or 41.8 percent, for fiscal year 2016 compared to fiscal year 2015. Segment operating margin decreased 4.0 percentage points to 5.6 percent, compared to 9.6 percent for the same period last year. The decrease in operating margin is primarily due to:

- Venezuelan currency re-measurement related charges totaling \$18.73 million in fiscal year 2016, which reduced operating margin by 4.3 percentage points;
- the unfavorable impact of foreign currency fluctuations on U.S. Dollar reported net sales revenue; and
- allocated CEO succession costs of \$1.93 million in fiscal year 2016, which reduced operating margin by 0.4 percentage points.

These factors were partially offset by a decrease in non-cash asset impairment charges of \$3 million year-over-year.

Comparison of fiscal year 2015 to fiscal year 2014

Housewares - The Housewares segment's operating income increased \$8.56 million, or 16.8 percent, for fiscal year 2015 compared to fiscal year 2014. Segment operating margin increased 1.5 percentage points to 20.0 percent, compared to 18.5 percent for the same period last year. The year-over-year improvement in operating margin is primarily due to \$3.64 million of allocated CEO succession costs in fiscal year 2014, for which there was no comparable cost in fiscal year 2015. The increase in segment operating margin was also due to higher net sales revenue and an increase in operating leverage, partially offset by a slightly lower margin mix and certain product cost increases compared to the same period last year.

Health & Home - The Health & Home segment's operating income increased \$30.06 million, or 144.8 percent, for fiscal year 2015 compared to fiscal year 2014. Segment operating margin increased 4.6 percentage points to 8.3 percent, compared to 3.7 percent for the same period last year. The increase in segment operating margin was due to higher net sales revenue and a lower operating expense ratio year-over-year. The lower operating expense ratio was primarily due to \$7.92 million of allocated CEO succession costs in fiscal year 2014, for which there was no comparable cost in fiscal year 2015, and a \$7 million gain recognized in connection with the amendment of our trademark license agreement with Honeywell International Inc. in fiscal year 2015. These operating expense reductions were partially offset by an increase in foreign exchange losses year-over-year.

Nutritional Supplements Segment - The Nutritional Supplements segment's operating income includes eight months of operating results from Healthy Directions, which we acquired on June 30, 2014. The segment's operating income was \$9.51 million, resulting in an operating margin of 9.5 percent. The fiscal year to date operating income includes expenses of \$3.61 million incurred in connection with the acquisition.

Beauty Segment - The Beauty segment's operating income decreased \$3.51 million, or 7.7 percent, for fiscal year 2015 compared to fiscal year 2014. Segment operating margin remained flat at 9.6 percent for both fiscal year 2015 and 2014. The flat operating margin was due to \$6.67 million of allocated CEO succession costs in fiscal year 2014, for which there was no comparable cost in fiscal year 2015, offset by higher advertising and other marketing expenses and higher foreign exchange losses. Operating income includes non cash intangible asset impairment charges totaling \$9.00 million and \$12.05 million for fiscal years 2015 and 2014, respectively, as previously described.

As discussed above, a significant amount of the variation in operating income can be attributed to the combined effects of the following significant items: non cash asset impairment charges, CEO succession costs, acquisition related expenses, Venezuelan re-measurement related charges, patent litigation charges, amortization of intangible assets, and non cash share based compensation, as applicable. The tables on the following page help to provide a better understanding of the comparative impact of these items on operating income for each segment and consolidated operating income.

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## ADJUSTED OPERATING INCOME AND OPERATING MARGIN

(in thousands)

