

HELEN OF TROY LTD
Form 10-K
April 29, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 28, 2019

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)

74-2692550

Bermuda

(I.R.S.

(State or other jurisdiction of
incorporation or organization)

Employer
Identification
No.)

Clarendon House

2 Church Street

Hamilton, Bermuda

(Address of principal executive offices)

1 Helen of Troy Plaza

79912

El Paso, Texas

(Zip Code)

(Registrant's United States Mailing Address)

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 x 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 x

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 x No ..

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x 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.

..

Edgar Filing: HELEN OF TROY LTD - Form 10-K

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

| | | | | |
|-------------------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| Large accelerated filer | Non-accelerated filer | Accelerated filer | Smaller reporting company | Emerging growth company |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2018, based upon the closing price of the common shares as reported by The NASDAQ Global Select Market on such date, was approximately \$3,122,284,452.

As of April 22, 2019, there were 25,013,613 common shares, \$0.10 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2019 Annual General Meeting of Shareholders to be filed within one hundred and twenty days of the fiscal year ended February 28, 2019 (2019 Proxy Statement) are incorporated by reference into Part III of this report to the extent described herein.

Table of Contents

TABLE OF CONTENTS

| | PAGE |
|---|------------|
| <u>PART I</u> | |
| <u>Item 1. Business</u> | <u>3</u> |
| <u>Item 1A. Risk Factors</u> | <u>8</u> |
| <u>Item 1B. Unresolved Staff Comments</u> | <u>18</u> |
| <u>Item 2. Properties</u> | <u>18</u> |
| <u>Item 3. Legal Proceedings</u> | <u>19</u> |
| <u>Item 4. Mine Safety Disclosures</u> | <u>19</u> |
| | |
| <u>PART II</u> | |
| <u>Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u> | <u>20</u> |
| <u>Item 6. Selected Financial Data</u> | <u>23</u> |
| <u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>25</u> |
| <u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u> | <u>50</u> |
| <u>Item 8. Financial Statements and Supplementary Data</u> | <u>52</u> |
| <u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> | <u>97</u> |
| <u>Item 9A. Controls and Procedures</u> | <u>97</u> |
| | |
| <u>PART III</u> | |
| <u>Item 10. Directors, Executive Officers and Corporate Governance</u> | <u>99</u> |
| <u>Item 11. Executive Compensation</u> | <u>99</u> |
| <u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u> | <u>99</u> |
| <u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u> | <u>99</u> |
| <u>Item 14. Principal Accounting Fees and Services</u> | <u>99</u> |
| | |
| <u>PART IV</u> | |
| <u>Item 15. Exhibits, Financial Statement Schedules</u> | <u>100</u> |
| | |
| <u>Signatures</u> | <u>105</u> |

Table of Contents

EXPLANATORY NOTE

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 our common shares, par value \$0.10 per share, as “common stock.” 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 ours 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 “fiscal” in connection with a numeric year number denotes our fiscal year ending on the last day of February, during the year number listed. 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.

Table of Contents

PART I

Item 1. Business

Our Company

We incorporated in Texas in 1968 and were reorganized in Bermuda in 1994. We are a leading global consumer products company offering creative solutions for our customers through a diversified portfolio of well-recognized and widely-trusted brands. We have built leading market positions through new product innovation, product quality and competitive pricing.

Segment and Geographic Information

We currently have three business segments, which are included in our financial statements in continuing operations:

Housewares: Provides a broad range of products to help with food preparation, cooking, cleaning, organization, beverage service, and other tasks to ease everyday living for families. Sales for the segment are primarily to retailers, with some direct-to-consumer product distribution.

Health & Home: Provides healthcare and home environment products. Sales for the segment are primarily to retailers, with some direct-to-consumer product distribution.

Beauty: Provides personal care and beauty appliance products including hair styling appliances, grooming tools, decorative haircare accessories, and liquid, solid and powder-based personal care products. This segment sells primarily to retailers and beauty supply wholesalers.

Prior to December 20, 2017, we operated a Nutritional Supplements segment. On December 20, 2017, we completed the divestiture of the Nutritional Supplements segment through the sale of Healthy Directions LLC and its subsidiaries to Direct Digital, LLC. Following the sale, we no longer consolidate our former Nutritional Supplements segment's operating results. The Nutritional Supplements segment's operating results are included in our financial statements and classified within discontinued operations. We have reallocated corporate overhead expenses to our continuing operating segments that were previously allocated to our former Nutritional Supplements segment. Unless otherwise noted, all amounts presented are from continuing operations. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and Note 4 of the accompanying consolidated financial statements for more information. Discontinued operations in this report on Form 10-K refers only to our discontinued Nutritional Supplements segment's operations.

For more segment and geographic information concerning our net sales revenue, long-lived assets and operating income, refer to Note 18 in the accompanying consolidated financial statements.

Our Strategic Initiatives

In fiscal 2015, we launched a five-year transformational strategy designed to improve the performance of our business segments and strengthen our shared service capabilities. This strategy has driven our decisions on 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 and profitable growth and improve organizational capability. Fiscal 2019 marked the completion of Phase I of our multi-year transformation strategy, which delivered performance across a wide range of measures. We improved core sales growth by focusing on our Leadership Brands, made strategic acquisitions, became a more efficient operating company with strong global shared services, upgraded our organization and culture, improved inventory turns and return on invested capital, and returned capital to shareholders.

Fiscal 2020 begins Phase II of our transformation and is designed to drive the next five years of progress. The long-term objectives of Phase II include improved organic sales growth, continued margin

Table of Contents

expansion, and strategic and effective capital deployment. We expect Phase II will include continued investment in our Leadership Brands, with a focus on growing them through consumer-centric innovation, expanding them more aggressively outside the United States, and adding new brands through acquisition. We anticipate building further shared service capability and operating efficiency, as well as attracting, retaining, unifying and training the best people.

On March 11, 2019, we announced that we are in the process of exploring the divestiture of our Personal Care business, a subset of our Beauty Segment. The Personal Care business includes liquid, powder and aerosol products under brands such as Pert, Brut, Sure and Infusium. This potential divestiture advances our strategy to focus our resources on our Leadership Brands. Leadership Brands are brands which have number-one and number-two positions in their respective categories and include OXO, Honeywell, Braun, PUR, Hydro Flask, Vicks, and Hot Tools.

Our Products

The following table summarizes the types of products we sell by business segment:

| Segment | Product Category | Primary Products |
|---------------|---|--|
| Housewares | Food Preparation and Storage | Food preparation tools and gadgets, food storage containers and storage and organization products |
| | Cleaning, Bath and Garden | Household cleaning products, shower organization, bathroom accessories, and gardening products |
| | Infant and Toddler | Feeding and drinking products, child seating, cleaning tools and nursery accessories |
| | Hot and Cold Beverage and Food Containers | Insulated water bottles, jugs, thermoses, drinkware, travel mugs and food containers |
| Health & Home | Healthcare | Thermometers, blood pressure monitors and humidifiers |
| | Water Filtration | Faucet mount water filtration systems and pitcher based water filtration systems |
| | Home Environment | Air purifiers, heaters, fans, humidifiers and dehumidifiers |
| Beauty | Appliances and Accessories | Hair, facial and skin care appliances, grooming brushes, tools and decorative hair accessories |
| | Personal Care | Liquid hair styling, treatment and conditioning products, shampoos, skin care products, fragrances, deodorants and antiperspirants |

Our Trademarks

We market products under a number of trademarks that we own and sell certain of our products under trademarks licensed from third parties. 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 partnerships 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.

The Beauty and Health & Home segments rely on 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.

The following table lists our key trademarks by segment:

| Segment | Owned | Licensed |
|---------------|---|--------------------------|
| Housewares | OXO, Good Grips, Hydro Flask, Soft Works, OXO tot | |
| Health & Home | PUR | Honeywell , Braun, Vicks |
| Beauty | Hot Tools, Brut, Pert, Sure, Infusium | Revlon, Bed Head |

Table of Contents

Patents and Other Intellectual Property

We maintain utility and design patents in the United States and several foreign countries. 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.

Sales and Marketing

We currently market our products in over 90 countries throughout the world. Sales within the United States comprised approximately 78%, 79% and 79% of total net sales revenue in fiscal 2019, 2018 and 2017, respectively. Our segments primarily sell their products through mass merchandisers, drugstore chains, warehouse clubs, home improvement stores, 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.

Research and Development

Our research and development activities focus on new, differentiated and innovative products designed to drive sustained organic growth. We continually invest to strengthen our product design and research and development capabilities, including extensive study to gain consumer insight. Research and development expenses consist primarily of salary and employee benefit expenses and contracted development and testing efforts associated with development of products.

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 and accessories, Housewares, Healthcare, Water Filtration, and Home Environment product categories. The North American region of the Personal Care category of the Beauty segment sources most of its products from U.S. manufacturers. For fiscal 2019, 2018 and 2017, finished goods manufactured by vendors in the Far East comprised approximately 74%, 74% and 71%, respectively, of total finished goods purchased.

In total, we occupy approximately 4,219,800 square feet of owned and leased distribution space in various locations to support our operations. These facilities include 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.

Customers

Sales to Walmart, Inc. (including its worldwide affiliates) accounted for approximately 16%, 17% and 17% of our consolidated net sales revenue in fiscal 2019, 2018 and 2017, respectively. Sales to Amazon.com Inc. accounted for approximately 16%, 13% and 10% of our consolidated net sales revenue in fiscal 2019, 2018 and 2017, respectively. Sales to Target Corporation accounted for approximately 10% of our consolidated net sales revenue in fiscal 2019, 2018 and 2017, respectively. No other customers accounted for 10% or more of consolidated net sales revenue during those fiscal years. Sales to our top five customers accounted for approximately 51%, 49% and 48% of our consolidated net sales revenue in fiscal 2019, 2018 and 2017, respectively.

Table of Contents

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.

Seasonality

SEASONALITY AS A PERCENTAGE
OF ANNUAL NET SALES REVENUE

| | Fiscal Years Ended | | |
|----------------------|--------------------|-------|-------|
| | February 28, | | |
| Fiscal Quarter Ended | 2019 | 2018 | 2017 |
| May | 22.7% | 22.0% | 22.2% |
| August | 25.2% | 23.3% | 23.8% |
| November | 27.6% | 28.5% | 29.3% |
| February | 24.6% | 26.2% | 24.7% |

Our sales 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.

Competitive Conditions

We sell our products in markets that are very competitive and mature. Our products compete against similar products of many large and small companies, including well-known global competitors. In many of the markets and industry segments in which we sell our products we compete against other branded products as well as retailers' private-label brands. 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. We support our products with advertising, promotions and other marketing activities, as well as an extensive sales force in order to build awareness and to encourage new consumers to try our brands and products. We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position. We believe these advantages allow us to bring our retailers a differentiated value proposition.

The following table summarizes our primary competitors by business segment:

| Segment | Competitor |
|---------------|---|
| Housewares | Lifetime Brands, Inc. (KitchenAid), Newell Brands Inc., Simple Human LLC, Yeti Holdings, Inc. (Yeti), Can't Live Without It, Inc. (S'well), Bradshaw Home, Inc. (BradshawHome), Hewy Wine Chillers, LLC (Corkcicle) |
| Health & Home | Exergen Corporation, Omron Healthcare, Inc., Crane Engineering, Newell Brands, Inc., Lasko Products, LLC., The Clorox Company (Brita), Zero Technologies, LLC, Vornado Air Circulation Systems, Dyson Ltd, Unilever (Blueair), Guardian Technologies LLC. |
| Beauty | Conair, Spectrum Brands Holdings Inc. (Remington), Newell Brands, Inc., The Procter & Gamble Company, Unilever N.V., Colgate-Palmolive Company |

Environmental and Health and Safety Matters

Our operations are subject to national, state, local, and provincial jurisdictions' environmental, health and safety laws and regulations. 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.

Additionally, an emerging trend with both governments and our retail customers is to prescribe public and private social accountability reporting requirements regarding our worldwide business activities. In our

6

Table of Contents

product space, some requirements have already been mandated and we believe others may become required. Examples of current requirements include conflict minerals content reporting, customer reporting of foreign fair labor practices in connection with our supply chain vendors, and evaluating the risks of human trafficking and slavery. We believe that we are in material compliance with these laws, regulations and other reporting requirements. Further, the cost of maintaining compliance has not had a material adverse effect on our business, consolidated results of operations and consolidated financial condition, nor do we expect it to do so in the foreseeable future. Due to the nature of our operations and the frequently changing nature of compliance and social reporting standards and technology, we cannot predict with any certainty that future material capital or operating expenditures will not be required in order to comply with applicable laws, regulations and other reporting mandates.

Employees

As of February 28, 2019, we employed approximately 1,500 full-time employees worldwide. We also use temporary, part-time and seasonal employees as needed. None of our U.S. employees are covered by a collective bargaining agreement. Certain of our employees in Europe are covered by collective arrangements or works council in accordance with local practice. We have never experienced a work stoppage, and we believe that we have satisfactory working relations with our employees.

Available Information

We maintain our main Internet site at: <http://www.helenoftroy.com>. The information contained on this website is not included as a part of, or incorporated by reference into, this report. We make available on or through our main website's Investor Relations page under the heading "SEC Filings" certain reports and amendments to those reports that we file with, or furnish to, the SEC in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statements on Schedule 14A, amendments to these reports, and the reports required under Section 16 of the Exchange Act of transactions in our common stock 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 our Code of Ethics, Corporate Governance Guidelines and the Charters of the Committees of the Board of Directors.

Table of Contents

Item 1A. Risk Factors

Carefully consider the risks described below and all of the other information included in our report on Form 10-K when deciding whether to invest in our securities or otherwise evaluating our business. If any of the following risks or other events or circumstances described elsewhere in this report materialize, our business, operating results or financial condition may suffer. In this case, the trading price of our common stock and the value of your investment might significantly decline. The risks listed below are not the only risks that we face. Additional risks unknown to us or that we currently believe are insignificant may also affect our business.

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. Further, our delivery process must often accommodate special vendor requirements to use specific carriers and delivery schedules. Failure to deliver products to our retailers in a timely and effective manner could damage our reputation and brands and result in loss of customers or reduced orders, which could have a material adverse effect on our business, operating results and financial condition.

Large customers may take actions that adversely affect our gross profit and operating results.

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 and term demands, and other conditions, which could negatively impact our business, operating results and financial condition.

In addition, the growth in e-commerce sales, both by large traditional retailers and pure-play online retailers, has increased the size and influence of these types of customers. 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, operating results 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 for the most part 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

Table of Contents

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 sustained economic downturn in the United States or any of the other countries in which we conduct significant business, may cause significant readjustments in both the volume and mix of our product sales, which could materially and adversely affect our business, operating results and financial condition.

Our operating results 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 operating results could suffer if we lost all or a portion of the sales to any one of these customers. In particular, sales to our two largest customers accounted for approximately 32% of our consolidated net sales revenue in fiscal 2019. While only three customers individually accounted for 10% or more of our consolidated net sales revenue in fiscal 2019, sales to our top five customers in aggregate accounted for approximately 51% of fiscal 2019 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 operating results. 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, operating results and financial condition.

Expectations regarding recent acquisitions, and any future acquisitions or divestitures, including our ability to realize related synergies, along with our ability to effectively integrate acquired businesses or disaggregate divested businesses, may adversely affect the price of our common stock.

We continue to look for opportunities to make strategic business and/or brand acquisitions. Additionally, we frequently evaluate our portfolio of business products and may consider divestitures or exits of businesses that we no longer believe to be an appropriate strategic fit, including the potential divestiture of our Personal Care business. Our financial results could be impacted in the event that changes in the cash flows or other market-based assumptions or conditions cause the value of acquired assets to fall below book value, or we are not able to deliver the expected benefits or synergies associated with acquisition transactions, which could also have an impact on associated goodwill and intangible assets. Any acquisition or divestiture, 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;
- challenges 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;
- challenges realizing anticipated cost savings, synergies and other benefits related to an acquisition;

Table of Contents

risks associated with subsequent losses or 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.

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 consists 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 analysis required by GAAP entails significant amounts of judgment and subjectivity.

We complete our analysis of the carrying value of our goodwill and other intangible assets during the fourth quarter of our 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. 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, operating results and financial condition, particularly if we are unable to hire and integrate suitable replacements on a timely basis. Further, as we continue to grow our business, we will continue to adjust our senior management team. If we are unable to attract or retain the right individuals for the team, it could hinder our ability to grow our business and could disrupt our operations or otherwise have a material adverse effect on our business.

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 we have operations and assets located outside the United States. We transact a portion of our 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

Table of Contents

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 in U.S. Dollars. The Chinese Renminbi has fluctuated against the U.S. Dollar in recent years. During fiscal 2019 the Chinese Renminbi strengthened against the U.S. dollar by approximately 6.0%. Chinese Renminbi currency fluctuations have the potential to add volatility to our product costs over time.

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 use derivative financial instruments including forward contracts, cross currency debt swaps and zero-cost collars to hedge against certain foreign currency exchange rate-risk inherent in our transactions denominated in currencies other than the U.S. Dollar. We enter into these types of agreements to partially mitigate our exposure to foreign currency exchange risk. It is not practical for us to hedge all our exposures, nor are we able to accurately project the possible effect of all foreign currency fluctuations on translated amounts or future net income 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 foreign currency exchange rate fluctuations on our results of operations cannot be accurately predicted. Accordingly, there can be no assurance that foreign currency exchange rates:

- will be stable in the future;
- can be mitigated with currency hedging or other risk management strategies; or
- will not have a material adverse effect on our business, operating results 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 and year to year.

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 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 wildfires, hurricanes and ice storms) or unusually severe winter weather may result in temporary unanticipated fluctuations in retail traffic and consumer demand, may impact our ability to staff our distribution facilities or could otherwise impede timely transport and delivery of products 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, operating results and financial condition.

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, operating results and financial condition.

All of our products are manufactured by unaffiliated companies, most of which are in the Far East, principally in China. For fiscal 2019, finished goods manufactured in the Far East comprised of approximately 74% of total finished goods purchased. 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, additional tariffs 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

Table of Contents

marketable rates, could have a material adverse effect on our business, operating results 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, operating results and financial condition.

Increased costs of raw materials and energy may adversely affect our operating results and cash flow.

Significant increases in the costs and availability of raw materials and energy may negatively affect our operating results. 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. Middle East tensions and related political instabilities may 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, which we may not be able to pass on to our customers. Our operating results could be adversely affected by future increases in these costs.

If significant tariffs or other restrictions are placed on imports from China or any retaliatory trade measures are taken by China, our business and results of operations could be materially and adversely affected.

We purchase our products from unaffiliated manufacturers, most of which are located in China, Mexico and the United States. This concentration exposes us to risks associated with doing business globally, including changes in tariffs. The Office of the United States Trade Representative identified certain Chinese imported goods for additional tariffs to address China's trade policies and practices. These tariffs could have a material adverse effect on our business and results of operations. Additionally, the Trump Administration continues to signal that it may alter trade agreements and terms between China and the United States, including limiting trade with China, imposing additional tariffs on imports from China and potentially imposing other restrictions on exports from China to the United States. Consequently, it is possible further and or higher tariffs will be imposed on products imported from foreign countries, including China, or that our business will be impacted by retaliatory trade measures taken by China or other countries in response to existing or future tariffs. This may cause us to raise prices or make changes to our operations, any of which could have a material adverse effect on our business and results of operations.

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.

Most of our U.S. distribution, receiving and storage functions are consolidated into two distribution facilities in northern Mississippi. Approximately 60% of our consolidated gross sales volume shipped from facilities in this region in fiscal 2019. For this reason, any disruption in our distribution process in either of these facilities, even for a few days, could adversely affect our business, operating results and financial condition.

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, operating results and financial condition.

Table of Contents

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 financial 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, related net income and cash flows. Our projections are based on management's best estimate of sales using historical sales data and other relevant information available at the time. These projections are highly subjective since sales to our customers can fluctuate substantially based on the demand of their retail consumers and related ordering patterns, as well as other risks described in this report. Additionally, changes in retailer inventory management strategies could make our inventory management more difficult. Due to these factors, our future sales and net income could vary materially from our projections.

We rely on licensed trademarks from 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, particularly in the Beauty and Health & Home segments. As a result, we are dependent upon the continued use of these trademarks.

Additionally, we license certain owned trademarks to third parties in exchange for royalty income. It is possible that certain actions taken by us, our 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, operating results 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. 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 competitive new products, it may have an adverse effect on our business, operating results and financial condition.

Our operating results may be adversely affected by trade barriers, exchange controls, expropriations, and other risks associated with domestic and 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. Additionally, there may be uncertainty resulting from recent political changes in the U.S. and abroad, the Brexit referendum in the United Kingdom (the "U.K."), ongoing terrorist activity, and other global events. The potential exit of the U.K. from European Union (the "EU") membership (commonly referred to as "Brexit") could cause disruptions to and create uncertainty surrounding our business, including affecting our relationships with our existing and future customers, suppliers and employees, which could have an adverse effect on our business, financial

Table of Contents

results and operations. These factors are outside of our control, but may nonetheless cause us to adjust our strategy in order to compete effectively in global markets.