	Year Ended February 29, 2016									
	Housewares		Health & Home		Nutritional Supplements (8)		Beauty		Total	
Operating income, as reported (GAAP)	\$ 56,659	18.2%	\$ 38,078	5.9 %	\$ 11,446	7.5 %	\$ 24,432	5.6 %	\$ 130,615	8.5 %
Asset impairment charges (1)	-	- %	-	- %	-	- %	6,000	1.4 %	6,000	0.4 %
CEO succession costs (2)	1,348	0.4 %	2,722	0.4 %	704	0.5 %	1,933	0.4 %	6,707	0.4 %
Acquisition-related expenses (3)	698	0.2 %	-	- %	-	- %	-	- %	698	0.0 %
Venezuelan re-measurement related charges (4)	-	- %	-	- %	-	- %	18,733	4.3 %	18,733	1.2 %
Patent litigation charge (5)	-	- %	17,830	2.8 %	-	- %	-	- %	17,830	1.2 %
Subtotal	58,705	18.9%	58,630	9.1 %	12,150	7.9 %	51,098	11.6%	180,583	11.7%
Amortization of intangible assets (6)	1,325	0.4 %	14,438	2.2 %	6,259	4.1 %	5,751	1.3 %	27,773	1.8 %
Non-cash share-based compensation (7)	1,344	0.4 %	2,470	0.4 %	1,319	0.9 %	3,350	0.8 %	8,483	0.5 %
Adjusted operating income (non-GAAP)	\$ 61,374	19.8%	\$ 75,538	11.8%	\$ 19,728	12.9%	\$ 60,199	13.7%	\$ 216,839	14.0%

## Year Ended February 28, 2015

	Housewares		Health & Home		Nutritional Supplements (8)		Beauty		Total	
	\$ 59,392	20.0%	\$ 50,821	8.3 %	\$ 9,512	9.5 %	\$ 41,994	9.6 %	\$ 161,719	11.2%



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Operating income, as reported (GAAP)											
Asset impairment charges (1)	-	- %	-	- %	-	- %	9,000	2.1 %	9,000	0.6 %	
Acquisition-related expenses (3)	-	- %	-	- %	3,611	3.6 %	-	- %	3,611	0.2 %	
Subtotal	59,392	20.0%	50,821	8.3 %	13,123	13.1%	50,994	11.7%	174,330	12.1%	
Amortization of intangible assets (6)	1,345	0.5 %	13,878	2.3 %	4,171	4.2 %	5,934	1.4 %	25,328	1.8 %	
Non-cash share-based compensation (7)	758	0.3 %	1,115	0.2 %	499	0.5 %	3,602	0.8 %	5,974	0.4 %	
Adjusted operating income (non-GAAP)	\$ 61,495	20.8%	\$ 65,814	10.7%	\$ 17,793	17.7%	\$ 60,530	13.9%	\$ 205,632	14.2%	

Year Ended February 28, 2014

	Housewares		Health & Home		Nutritional Supplements (8)		Beauty		Total	
Operating income, as reported (GAAP)	\$ 50,828	18.5 %	\$ 20,764	3.7 %	\$ -	- %	\$ 45,508	9.6 %	\$ 117,100	8.9 %
Asset impairment charges (1)	-	- %	-	- %	-	- %	12,049	2.5 %	12,049	0.9 %
CEO succession costs (2)	3,644	1.3 %	7,916	1.4 %	-	- %	6,668	1.4 %	18,228	1.4 %
Subtotal	54,472	19.8 %	28,680	5.0 %	-	- %	64,225	13.5 %	147,377	11.2 %
Amortization of intangible assets (6)	1,322	0.5 %	14,350	2.5 %	-	- %	5,940	1.3 %	21,612	1.6 %
Non-cash share-based compensation (7)	2,400	0.9 %	4,966	0.9 %	-	- %	6,866	1.4 %	14,232	1.1 %
Adjusted operating income (non-GAAP)	\$ 58,194	21.2%	\$ 47,996	8.4%	\$ -	- %	\$ 77,031	16.2%	\$ 183,221	13.9%

In the tables above, footnote references (1) to (7) correspond to the notes beginning on page 60 under the table entitled “Adjusted Income and EPS.”

(8) The Nutritional Supplements segment includes eight months of operating results for fiscal year 2015, as the segment was acquired on June 30, 2014.