The domestic and foreign risks of these changes include, 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 required infrastructure;
- inflation (including hyperinflation) or recession;
- changes in, and the burdens and costs of compliance with, a variety of U.S. and 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 domestic or international operations, and/or we could experience a substantial impairment or loss of assets, any of which could materially and adversely affect our business, operating results and financial condition.

Our liquidity may be materially adversely affected by constraints in the capital and credit markets and limitations under our financing arrangements.

We need sufficient sources of liquidity to fund our working capital requirements, service our outstanding indebtedness and finance business opportunities. Without sufficient liquidity, we could be forced to curtail our operations, or we may not be able to pursue business opportunities. The principal sources of our liquidity are funds generated from operating activities, available cash, credit facilities, and other debt arrangements. If our sources of liquidity do not satisfy our requirements, we may need to seek additional financing. The future availability of financing will depend on a variety of factors, such as economic and market conditions, the regulatory environment for banks and other financial institutions, the availability of credit and our reputation with potential lenders. Further, 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 us and our customer base. 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. These factors could materially adversely affect our liquidity, costs of borrowing and our ability to pursue business opportunities or grow our business, and threaten our ability to meet our obligations as they become due. In addition, covenants in our debt agreements could restrict or delay our ability to respond to business opportunities, or in the event of a failure to comply with such covenants, could result in an event of default, which if not cured or waived, could have a material adverse effect on us.

Table of Contents

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.

Our operations are largely dependent on our ERP system. We continuously make adjustments to improve the effectiveness of the ERP and other peripheral information systems, including the installation of significant new subsystems. 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.

Failure to maintain cybersecurity and the integrity of internal or customer data could have a material adverse effect on our operations and profitability and may result in faulty business decisions, operational inefficiencies, damage to our reputation and/or subject us to costs, fines, or lawsuits.

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 and data. While we have security measures in place, our systems and networks have been and will continue to be subject to ongoing threats. Therefore, our security measures may be breached as a result of employee error, failure to implement appropriate processes and procedures, advances in computer and software capabilities and encryption technology, new tools and discoveries, malfeasance, third-party action, including cyber-attacks or other international misconduct by computer hackers or otherwise. This could result in one or more third-parties obtaining unauthorized access to our customer or supplier data or our internal data, including personally identifiable information, intellectual property and other confidential business information. Third-parties may also attempt to fraudulently induce employees into disclosing sensitive information such as user names, passwords or other information in order to gain access to customer or supplier data or our internal data, including intellectual property and other confidential business information. Because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative or mitigation measures. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our network infrastructure or otherwise to maintain the confidentiality, security, and integrity of data that we store or otherwise maintain on behalf of third-parties may harm our reputation and our customer and consumer relationships.

If such unauthorized disclosure or access does occur, we may be required to notify our customers, consumers, or those persons whose information was improperly used, disclosed or accessed. We may also be subject to claims of breach of contract for such use or disclosure, investigation and penalties by regulatory authorities and potential claims by persons whose information was improperly used or disclosed. We could also become the subject of regulatory action or litigation from our consumers, customers, employees, suppliers, service providers, and shareholders, which could damage our reputation, require significant expenditures of capital and other resources, and cause us to lose business and revenue. Additionally, an unauthorized disclosure or use of information could cause interruptions in our operations and might require us to spend significant management time and other resources investigating the event and dealing with local and federal law enforcement. Regardless of the merits and ultimate outcome of these matters, we may be required to devote time and expense to their resolution. In addition, the increase in the number and the scope of data security incidents has increased regulatory and industry focus on security requirements and heightened data security industry practices. New

Table of Contents

regulation, evolving industry standards, and the interpretation of both, may cause us to incur additional expense in complying with any new data security requirements. As a result, the failure to maintain the integrity of and protect customer or supplier data or our internal data could have a material adverse effect on our business, operating results and financial condition.

Recent global legal developments regarding privacy and data security could result in changes to our business practices, penalties, increased cost of operations, or otherwise harm our business.

As a global company, we are subject to global privacy and data security laws, regulations, and codes of conduct that apply to our various business units. These laws and regulations may be inconsistent across jurisdictions and are subject to evolving and differing interpretations. Government regulators, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting our business.

Globally, new and emerging laws, such as the General Data Protection Regulation in Europe, state laws in the U.S. on privacy, data and related technologies, such as the California Consumer Privacy Act, as well as industry self-regulatory codes create new compliance obligations and expand the scope of potential liability, either jointly or severally with our customers and suppliers. While we have invested in readiness to comply with applicable requirements, these new and emerging laws, regulations and codes may affect our ability to reach current and prospective consumers, to respond to consumer requests under the laws (such as individual rights of access, correction, and deletion of their personal information), and to implement our business models effectively. The costs of compliance or failure to comply with such laws, regulations, codes of conduct and expectations could have a material adverse impact on our financial condition and 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, operating results 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, operating results and financial condition.

Our judgments regarding the accounting for tax positions and the resolution of tax disputes may impact our net earnings and cash flow.

Significant judgment is required to determine our effective tax rate and evaluate our tax positions. We provide for uncertain tax positions when such tax positions do not meet the recognition thresholds or

Table of Contents

measurement criteria prescribed by applicable accounting standards. Fluctuations in federal, state, local and foreign taxes or a change to uncertain tax positions, including related interest and penalties, may impact our effective tax rate and financial results. Additionally, we are subject to audits in the various taxing jurisdictions in which we conduct business. In cases where audits are conducted and issues are raised, a number of years may elapse before such issues are finally resolved. Unfavorable resolution of any tax matter could increase the effective tax rate, which could have an adverse effect on our operating results and cash flow. For additional information regarding our taxes, see Note 20 to the accompanying consolidated financial statements.

Changes in laws, including tax laws, and the costs and complexities of compliance with such laws could have a material 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.

As additional regulatory guidance is issued by the applicable taxing authorities, accounting treatment is clarified, we perform additional analysis on the application of the law, and we refine estimates in calculating the effect, our final analysis may be different from provisional amounts, which could materially affect our tax obligations and effective tax rate in the period completed.

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 our 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 together own more than 50 percent of the stock outstanding. A U.S. shareholder is defined as any U.S. person who owns directly, indirectly, or constructively: (1) 10 percent or more of the total combined voting power of all classes of stock, or (2) 10 percent or more of the total value of shares of all classes of stock. If the IRS or a court determined that we were a CFC at any time during the tax year, then each of our U.S. shareholders as defined above 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 deemed 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.

Legislation enacted in Bermuda and Barbados in response to the European Union’s review of harmful tax competition could adversely affect our operations.

In December 2017, the EU Economic and Financial Affairs Council (“ECOFIN”) released a list of non-cooperative jurisdictions for tax purposes. The stated aim of this list, and accompanying report, was to promote good governance worldwide in order to maximize efforts to prevent tax fraud and tax evasion. Our jurisdiction of organization is Bermuda and one of our subsidiaries is organized in Barbados, two of the countries identified in the ECOFIN report. As of the date of this report, Bermuda and Barbados are each listed on the “black list” of non-cooperative jurisdictions for tax purposes. Bermuda was listed on this “black list” of non-cooperative jurisdictions for having a tax regime that facilitates offshore structures which attract profits without real economic activity and failing to timely satisfy its commitment to remedy the shortcomings to the satisfaction of the EU. Barbados was listed on this “black list” of non-cooperative jurisdictions for

Table of Contents

having a “harmful preferential tax regime” and its attempts to amend or abolish such regime being unsatisfactory to the EU.

In connection with the release of the ECOFIN findings, Bermuda and Barbados each enacted legislation that requires certain entities engaged in “relevant activities” in Bermuda and Barbados to maintain a substantial economic presence in the country, and to satisfy economic substance requirements. The list of “relevant activities” in the respective statutes includes carrying on as a business any one or more of several enumerated activities, such as headquarters, shipping, distribution and service center, intellectual property and holding entities. Any entity that is required to satisfy economic substance requirements but fails to do so could face automatic disclosure to competent authorities in the EU of the information filed by any entity with the Bermuda Registrar of Companies and the Ministry of International Business and Industry in Barbados, as applicable, in connection with the economic substance requirements and may also face financial penalties, restriction or regulation of its business activities and/or may be struck off as a registered entity in Bermuda or Barbados.

As the local authorities have not released implementing guidelines, the impact of the foregoing legislation and developments is unclear, including whether additional or revised requirements may be enacted by Bermuda or Barbados in response to being included on the EU’s “black list” of non-cooperative jurisdictions for tax purposes. Accordingly, we cannot predict the effect of Bermuda’s or Barbados’s current or future economic substance requirements on our business, which may impact the manner and jurisdictions in which we operate, which could adversely affect our business, financial condition or results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of February 28, 2019, we own, lease or otherwise utilize through third-party management service agreements, a total of 38 properties worldwide, which include selling, procurement, research and development, administrative, distribution facilities, and 31 acres of land held for expansion. All properties operated by us are adequate for their intended purpose.

Properties we own by location, type and use, segment and approximate size are listed below:

| Location | Type and Use | Business Segment | Approximate Size (Square Feet) |
|--------------------------------|---|--------------------------------------|--------------------------------|
| Owned Properties | | | |
| El Paso, Texas, USA | Land & Building - U.S. Headquarters | All Segments | 135,000 |
| 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 and Beauty | 1,200,000 |
| Sheffield, England | Land & Building - Office Space | Housewares, Health & Home and Beauty | 10,400 |
| Mexico City, Mexico | Land & Building - Office Space | Health & Home and Beauty | 3,900 |

Table of Contents

The number of properties we lease or otherwise utilize by type and use and segment are listed below:

| Segments Served | Office Space | Distribution Facility | Total |
|-------------------|-----------------|--------------------------|-------|
| All Segments | 5 | 1 | 6 |
| Multiple Segments | — | 1 | 1 |
| Housewares | 5 | 6 | 11 |
| Health & Home | 4 | 1 | 5 |
| Beauty | 4 | 5 | 9 |
| Other | 18 | 14 | 32 |

Approximate square footage of all properties leased or otherwise utilized 232,900 1,311,800 1,544,700

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, operating results or liquidity. See Note 13 to the accompanying consolidated financial statements for a further discussion.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock is listed on the NASDAQ Global Select Market under symbol: HELE.

Approximate Number of Equity Security Holders of Record

Our common stock is our only class of equity security outstanding at February 28, 2019. As of April 22, 2019, there were 144 holders of record of our common stock. A substantially greater number of holders of our 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.

Issuer Purchases of Equity Securities

On May 10, 2017, our Board of Directors authorized the repurchase of up to \$400 million of our outstanding common stock. The authorization is effective until May 2020 and replaced our former repurchase authorization. As of February 28, 2019, our repurchase authorization allowed for the purchase of \$110.5 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 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. See Note 11 to the accompanying consolidated financial statements for additional information.

Our current equity-based compensation plans include provisions that allow for the "net exercise" of share settled awards by all plan participants. In a net exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from the option or other share-based award holders are settled by having the holder tender back to us a number of shares at fair value equal to the amounts due. Net exercises are treated as purchases and retirements of shares.

Table of Contents

Share repurchase activity during the three months ended February 28, 2019, was as follows:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands) (2) |
|--------------------------------------|--------------------------------------|------------------------------|--|---|
| December 1 through December 31, 2018 | 108 | \$122.22 | 108 | \$185,593 |
| January 1 through January 31, 2019 | 615,081 | 114.46 | 615,081 | 115,192 |
| February 1 through February 28, 2019 | 40,113 | 116.26 | 40,113 | 110,529 |
| Total | 655,302 | \$114.57 | 655,302 | |

The number of shares above includes shares of common stock acquired from employees who tendered shares to: 1) satisfy the tax withholding on equity awards as part of our long-term incentive plans or 2) satisfy the exercise price (1) on stock option exercises. For the three months ended February 28, 2019 and for the full year fiscal 2019, 554 and 59,024 shares were acquired from employees at a weighted average per share price of \$116.44 and \$91.70, respectively.

Reflects the remaining dollar value of shares that may yet be purchased under our Stock Repurchase Plan through (2) the end of February 28, 2019 as authorized by the Company's Board of Directors in May 2017. For additional information, see Note 11 to the accompanying consolidated financial statements.

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

| (in thousands, except share and per share data) | Fiscal Years Ended | | |
|--|--------------------|----------|----------|
| | February 28, | | |
| | 2019 | 2018 | 2017 |
| Common stock repurchased on the open market: | | | |
| Number of shares | 1,875,469 | 717,300 | 922,731 |
| Aggregate value of shares | \$212,080 | \$65,795 | \$75,000 |
| Average price per share | \$113.08 | \$91.73 | \$81.28 |
| Common stock received in connection with share-based compensation: | | | |
| Number of shares | 59,024 | 75,785 | 6,286 |
| Aggregate value of shares | \$5,413 | \$7,258 | \$595 |
| Average price per share | \$91.70 | \$95.77 | \$94.61 |

Table of Contents

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 February 28, 2014. 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.

Table of Contents

Item 6. Selected Financial Data

The selected consolidated statements of income and cash flow data for fiscal 2019, 2018 and 2017, and the selected consolidated balance sheet data as of the end of fiscal 2019 and 2018, have been derived from our audited consolidated financial statements included in this report. The selected consolidated statements of income and cash flow data for fiscal 2016 and 2015, and the selected consolidated balance sheet data as of the end of fiscal 2017, 2016 and 2015, 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. In December 2017, we sold our former Nutritional Supplements segment. The operating results of this segment are presented as discontinued operations for all applicable periods presented. Additional information related to the sale of our former Nutritional Supplement segment is included in Note 4 to the accompanying consolidated financial statements.

| (in thousands, except per share data) | 2019 ⁽¹⁾⁽²⁾ | 2018 ⁽¹⁾⁽²⁾⁽³⁾ | 2017 ⁽¹⁾⁽²⁾⁽³⁾ | 2016 ⁽¹⁾⁽²⁾⁽³⁾ | 2015 ⁽¹⁾⁽²⁾ |
|--|------------------------|---------------------------|---------------------------|---------------------------|------------------------|
| Income Statement Data: | | | | | |
| Housewares | \$523,807 | \$459,004 | \$418,558 | \$311,023 | 296,491 |
| Health & Home | 695,217 | 674,062 | 626,982 | 637,427 | 607,567 |
| Beauty | 345,127 | 345,779 | 351,995 | 434,943 | 430,912 |
| Sales revenue, net | 1,564,151 | 1,478,845 | 1,397,535 | 1,383,393 | 1,334,970 |
| Gross profit | 641,106 | 611,199 | 573,416 | 516,551 | 516,906 |
| Asset impairment charges | — | 15,447 | 2,900 | 6,000 | 9,000 |
| Restructuring charges | 3,586 | 1,857 | — | — | — |
| Operating income | 199,379 | 169,062 | 169,664 | 116,294 | 152,215 |
| Interest expense | 11,719 | 13,951 | 14,361 | 10,581 | 14,079 |
| Income tax expense | 13,776 | 26,556 | 11,407 | 13,021 | 12,332 |
| Income from continuing operations | 174,224 | 128,882 | 144,310 | 92,991 | 126,322 |
| Income (loss) from discontinued operations, net of tax | (5,679) | (84,436) | (3,621) | 8,237 | 4,842 |
| Net income | 168,545 | 44,446 | 140,689 | 101,228 | 131,164 |
| Earnings (loss) per share - basic | | | | | |
| Continuing operations | \$6.68 | \$4.76 | \$5.24 | \$3.29 | \$4.42 |
| Discontinued operations | (0.22) | (3.12) | (0.13) | 0.29 | 0.17 |
| Net income | \$6.46 | \$1.64 | \$5.11 | \$3.58 | \$4.59 |
| Earnings (loss) per share - diluted | | | | | |
| Continuing operations | \$6.62 | \$4.73 | \$5.17 | \$3.23 | \$4.35 |
| Discontinued operations | (0.22) | (3.10) | (0.13) | 0.29 | 0.17 |
| Net income | \$6.41 | \$1.63 | \$5.04 | \$3.52 | \$4.52 |
| Weighted average shares outstanding - basic | 26,073 | 27,077 | 27,522 | 28,273 | 28,579 |
| Weighted average shares outstanding - diluted | 26,303 | 27,254 | 27,891 | 28,749 | 29,035 |
| Cash Flow Data from Continuing Operations: | | | | | |
| Depreciation and amortization | \$29,927 | \$33,730 | \$36,175 | \$34,889 | \$34,213 |
| Net cash provided by operating activities ⁽³⁾ | 200,568 | 218,609 | 212,491 | 170,263 | 171,742 |
| Capital and intangible asset expenditures | 26,385 | 13,605 | 15,507 | 16,676 | 5,908 |
| Payments to acquire businesses, net of cash acquired | — | — | 209,267 | 43,150 | 195,943 |
| Net amounts borrowed (repaid) | 29,900 | (197,000) | (133,200) | 190,700 | 240,600 |

Table of Contents

| (in thousands) | 2019 ⁽¹⁾⁽²⁾ | 2018 ⁽¹⁾⁽²⁾⁽³⁾ | 2017 ⁽¹⁾⁽²⁾⁽³⁾ | 2016 ⁽¹⁾⁽²⁾⁽³⁾ | 2015 ⁽¹⁾⁽²⁾ |
|--|------------------------|---------------------------|---------------------------|---------------------------|------------------------|
| Balance Sheet Data from Continuing Operations: | | | | | |
| Working capital ⁽⁴⁾ | \$292,828 | \$258,222 | \$267,896 | \$487,861 | \$308,895 |
| Goodwill and other intangible assets | 893,846 | 905,235 | 938,324 | 762,879 | 746,542 |
| Total assets ⁽⁴⁾ | 1,649,535 | 1,623,717 | 1,616,235 | 1,639,673 | 1,444,163 |
| Long-term debt ⁽⁴⁾ | 318,900 | 287,985 | 461,211 | 600,107 | 411,307 |
| Stockholders' equity ⁽⁵⁾ | 996,637 | 1,014,459 | 1,020,766 | 930,043 | 904,565 |

We adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) in the first quarter of fiscal 2019 (1) and have reclassified amounts in the prior year's statements of income to conform to the current period's presentation. For additional information see Note 3 to the accompanying consolidated financial statements.

(2) In December 2017, we divested our former Nutritional Supplements segment, which is reported as discontinued operations. For additional information see Note 4 to the accompanying consolidated financial statements.

(3) Includes the material impact of new business acquisitions as follows:

Fiscal 2017 includes eleven and one-half months of operating results from the acquisition of Hydro Flask, acquired for a net cash purchase price of \$209.3 million. Fiscal 2018 and thereafter includes a full year of operating results.

Fiscal 2016 includes eleven months of operating results from the Vicks VapoSteam inhalant business acquired for a net cash purchase price of \$42.8 million. Fiscal 2017 and thereafter includes a full year of operating results.

(4) Fiscal 2016 and 2015 include certain reclassifications to conform with fiscal 2017 adopted accounting changes.

During fiscal 2019, 2018, 2017, 2016 and 2015, we repurchased and retired 1,934,493, 793,085, 929,017, (5) 1,244,090, and 4,174,093 shares of common stock having total cost of \$217.5, \$73.1, \$75.6, \$106.4, and \$278.4 million, respectively.

Information Regarding Forward-Looking Statements

Certain written and oral statements in this Form 10-K 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 may occur in the future, including statements related to sales, earnings per share ("EPS") 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. We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.

Table of Contents

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 in Item 1A., "Risk Factors," and in the section entitled "Information Regarding Forward-Looking Statements," preceding this MD&A, and in Item 7A., "Quantitative and Qualitative Disclosures About Market Risk." Throughout MD&A, we refer to our Leadership Brands, which are brands that have number-one and number-two positions in their respective categories and include OXO, Honeywell, Braun, PUR, Hydro Flask, Vicks, and Hot Tools.

This MD&A, including the tables under the headings "Operating income, operating margin, adjusted operating income (non-GAAP) and adjusted operating margin (non-GAAP) by segment" and "Income from continuing operations, diluted EPS from continuing operations, adjusted income from continuing operations (non-GAAP), and adjusted diluted EPS from continuing operations (non-GAAP)," respectively, reports operating income, operating margin, income from continuing operations and diluted earnings per share from continuing operations without the impact of non-cash asset impairment charges, restructuring charges, the TRU bankruptcy charge, the patent litigation charge, amortization of intangible assets, and non-cash share-based compensation for the periods presented, as applicable. These measures may be considered non-GAAP financial information as set forth in SEC Regulation G, Rule 100. The tables reconcile these measures to their corresponding GAAP-based measures presented in our condensed consolidated statements of income. We believe that adjusted operating income, adjusted operating margin, adjusted income from continuing operations, and adjusted diluted EPS from continuing operations provide useful information to management and investors regarding financial and business trends relating to our financial condition and results of operations. We believe that these non-GAAP financial measures, in combination with our financial results calculated in accordance with GAAP, provide investors with additional perspective regarding the impact of such charges on applicable income, margin and earnings per share measures. We also believe that these non-GAAP measures facilitate a more direct comparison of our performance to our competitors. We further believe that including the excluded charges would not accurately reflect the underlying performance of our continuing operations for the period in which the charges are incurred, even though such charges may be incurred and reflected in our GAAP financial results in the near future. The material limitation associated with the use of the non-GAAP financial measures is that the non-GAAP measures do not reflect the full economic impact of our activities. Our adjusted operating income, adjusted operating margin, adjusted income from continuing operations, and adjusted diluted EPS from continuing operations are not prepared in accordance with GAAP, are not an alternative to GAAP financial information and may be calculated differently than non-GAAP financial information disclosed by other companies. Accordingly, undue reliance should not be placed on non-GAAP information.