The tables shown above entitled “Adjusted Operating Income and Operating Margin” reports fiscal years 2016, 2015 and 2014 operating income and associated operating margin excluding non-cash asset impairment charges, CEO succession costs, acquisition related expenses, Venezuelan re-measurement related charges, patent litigation charges, amortization of intangible assets, and non-cash share based compensation, as applicable. Adjusted operating income and operating margin, as discussed in the preceding tables, may be considered non-GAAP financial measures as set forth in SEC Regulation G, Rule 100. An explanation of the reasons why the Company believes the non-GAAP financial information is useful and the nature and limitations of the non-GAAP financial measures, is furnished on page 61.

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Interest Expense:

Interest expense decreased to \$11.10 million in fiscal year 2016 compared to \$15.02 million in fiscal year 2015. The decrease in interest expense is due to lower interest rates incurred on borrowings under our credit facility and lower term debt outstanding in fiscal year 2016, which accrued interest at comparatively higher rates than under our credit facility.

Interest expense increased to \$15.02 million in fiscal year 2015 compared to \$10.19 million in fiscal year 2014. The increase in interest expense is due to higher levels of debt as a result of borrowings used to fund the repurchase of \$278.43 million of the Company's outstanding common stock in fiscal year 2015 and to fund the \$195.94 million acquisition of Healthy Directions on June 30, 2014.

Income Tax Expense:

Our fiscal years 2016, 2015 and 2014 income tax expense was \$18.59, \$16.05 and \$20.89 million, respectively, and our effective tax rates were 15.5, 10.9 and 19.5 percent, respectively. The year-over-year comparison of our effective tax rates was primarily impacted by the mix of taxable income in our various tax jurisdictions. Due to the Company's organization in Bermuda and the ownership structure of its foreign subsidiaries, many of which are not owned directly or indirectly by a U.S. parent company, an immaterial amount of the Company's foreign income is subject to U.S. taxation on a permanent basis under current law. Additionally, the Company's intellectual property is largely owned by foreign subsidiaries of the Company, resulting in proportionally higher earnings in jurisdictions with lower statutory tax rates, which decreases the Company's overall effective tax rate.

The fiscal year 2016 effective tax rate was also impacted by: the unfavorable effect of Venezuelan currency re-measurement and non-cash impairment charges of \$18.73 million, with no related tax benefit; the unfavorable effect of a patent litigation charge of \$17.83 million, with a related tax benefit of \$0.05 million; the impact of unfavorable foreign currency exchange fluctuations on income before tax, with no related tax benefit; and tax benefits of \$2.05 million due to the finalization of certain tax returns and changes in uncertain tax positions.

The fiscal year 2015 tax rate was also favorably impacted by a \$0.85 million tax benefit associated with a net reduction in the valuation allowance for net operating loss carryforwards, a \$0.52 million tax benefit resulting from the finalization of certain tax returns and tax benefits of \$3.00 million related to the resolution of uncertain tax positions and the impact of foreign currency fluctuations on foreign unrecognized tax benefits. In addition, a \$7 million gain (\$6.98 million after tax) from the amendment of our trademark license agreement with Honeywell International Inc. decreased the effective tax rate by 0.5 percentage points in fiscal year 2015.

We expect our effective tax rate for fiscal year 2017 to range between 13.0 and 15.0 percent.

Net Income:

#### Comparison of fiscal year 2016 to fiscal year 2015

Our net income was \$101.23 million for fiscal year 2016 compared to \$131.16 million for fiscal year 2015, a decrease of 22.8 percent. Our diluted earnings per share decreased \$1.00, or 22.1 percent, to \$3.52 for fiscal year 2016 compared to \$4.52 for fiscal year 2015.

#### Comparison of fiscal year 2015 to fiscal year 2014

Our net income was \$131.16 million for fiscal year 2015 compared to \$86.25 million for fiscal year 2014, an increase of 52.1 percent. Our diluted earnings per share increased \$1.86 to \$4.52 for fiscal year 2015 compared to \$2.66 for fiscal year 2014, an increase of 69.9 percent.

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## Adjusted Income and EPS:

In order to provide a better understanding of the impact of certain items on our net income and EPS, the analysis that follows reports the comparative after tax impact of non cash asset impairment charges, CEO succession costs, acquisition related expenses, Venezuelan re-measurement related charges, patent litigation charges, amortization of intangible assets, and non cash share based compensation, as applicable, on our net income, and basic and diluted EPS for the periods covered below.