These measures are discussed further and reconciled to their applicable GAAP based measures contained in this MD&A beginning on page 35.

Overview

We are a leading global consumer products company offering creative products and solutions for our customers through a diversified portfolio of well-recognized and widely-trusted brands. We have built leading market positions through new product innovation, product quality and competitive pricing. We currently operate in three segments consisting of Housewares, Health & Home and Beauty.

In fiscal 2015, we launched a five-year transformational strategy designed to improve the performance of our business segments and strengthen our shared service capabilities. This strategy has driven our decisions on where we will operate and how we will achieve our goals in markets around the world. The

Table of Contents

overall design of our business and organizational plan is intended to create sustainable and profitable growth and improve organizational capability.

Fiscal 2019 marked the completion of Phase I of our multi-year transformation strategy, which delivered performance across a wide range of measures. We improved core sales growth by focusing on our Leadership Brands, made strategic acquisitions, became a more efficient operating company with strong global shared services, upgraded our organization and culture, improved inventory turns and return on invested capital, and returned capital to shareholders.

Fiscal 2020 begins Phase II of our transformation and is designed to drive the next five years of progress. The long-term objectives of Phase II include improved organic sales growth, continued margin expansion, and strategic and effective capital deployment. We expect Phase II will include continued investment in our Leadership Brands, with a focus on growing them through consumer-centric innovation, expanding them more aggressively outside the United States, and adding new brands through acquisition. We anticipate building further shared service capability and operating efficiency, as well as attracting, retaining, unifying and training the best people.

In fiscal 2018, we announced a restructuring plan (referred to as "Project Refuel") intended to enhance the performance primarily in the Beauty and former Nutritional Supplements segments. Project Refuel includes charges for a reduction-in-force and the elimination of certain contracts. During the first quarter of fiscal 2019, we expanded Project Refuel to include the realignment and streamlining of our supply chain structure. We are targeting total annualized profit improvements of approximately \$8.0 million to \$10.0 million over the duration of the plan. We estimate the plan to be completed during fiscal 2020 and expect to incur total restructuring charges of approximately \$7.0 million. Restructuring provisions are determined based on estimates prepared at the time the restructuring actions are approved by management and are revised periodically. See Note 12 to the accompanying consolidated financial statements for additional information.

Significant Trends Impacting the Business

Potential Impact of Tariffs

During fiscal 2019, the Office of the U.S. Trade Representative ("USTR") imposed additional tariffs on products imported from China. We purchase a high concentration of our products from unaffiliated manufacturers located in China. This concentration exposes us to risks associated with doing business globally, including changes in tariffs.

The tariff increases that have been implemented by the USTR began to impact our cost of goods sold in the third quarter of fiscal 2019. In total, the net unmitigated tariff impact that unfavorably impacted cost of sales during fiscal 2019 was approximately \$4.0 million. Our implemented pricing actions became partially effective during the fourth quarter of fiscal 2019 and will continue into the first quarter of fiscal 2020. This is due to the negotiation and notice periods involved in taking pricing actions with our retail customers. Although our pricing actions are intended to offset the full gross profit impact of tariff increases, there are no assurances that the pricing action will not reduce retail consumption or customer orders in the short-term.

Potential Impact of Brexit

The potential exit of the United Kingdom (the "U.K.") from European Union ("E.U.") membership (commonly referred to as "Brexit") could cause disruptions to and create uncertainty surrounding our business, including affecting our relationships with our existing and future customers, suppliers and employees, which could have an adverse effect on our business, financial results and operations. Negotiations are ongoing to determine the future terms of the U.K.'s relationship with the E.U., including the terms of trade between the U.K. and the E.U. The effects of Brexit will depend on any agreements the U.K. makes to retain access to E.U. markets either during a transitional period or more permanently. These measures could potentially disrupt the markets we serve and the tax jurisdictions in which we

Table of Contents

operate, adversely change tax benefits or liabilities in these or other jurisdictions, and cause us to lose customers, suppliers, and employees. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate.

Foreign Currency Exchange Rate Fluctuations

Due to the nature of our operations, we have exposure to the impact of fluctuations in exchange rates from transactions that are denominated in a currency other than our reporting currency (the U.S. Dollar). The most significant currencies affecting our operating results are the British Pound, Euro, Canadian Dollar, and Mexican Peso.

For fiscal 2019, changes in foreign currency exchange rates had an unfavorable impact on consolidated U.S. Dollar reported net sales revenue of approximately \$1.2 million, or 0.1%. For fiscal 2018, changes in foreign currency exchange rates had a favorable impact on consolidated U.S. Dollar reported net sales revenue of approximately \$5.2 million, or 0.4%.

Consumer Spending and Changes in Shopping Preferences

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. Approximately 78% of our consolidated net sales in fiscal 2019 were from U.S. shipments compared to 79% in fiscal 2018 and 2017.

Additionally, the shift in consumer shopping preferences to online or multichannel shopping experiences has shifted the concentration of our sales. For fiscal 2019, 2018 and 2017, our net sales to customers fulfilling end-consumer online orders and online sales directly to consumers comprised approximately 19%, 16% and 12%, respectively, of our total consolidated net sales revenue for each fiscal year and grew over 28% in fiscal 2019. With the continued growth in online sales across the retail landscape, many brick and mortar retailers are aggressively looking for ways to improve their customer delivery capabilities to be able to meet customer expectations. As a result, it will become increasingly important for us to leverage our distribution capabilities in order to meet the changing demands of our customers, as well as to increase our online capabilities to support our direct-to-consumer sales channels and online channel sales by our retail customers.

Variability of the Cough/Cold/Flu Season

Sales in several of our Health & Home segment categories are highly correlated to the severity of winter weather and cough/cold/flu incidence. In the U.S., the cough/cold/flu season historically runs from November through March, with peak activity normally in January to March. For the 2018-2019 season, fall and winter weather was generally milder than historical averages and cough/cold/flu incidence was significantly lower than the 2017-2018 season, which was an above average season.

Potential Sale Process of our Personal Care Business

On March 11, 2019, we announced that we are in the process of exploring the divestiture of our Personal Care business, a subset of our Beauty Segment. The Personal Care business includes liquid, powder and aerosol products under brands such as Pert, Brut, Sure and Infusium. This potential divestiture advances our strategy to focus our resources on our Leadership Brands.

Table of Contents

Results of Operations

The following table provides selected operating data, in U.S. Dollars, as a percentage of net sales revenue, and as a year-over-year percentage change.

| (in thousands) | Fiscal Years Ended February 28, | | | % of Sales Revenue, net | | | % Change | |
|--|---------------------------------|------------------------|------------------------|-------------------------|---------|---------|----------|----------|
| | 2019 ⁽¹⁾ | 2018 ⁽¹⁾⁽³⁾ | 2017 ⁽¹⁾⁽³⁾ | 2019 | 2018 | 2017 | 19/18 | 18/17 |
| Sales revenue by segment, net | | | | | | | | |
| Housewares | \$523,807 | \$459,004 | \$418,558 | 33.5 % | 31.0 % | 29.9 % | 14.1 % | 9.7 % |
| Health & Home | 695,217 | 674,062 | 626,982 | 44.4 % | 45.6 % | 44.9 % | 3.1 % | 7.5 % |
| Beauty | 345,127 | 345,779 | 351,995 | 22.1 % | 23.4 % | 25.2 % | (0.2) % | (1.8) % |
| Total sales revenue, net | 1,564,151 | 1,478,845 | 1,397,535 | 100.0 % | 100.0 % | 100.0 % | 5.8 % | 5.8 % |
| Cost of goods sold | 923,045 | 867,646 | 824,119 | 59.0 % | 58.7 % | 59.0 % | 6.4 % | 5.3 % |
| Gross profit | 641,106 | 611,199 | 573,416 | 41.0 % | 41.3 % | 41.0 % | 4.9 % | 6.6 % |
| Selling, general and administrative expense (SG&A) | 438,141 | 424,833 | 400,852 | 28.0 % | 28.7 % | 28.7 % | 3.1 % | 6.0 % |
| Asset impairment charges | — | 15,447 | 2,900 | — % | 1.0 % | 0.2 % | * | * |
| Restructuring charges | 3,586 | 1,857 | — | 0.2 % | 0.1 % | — % | 93.1 % | * |
| Operating income | 199,379 | 169,062 | 169,664 | 12.7 % | 11.4 % | 12.1 % | 17.9 % | (0.4) % |
| Nonoperating income, net | 340 | 327 | 414 | — % | — % | — % | 4.0 % | (21.0) % |
| Interest expense | (11,719) | (13,951) | (14,361) | (0.7) % | (0.9) % | (1.0) % | (16.0) % | (2.9) % |
| Income before income tax | 188,000 | 155,438 | 155,717 | 12.0 % | 10.5 % | 11.1 % | 20.9 % | (0.2) % |
| Income tax expense | 13,776 | 26,556 | 11,407 | 0.9 % | 1.8 % | 0.8 % | (48.1) % | 132.8 % |
| Income from continuing operations | 174,224 | 128,882 | 144,310 | 11.1 % | 8.7 % | 10.3 % | 35.2 % | (10.7) % |
| Loss from discontinued operations ⁽²⁾ | (5,679) | (84,436) | (3,621) | (0.4) % | (5.7) % | (0.3) % | (93.3) % | * |
| Net income | \$168,545 | \$44,446 | \$140,689 | 10.8 % | 3.0 % | 10.1 % | 279.2 % | (68.4) % |

We adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) in the first quarter of fiscal 2019 (1) and have reclassified amounts in the prior years' statements of income to conform to the current period's presentation. For additional information see Note 3 to the accompanying consolidated financial statements.

During fiscal 2018, we divested our Nutritional Supplements segment, which is reported as discontinued operations (2) for all periods presented. For additional information see Note 4 to the accompanying consolidated financial statements.

Fiscal 2017 includes eleven and one-half months of operating results for Hydro Flask, acquired on March 18, 2016. (3) Fiscal 2018 includes a full year of operating results for Hydro Flask. For additional information see Note 7 to the accompanying consolidated financial statements.

* Calculation is not meaningful.

Table of Contents

Fiscal 2019 Financial Results

Consolidated net sales revenue increased 5.8%, or \$85.3 million, to \$1,564.2 million in fiscal 2019 compared to \$1,478.8 million in fiscal 2018.

Consolidated operating income increased 17.9%, or \$30.3 million, to \$199.4 million in fiscal 2019 compared to \$169.1 million in fiscal 2018. Consolidated operating margin increased 1.3 percentage points to 12.7% of consolidated net sales revenue in fiscal 2019 compared to 11.4% in fiscal 2018. Fiscal 2019 includes pre-tax restructuring charges of \$3.6 million related to Project Refuel. Consolidated operating income for fiscal 2018 included pre-tax non-cash impairment charges of \$15.4 million, a pre-tax charge of \$3.6 million related to the bankruptcy of Toys "R" Us ("TRU"), and pre-tax restructuring charges of \$1.9 million.

Consolidated adjusted operating income increased 6.9%, or \$15.3 million, to \$239.2 million in fiscal 2019 compared to \$223.9 million in fiscal 2018. Consolidated adjusted operating margin increased 0.2 percentage points to 15.3% of consolidated net sales revenue in fiscal 2019 compared to 15.1% in fiscal 2018.

Income from continuing operations increased 35.2%, or \$45.3 million, to \$174.2 million in fiscal 2019 compared to \$128.9 million in fiscal 2018. Diluted earnings per share ("EPS") from continuing operations increased 40.0% to \$6.62 in fiscal 2019 compared to \$4.73 in fiscal 2018.

Adjusted income from continuing operations increased 7.5% to \$212.1 million in fiscal 2019, compared to \$197.2 million in fiscal 2018. Adjusted diluted EPS from continuing operations increased 11.3% to \$8.06 in fiscal 2019 compared to \$7.24 in fiscal 2018.

On December 20, 2017, we completed the divestiture of the Nutritional Supplements segment through the sale of Healthy Directions LLC and its subsidiaries to Direct Digital, LLC. Following the sale, we no longer consolidate our former Nutritional Supplements segment's operating results. The Nutritional Supplements segment's operating results are included in our financial statements and classified within discontinued operations. Loss from discontinued operations, net of tax, decreased to \$5.7 million in fiscal 2019, compared to \$84.4 million in fiscal 2018. Diluted loss per share from discontinued operations was \$0.22 in fiscal 2019 compared to \$3.10 in fiscal 2018. Fiscal 2018 included after tax non-cash asset impairment charges of \$83.5 million. For additional information, see Note 4 to the accompanying consolidated financial statements.

Net income was \$168.5 million in fiscal 2019 compared to \$44.4 million in fiscal 2018. Diluted EPS was \$6.41 in fiscal 2019 compared to \$1.63 in fiscal 2018.

Table of Contents

Fiscal 2018 Financial Results

Consolidated net sales revenue increased 5.8%, or \$81.3 million, to \$1,478.8 million in fiscal 2018 compared to \$1,397.5 million in fiscal 2017.

Consolidated operating income decreased 0.4%, or \$0.6 million, to \$169.1 million in fiscal 2018 compared to \$169.7 million in fiscal 2017. Consolidated operating margin decreased 0.7 percentage points to 11.4% of consolidated net sales revenue in fiscal 2018 compared to 12.1% in fiscal 2017. Fiscal 2018 included pre-tax non-cash impairment charges of \$15.4 million, a pre-tax charge of \$3.6 million related to the bankruptcy of TRU, and pre-tax restructuring charges of \$1.9 million. Fiscal 2017 included a non-cash asset impairment charge of \$2.9 million and a patent litigation charge of \$1.5 million.

Consolidated adjusted operating income increased 6.6%, or \$14.0 million, to \$223.9 million in fiscal 2018 compared to \$209.9 million in fiscal 2017. Consolidated adjusted operating margin increased 0.1 percentage points to 15.1% of consolidated net sales revenue in fiscal 2018 compared to 15.0% in fiscal 2017.

Income from continuing operations decreased 10.7%, or \$15.4 million, to \$128.9 million in fiscal 2018 compared to \$144.3 million in fiscal 2017. Diluted EPS from continuing operations decreased 8.5% to \$4.73 in fiscal 2018 compared to \$5.17 in fiscal 2017.

Adjusted income from continuing operations increased 9.0% to \$197.2 in fiscal 2018, compared to \$180.9 in fiscal 2017. Adjusted diluted EPS from continuing operations increased 11.6% to \$7.24 in fiscal 2018 compared to \$6.49 in fiscal 2017.

Loss from discontinued operations, net of tax, increased to \$84.4 million in fiscal 2018, compared to \$3.6 million in fiscal 2017. Fiscal 2018 includes after tax non-cash asset impairment charges of \$83.5 million. Fiscal 2017 includes after tax non-cash asset impairment charges of \$5.9 million. Diluted loss per share from discontinued operations was \$3.10 in fiscal 2018 compared to \$0.13 in fiscal 2017.

Net income was \$44.4 million in fiscal 2018 versus \$140.7 million in fiscal 2017. Diluted EPS was \$1.63 in fiscal 2018 compared to \$5.04 in fiscal 2017.

Table of Contents

Consolidated and Segment Net Sales

The following table summarizes the impact that acquisitions and foreign currency had on our net sales revenue by segment:

| (in thousands) | Fiscal Year Ended February 28, | | | |
|---|--------------------------------|---------------|-----------|-------------|
| | Housewares | Health & Home | Beauty | Total |
| Fiscal 2018 sales revenue, net ⁽¹⁾ | \$459,004 | \$674,062 | \$345,779 | \$1,478,845 |
| Core business | 64,886 | 21,061 | 572 | 86,519 |
| Impact of foreign currency | (83) | 94 | (1,224) | (1,213) |
| Change in sales revenue, net | 64,803 | 21,155 | (652) | 85,306 |
| Fiscal 2019 sales revenue, net ⁽¹⁾ | \$523,807 | \$695,217 | \$345,127 | \$1,564,151 |
| Total net sales revenue growth | 14.1 | % 3.1 | % (0.2) | % 5.8 % |
| Core business | 14.1 | % 3.1 | % 0.2 | % 5.9 % |
| Impact of foreign currency | — | % — | % (0.4) | % (0.1) % |

| (in thousands) | Fiscal Year Ended February 28, | | | |
|---|--------------------------------|---------------|-----------|-------------|
| | Housewares | Health & Home | Beauty | Total |
| Fiscal 2017 sales revenue, net ⁽¹⁾ | \$418,558 | \$626,982 | \$351,995 | \$1,397,535 |
| Core business | 34,222 | 43,181 | (7,421) | 69,982 |
| Impact of foreign currency | 76 | 3,899 | 1,205 | 5,180 |
| Acquisitions ⁽²⁾ | 6,148 | — | — | 6,148 |
| Change in sales revenue, net | 40,446 | 47,080 | (6,216) | 81,310 |
| Fiscal 2018 sales revenue, net ⁽¹⁾ | \$459,004 | \$674,062 | \$345,779 | \$1,478,845 |
| Total net sales revenue growth | 9.7 | % 7.5 | % (1.8) | % 5.8 % |
| Core business | 8.2 | % 6.9 | % (2.1) | % 5.0 % |
| Impact of foreign currency | — | % 0.6 | % 0.3 | % 0.4 % |
| Acquisitions | 1.5 | % — | % — | % 0.4 % |

We adopted ASU 2014-09 in the first quarter of fiscal 2019 and have reclassified amounts in the prior years' (1) statements of income to conform to the current period's presentation. For additional information see Note 3 to the accompanying consolidated financial statements.

(2) Includes approximately one-half month of incremental operating results for Hydro Flask, which was acquired on March 18, 2016. For additional information see Note 7 to the accompanying consolidated financial statements.

In the above tables core business refers to our net sales revenue associated with product lines or brands after the first twelve months from the date the product line or brand is acquired, excluding the impact that foreign currency re-measurement had on reported net sales. Net sales revenue from internally developed brands or product lines is considered core business activity.

Leadership Brand and Other Net Sales

The following tables summarizes our leadership brand and other net sales:

| (in thousands) | Fiscal Years Ended February 28, | | | \$ Change | | % Change | |
|-------------------------------------|---------------------------------|-------------|-------------|-----------|-----------|----------|--------|
| | 2019 | 2018 | 2017 | 19/18 | 18/17 | 19/18 | 18/17 |
| Leadership Brand sales revenue, net | \$1,243,600 | \$1,142,183 | \$1,044,208 | \$101,417 | \$97,975 | 8.9 % | 9.4 % |
| All other sales revenue, net | 320,551 | 336,662 | 353,327 | (16,111) | (16,665) | (4.8)% | (4.7)% |

| | | | | | | | |
|--------------------------|-------------|-------------|-------------|----------|----------|-------|-------|
| Total sales revenue, net | \$1,564,151 | \$1,478,845 | \$1,397,535 | \$85,306 | \$81,310 | 5.8 % | 5.8 % |
|--------------------------|-------------|-------------|-------------|----------|----------|-------|-------|

Table of Contents

Consolidated Net Sales Revenue

Comparison of Fiscal 2019 to 2018

Consolidated net sales revenue increased \$85.3 million, or 5.8%, to \$1,564.2 million in fiscal 2019 compared to \$1,478.8 million in fiscal 2018. Growth in consolidated net sales was primarily driven by a core business increase of \$86.5 million, or 5.9%, primarily due to overall point of sale growth in the brick and mortar channel, incremental distribution, growth in online sales, increased international sales, and new product introductions. This growth was partially offset by a consumption decline in the Personal Care category, the discontinuation of certain brands and products within our Beauty segment and the unfavorable impact from foreign currency fluctuations of approximately \$1.2 million, or 0.1%.

Net sales from our Leadership Brands were \$1,243.6 million in fiscal 2019, compared to \$1,142.2 million in fiscal 2018, representing a growth of 8.9%.

Comparison of Fiscal 2018 to 2017

Consolidated net sales revenue increased \$81.3 million, or 5.8%, to \$1,478.8 million in fiscal 2018, compared to \$1,397.5 million in fiscal 2017. Growth in consolidated net sales was primarily driven by:
• a core business increase of \$70.0 million, or 5.0%, primarily due to new product introductions, online customer growth, incremental distribution and growth in international sales;
• growth from acquisitions of \$6.1 million or 0.4%; and
• the favorable impact from foreign currency fluctuations of approximately \$5.2 million, or 0.4%.

These factors were partially offset by a consumption decline in the Personal Care category and the impact of lower store traffic and soft consumer spending at traditional brick and mortar retail.

Net sales from our Leadership Brands were \$1,142.2 million in fiscal 2018, compared to \$1,044.2 million in fiscal 2017, representing growth of 9.4%.