## ADJUSTED INCOME AND EPS

(dollars in thousands, except per share data)

	Fiscal Years Ended the Last Day of February,			Basic EPS			Diluted EPS		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Net income as reported (GAAP)	\$ 101,228	\$ 131,164	\$ 86,248	\$ 3.58	\$ 4.59	\$ 2.69	\$ 3.52	\$ 4.52	\$ 2.66
Asset impairment charges, net of tax (1)	5,312	8,155	12,034	0.19	0.29	0.38	0.18	0.28	0.37
CEO succession costs, net of tax (2)	4,645	-	16,335	0.16	-	0.51	0.16	-	0.51
Acquisition-related expenses, net of tax (3)	696	2,306	-	0.03	0.08	-	0.02	0.08	-
Venezuelan re-measurement related charges, net of tax (4)	18,733	-	-	0.66	-	-	0.65	-	-
Patent litigation charge, net of tax (5)	17,785	-	-	0.63	-	-	0.62	-	-
Subtotal	148,399	141,625	114,617	5.25	4.96	3.58	5.16	4.88	3.54
Amortization of intangible assets, net of tax (6)	24,063	22,985	20,741	0.85	0.80	0.64	0.84	0.79	0.64
Non-cash share-based compensation, net of tax (7)	7,199	5,313	10,416	0.25	0.19	0.33	0.25	0.18	0.32
Adjusted income (non-GAAP)	\$ 179,661	\$ 169,923	\$ 145,774	\$ 6.35	\$ 5.95	\$ 4.55	\$ 6.25	\$ 5.85	\$ 4.50

Weighted average shares of common stock used in computing basic and diluted EPS (GAAP)	28,273	28,579	32,007	28,749	29,035	32,386
Dilutive impact of CEO succession costs (2)	-	-	-	-	-	(42)
Weighted average shares of common stock used in computing adjusted basic and diluted EPS (non-GAAP)	28,273	28,579	32,007	28,749	29,035	32,344

- (1) For fiscal years 2016, 2015 and 2014, non-cash intangible asset impairment charges were \$6.00, \$9.00 and \$12.05 million, respectively, net of taxes of \$0.69, \$0.84 and \$0.02 million, respectively.
- (2) In fiscal year 2016, CEO succession costs of \$6.71 million (\$4.65 million after tax) were incurred in connection with the settlement of a lawsuit with our former CEO. In fiscal year 2014, CEO succession costs totaling \$18.23 million (\$16.34 million, net of tax) were incurred in connection with the former CEO's separation from the Company. No comparable expenses were incurred in fiscal year 2015. For additional information, see "Other Significant Developments during Fiscal Year 2016" beginning on page 44, and Note (13) "Other Commitments and Contingencies – Employment Contracts and Related Matters" in the accompanying consolidated financial statements.
- (3) Late in fiscal year 2016, expenses of \$0.70 million (before and after tax), were incurred in connection with the acquisition of Hydro Flask. The acquisition subsequently closed on March 18, 2016. For fiscal year 2015, expenses of \$3.61 million (\$2.31 million after tax) were incurred in connection with the Healthy Directions acquisition. No comparable expenses were incurred in fiscal year 2014. For additional information, see "Recent Development" beginning on page 45.
- (4) Currency re-measurement related charges of \$18.73 million recorded in the fourth quarter of fiscal year 2016 due to a change in the rate used to re-measure our Venezuelan financial statements as of February 29, 2016. For additional information, see "– Overview" beginning on page 42 and Note (2) "Significant Accounting Matters" in the accompanying consolidated financial statements.
- (5) Includes a \$17.83 million (\$17.79 million, net of tax) patent litigation charge recorded in the fourth quarter of fiscal year 2016. For additional information, see "Other Significant Developments During Fiscal Year 2016" beginning on page 44 and Note (13) "Other Commitments and Contingencies – Thermometer Patent Litigation" in the accompanying consolidated financial statements.