Segment Net Sales Revenue

Housewares

Comparison of Fiscal 2019 to 2018

Net sales revenue in the Housewares segment increased \$64.8 million, or 14.1%, to \$523.8 million in fiscal 2019, compared to \$459.0 million in fiscal 2018. Growth was primarily driven by a core business increase of \$64.9 million, or 14.1%, due to point of sale growth with existing customers, an increase in online sales, higher sales in the club channel, and new product introductions. These factors were partially offset by lower closeout sales.

Comparison of Fiscal 2018 to 2017

Net sales revenue in the Housewares segment increased \$40.4 million, or 9.7%, to \$459.0 million in fiscal 2018, compared to \$418.6 million in fiscal 2017. Growth was primarily driven by:
• a core business increase of \$34.2 million, or 8.2%, due to an increase in online sales, incremental distribution with existing customers, expanded international and U.S. distribution, new product introductions for both the Hydro Flask and OXO brands, increased marketing investments and promotional activity, and higher sales in the discount channel; and
• growth from acquisitions of \$6.1 million, or 1.5%, representing an incremental one-half month of operating results from Hydro Flask in fiscal 2018, compared to fiscal 2017.

These factors were partially offset by lower store traffic and soft consumer spending at traditional brick and mortar retail and the unfavorable comparative impact of retail pipeline fill and strong sales into the club channel in the prior year period.

Table of Contents

Health & Home

Comparison of Fiscal 2019 to 2018

Net sales revenue in the Health & Home segment increased \$21.2 million, or 3.1%, to \$695.2 million in fiscal 2019 compared to \$674.1 million in fiscal 2018. Growth was driven by a core business increase of 3.1%, primarily due to higher sales of seasonal products and growth in international sales. These factors were partially offset by an unfavorable comparison to fiscal 2018, which benefited from strong cough/cold/flu incidence along with unseasonably cold fall and winter weather. Net foreign currency fluctuations were not meaningful.

Comparison of Fiscal 2018 to 2017

Net sales revenue in the Health & Home segment increased \$47.1 million, or 7.5%, to \$674.1 million in fiscal 2018 compared to \$627.0 million in fiscal 2017. Growth was primarily driven by a core business increase of 6.9%, which benefited from strong cough/cold/flu incidence along with unseasonably cold fall and winter weather, compared to below average cough/cold/flu incidence and milder weather in the same period last year. Growth was also driven by an increase in online sales, incremental distribution and shelf space gains with existing customers, and an increase in international sales. Core business sales increases were partially offset by lower sales into the club channel and lower royalty revenue. Foreign currency fluctuations had a favorable impact on total segment sales of approximately \$3.9 million, or 0.6%.

Beauty

Comparison of Fiscal 2019 to 2018

Net sales revenue in the Beauty segment decreased \$0.7 million, or 0.2%, to \$345.1 million in fiscal 2019 compared to \$345.8 million in fiscal 2018. Segment net sales were unfavorably impacted by net foreign currency fluctuations of approximately \$1.2 million, or 0.4%. Core business revenue increased by 0.2%, reflecting growth in the online channel, new product introductions in the retail appliance category, and an increase in international sales, which was partially offset by a decline in brick and mortar sales, the discontinuation of certain brands and products and a decrease in the Personal Care category.

Comparison of Fiscal 2018 to 2017

Net sales revenue in the Beauty segment decreased \$6.2 million, or 1.8%, to \$345.8 million in fiscal 2018 compared to \$352.0 million in fiscal 2017. The decrease was primarily driven by a decline in the Personal Care category, which was partially offset by solid growth in both retail and professional appliance sales, particularly to online retail customers. Segment net sales were favorably impacted by foreign currency fluctuations of approximately \$1.2 million, or 0.3%.

Gross Profit Margin

Comparison of Fiscal 2019 to 2018

Consolidated gross profit margin decreased 0.3 percentage points to 41.0% in fiscal 2019, compared to 41.3% in fiscal 2018. The decrease in consolidated gross profit margin is primarily due to less favorable channel and product mix, a higher mix of shipments made on a direct import basis, and the impact of tariff increases, partially offset by the favorable margin impact from growth in our Leadership Brands.

Comparison of Fiscal 2018 to 2017

Consolidated gross profit margin increased 0.3 percentage points to 41.3% in fiscal 2018, compared to 41.0% in fiscal 2017. The increase in consolidated gross profit margin is primarily due to the favorable impact from growth in our Leadership Brands, a higher margin product mix and the favorable impact from foreign currency fluctuations. These factors were partially offset by a less favorable channel mix and higher promotional spending.

Table of Contents

Selling General and Administrative Expense

Comparison of Fiscal 2019 to 2018

Consolidated SG&A ratio decreased 0.7 percentage points to 28.0% in fiscal 2019, compared to 28.7% in fiscal 2018.

The decrease in the consolidated SG&A ratio was primarily due to:

- lower amortization expense;
- the favorable impact from foreign currency exchange and forward contract settlements
- the favorable comparative impact of a \$3.6 million charge related to the bankruptcy of TRU in the same period last year;
- the favorable impact of a higher mix of shipments made on a direct import basis; and
- the impact that higher overall net sales had on operating leverage.

These factors were partially offset by:

- higher advertising expense;
- higher share-based compensation expense; and
- higher freight expense.

Comparison of Fiscal 2018 to 2017

Consolidated SG&A ratio remained flat at 28.7% in fiscal 2018 and 2017. Fiscal 2018 included a \$3.6 million charge related to the bankruptcy of TRU, higher overall marketing, advertising and new product development expense in support of our Leadership Brands and an unfavorable impact from foreign currency exchange and forward contract settlements. These factors were offset by the favorable comparison from a \$1.5 million patent litigation charge in fiscal 2017, improved distribution and logistics efficiency and lower outbound freight expense, and the favorable impact that higher overall sales had on operating leverage.

Asset Impairment Charges

Fiscal 2019

We did not record any asset impairment charges in fiscal 2019.

Fiscal 2018

As a result of our interim and annual testing of indefinite-lived trademarks, we recorded non-cash asset impairment charges of \$15.4 million (\$13.8 million after tax) in continuing operations. The charges were related to certain trademarks in our Beauty segment.

Fiscal 2017

As a result of our testing of indefinite-lived trademarks, we recorded non-cash asset impairment charges of \$2.9 million (\$2.5 million after tax) in continuing operations. These charges were related to certain trademarks in our Beauty segment.

Restructuring Charges

Fiscal 2019

We incurred \$3.6 million of pre-tax restructuring costs related to employee severance and termination benefits under Project Refuel. During fiscal 2019, we made total cash restructuring payments of \$3.1 million and had a remaining liability of \$1.2 million as of February 28, 2019.

Fiscal 2018

We incurred \$1.9 million of pre-tax restructuring costs related to employee severance and termination benefits and contract termination costs under Project Refuel. During fiscal 2018, we made cash restructuring payments of \$1.3 million and had a remaining liability of \$0.5 million as of February 28, 2018.

Table of Contents

Fiscal 2017

We did not record any restructuring charges in fiscal 2017.

Table of Contents

Operating income, operating margin, adjusted operating income (non-GAAP), and adjusted operating margin (non-GAAP) by segment

In order to provide a better understanding of the impact of certain items on our operating income, the below tables report the comparative after tax impact of non-cash asset impairment charges, restructuring charges, patent litigation charges, the TRU bankruptcy charge, amortization of intangible assets, and non-cash share-based compensation, as applicable, on operating income and operating margin for each segment and in total for the periods covered below. Adjusted operating income and adjusted operating margin may be considered non-GAAP financial measures as contemplated by SEC regulation G, Rule 100. For additional information regarding management's decision to present this non-GAAP financial information, see the introduction to this Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operation."

| | Fiscal Year Ended February 28, 2019 | | | | | | | | | |
|--------------------------------------|-------------------------------------|--------|---------------|--------|-----------|--------|------------|--------|---|-----|
| (In thousands) | Housewares | | Health & Home | | Beauty | | Total | | | |
| Operating income, as reported (GAAP) | \$ 100,743 | 19.2 % | \$ 68,448 | 9.8 % | \$ 30,188 | 8.7 % | \$ 199,379 | 12.7 % | | |
| Asset impairment charges | — | — % | — | — % | — | — % | — | — % | — | — % |
| Restructuring charges | 926 | 0.2 % | 686 | 0.1 % | 1,974 | 0.6 % | 3,586 | 0.2 % | | |
| TRU bankruptcy charge | — | — % | — | — % | — | — % | — | — % | — | — % |
| Subtotal | 101,669 | 19.4 % | 69,134 | 9.9 % | 32,162 | 9.3 % | 202,965 | 13.0 % | | |
| Amortization of intangible assets | 1,980 | 0.4 % | 10,925 | 1.6 % | 1,299 | 0.4 % | 14,204 | 0.9 % | | |
| Non-cash share-based compensation | 7,974 | 1.5 % | 9,204 | 1.3 % | 4,875 | 1.4 % | 22,053 | 1.4 % | | |
| Adjusted operating income (non-GAAP) | \$ 111,623 | 21.3 % | \$ 89,263 | 12.8 % | \$ 38,336 | 11.1 % | \$ 239,222 | 15.3 % | | |
| | Fiscal Year Ended February 28, 2018 | | | | | | | | | |
| (In thousands) | Housewares ⁽¹⁾ | | Health & Home | | Beauty | | Total | | | |
| Operating income, as reported (GAAP) | \$ 89,319 | 19.5 % | \$ 62,099 | 9.2 % | \$ 17,644 | 5.1 % | \$ 169,062 | 11.4 % | | |
| Asset impairment charges | — | — % | — | — % | 15,447 | 4.5 % | 15,447 | 1.0 % | | |
| Restructuring charges | 220 | — % | — | — % | 1,637 | 0.5 % | 1,857 | 0.1 % | | |
| TRU bankruptcy charge | 956 | 0.2 % | 2,640 | 0.4 % | — | — % | 3,596 | 0.2 % | | |
| Subtotal | 90,495 | 19.7 % | 64,739 | 9.6 % | 34,728 | 10.0 % | 189,962 | 12.8 % | | |
| Amortization of intangible assets | 2,226 | 0.5 % | 11,101 | 1.6 % | 5,527 | 1.6 % | 18,854 | 1.3 % | | |
| Non-cash share-based compensation | 4,701 | 1.0 % | 5,721 | 0.8 % | 4,632 | 1.3 % | 15,054 | 1.0 % | | |
| Adjusted operating income (non-GAAP) | \$ 97,422 | 21.2 % | \$ 81,561 | 12.1 % | \$ 44,887 | 13.0 % | \$ 223,870 | 15.1 % | | |
| | Fiscal Year Ended February 28, 2017 | | | | | | | | | |
| (In thousands) | Housewares ⁽¹⁾ | | Health & Home | | Beauty | | Total | | | |
| Operating income, as reported (GAAP) | \$ 89,020 | 21.3 % | \$ 51,072 | 8.1 % | \$ 29,572 | 8.4 % | \$ 169,664 | 12.1 % | | |
| Asset impairment charges | — | — % | — | — % | 2,900 | 0.8 % | 2,900 | 0.2 % | | |
| Patent litigation charge | — | — % | 1,468 | 0.2 % | — | — % | 1,468 | 0.1 % | | |
| Subtotal | 89,020 | 21.3 % | 52,540 | 8.3 % | 32,472 | 9.2 % | 174,032 | 12.4 % | | |
| Amortization of intangible assets | 2,643 | 0.6 % | 13,663 | 2.2 % | 5,718 | 1.6 % | 22,024 | 1.6 % | | |
| Non-cash share-based compensation | 3,409 | 0.8 % | 5,449 | 0.9 % | 5,003 | 1.4 % | 13,861 | 1.0 % | | |
| Adjusted operating income (non-GAAP) | \$ 95,072 | 22.7 % | \$ 71,652 | 11.4 % | \$ 43,193 | 12.3 % | \$ 209,917 | 15.0 % | | |

(1) Fiscal 2017 includes eleven and one-half months of incremental operating results for Hydro Flask, acquired on March 18, 2016. Fiscal 2018 includes a full year of operating results for Hydro Flask.

Table of Contents

Consolidated Operating Income

Comparison of Fiscal 2019 to 2018

Consolidated operating income was \$199.4 million, or 12.7% of net sales, in fiscal 2019, compared to consolidated operating income of \$169.1 million, or 11.4% of net sales, in fiscal 2018. Fiscal 2019 includes pre-tax restructuring charges of \$3.6 million associated with Project Refuel. Fiscal 2018 included pre-tax non-cash asset impairment charges of \$15.4 million, a \$3.6 million charge related to the TRU bankruptcy and pre-tax restructuring charges of \$1.9 million. The effect of these items in both years favorably impacted the year-over-year comparison of operating margin by a combined 1.1 percentage points. The remaining improvement in fiscal 2019 consolidated operating margin was driven by:

- a higher mix of Leadership Brand sales at a higher operating margin;
- lower amortization expense; and
- the favorable impact of increased operating leverage from net sales growth.

These factors were partially offset by:

- a less favorable channel and product mix;
- higher advertising expense;
- the impact of tariff increases; and
- higher share-based compensation expense.

Consolidated adjusted operating income increased 6.9%, or \$15.4 million, to \$239.2 million in fiscal 2019 compared to \$223.9 million in fiscal 2018. Consolidated adjusted operating margin increased 0.2 percentage points to 15.3% of consolidated net sales revenue in fiscal 2019, compared to 15.1% in fiscal 2018.

Comparison of Fiscal 2018 to 2017

Consolidated operating income was \$169.1 million in fiscal 2018 compared to \$169.7 million in fiscal 2017. Consolidated operating margin was 11.4% in fiscal 2018 compared to 12.1% in fiscal 2017. Fiscal 2018 included pre-tax non-cash asset impairment charges totaling \$15.4 million, a \$3.6 million charge related to the TRU bankruptcy and pre-tax restructuring charges of \$1.9 million associated with Project Refuel. Fiscal 2017 included pre-tax non-cash asset impairment charges of \$2.9 million and a patent litigation charge of \$1.5 million. The effect of these items in both years unfavorably impacted the year-over-year comparison of operating margin by a combined 1.0 percentage point. The remaining improvement in fiscal 2018 consolidated operating margin primarily reflects:

- a higher mix of Leadership Brand sales at a higher operating margin;
- improved distribution and logistics efficiency and lower outbound freight costs; and
- the favorable impact that higher overall net sales had on operating leverage.

These factors were partially offset by higher marketing, advertising and new product development expense in support of our Leadership Brands and the unfavorable impact from foreign currency exchange and forward contract settlements.

Consolidated adjusted operating income increased 6.6% to \$223.9 million in fiscal 2018 compared to \$209.9 million in fiscal 2017. Consolidated adjusted operating margin increased 0.1 percentage point to 15.1% in fiscal 2018 compared to 15.0% in fiscal 2017.

Table of Contents

Housewares

Comparison of Fiscal 2019 to 2018

Housewares fiscal 2019 operating income was \$100.7 million, or 19.2% of segment net sales, compared to \$89.3 million, or 19.5% of segment net sales, in fiscal 2018. The 0.3 percentage point decrease in segment operating margin is primarily due to:

- higher advertising expense;
- higher share-based compensation expense;
- higher annual incentive compensation expense related to current year performance;
- higher freight expense; and
- higher rent expense related to new office space.

These factors were partially offset by:

- the favorable margin impact from growth in the Hydro Flask business;
- the favorable impact of increased operating leverage from net sales growth; and
- the favorable comparative impact of a \$1.0 million charge related to the bankruptcy of TRU in the same period last year.

Segment adjusted operating income increased 14.6% to \$111.6 million, or 21.3% of segment net sales, in fiscal 2019, compared to \$97.4 million, or 21.2% of segment net sales, in fiscal 2018.

Comparison of Fiscal 2018 to 2017

Housewares fiscal 2018 operating income was \$89.3 million, or 19.5% of segment net sales, compared to \$89.0 million, or 21.3% of segment net sales, in fiscal 2017. The 1.8 percentage point decrease in segment operating margin was primarily due to:

- higher marketing, advertising and new product development expense;
- higher promotional spending;
- higher sales in the discount channel;
- a \$1.0 million charge related to the bankruptcy of TRU; and
- a \$0.2 million pre-tax restructuring charge.

These factors were partially offset by the favorable margin impact from growth in the Hydro Flask business, improved distribution and logistics efficiency coupled with lower outbound freight costs and the impact of increased operating leverage from overall sales growth.

Segment adjusted operating income increased \$2.3 million to \$97.4 million, or 21.2% of segment net sales, in fiscal 2018 compared to \$95.1 million, or 22.7% of segment net sales, in fiscal 2017.

Health & Home

Comparison of Fiscal 2019 to 2018

Health & Home fiscal 2019 operating income was \$68.4 million, or 9.8% of segment net sales, compared to \$62.1 million, or 9.2% of segment net sales, in fiscal 2018. The 0.6 percentage point increase in segment operating margin is primarily due to:

- the favorable comparative impact of a \$2.6 million charge related to the bankruptcy of TRU in the same period last year;
- strong sales growth in the Asia Pacific region at a higher operating margin;
- the favorable impact that higher overall net sales had on operating leverage; and
- the favorable impact of foreign currency exchange and forward contract settlements.

These factors were partially offset by:

- the margin impact of a less favorable product mix;

the impact of tariff increases;

- higher share-based compensation expense; and

38

Table of Contents

higher advertising expense.

Segment adjusted operating income increased 9.4% to \$89.3 million, or 12.8% of segment net sales, in fiscal 2019 compared to \$81.6 million, or 12.1% of segment net sales, in fiscal 2018.

Comparison of Fiscal 2018 to 2017

Health & Home fiscal 2018 operating income was \$62.1 million, 9.2% of segment net sales, compared to \$51.1 million, or 8.1% of segment net sales, in fiscal 2017. The 1.1 percentage point increase in segment operating margin was primarily due to:

- lower legal fee expense and the favorable comparative impact of a \$1.5 million patent litigation charge in the same period last year;
- improved distribution and logistics efficiency and lower outbound freight costs;
- lower royalty expense; and
- the favorable impact that higher overall net sales had on operating leverage.

These factors were partially offset by:

- an increase in new product development expense;
- higher personnel and incentive compensation costs;
- a \$2.6 million charge related to the bankruptcy of TRU; and
- an increase in product liability expense.

Segment adjusted operating income increased 13.8% to \$81.6 million, or 12.1% of segment net sales, in fiscal 2018 compared to \$71.7 million, or 11.4% of segment net sales, in fiscal 2017.

Beauty

Comparison of Fiscal 2019 to 2018

Beauty fiscal 2019 operating income was \$30.2 million, or 8.7% of segment net sales, compared to \$17.6 million, or 5.1% of segment net sales, in fiscal 2018. Fiscal 2019 includes pre-tax restructuring charges of \$2.0 million, compared to \$1.6 million in fiscal 2018. Fiscal 2018 also included a \$15.4 million pre-tax non-cash asset impairment charge that did not reoccur in fiscal 2019. The effect of these items favorably impacted the year-over-year comparison of operating margin by 4.4 percentage points. The remaining decrease in segment operating margin is primarily due to:

- the net sales decline in the Personal Care category and its unfavorable impact on operating margin;
- higher freight expense; and
- higher share-based compensation expense.

These factors were partially offset by:

- cost savings from Project Refuel; and
- lower amortization expense.

Segment adjusted operating income decreased 14.6% to \$38.3 million, or 11.1% of segment net sales, in fiscal 2019 compared to \$44.9 million, or 13.0% of segment net sales, in fiscal 2018.

Comparison of Fiscal 2018 to 2017

Beauty fiscal 2018 operating income decreased \$11.9 million, or 40.3%, to \$17.6 million compared to \$29.6 million in fiscal 2017. The decrease in segment operating margin was primarily due to:

- pre-tax non-cash asset impairment charges of \$15.4 million, compared to \$2.9 million recorded in the same period last year;
- pre-tax restructuring charges of \$1.6 million related to Project Refuel; and

the net sales decline in the Personal Care category and its unfavorable impact on operating margin.

39

Table of Contents

These factors were partially offset by the favorable impact of new product introductions in the appliance category, lower media advertising expense and improved distribution and logistics efficiency coupled with lower outbound freight costs.

Segment adjusted operating income increased 3.9% to \$44.9 million, or 13.0% of segment net sales, in fiscal 2018 compared to \$43.2 million, or 12.3% of segment net sales, in fiscal 2017.

Interest Expense

Interest expense was \$11.7 million in fiscal 2019, compared to \$14.0 million in fiscal 2018. The decrease in interest expense is due to lower average levels of debt held during fiscal 2019, partially offset by higher average interest rates. Interest expense was \$14.0 million in fiscal 2018, compared to \$14.4 million in fiscal 2017. The decrease in interest expense was due to lower average levels of debt held during fiscal 2018, partially offset by higher average interest rates.

Income Tax Expense

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law. Among other changes, the Tax Act lowered the U.S. corporate statutory income tax rate from 35% to 21% and established a modified territorial system requiring a mandatory deemed repatriation tax on undistributed earnings of foreign subsidiaries.

The year-over-year comparison of our effective tax rates is impacted by the mix of taxable income in our various tax jurisdictions, among other factors. Due to our organization in Bermuda and the ownership structure of our foreign subsidiaries, many of which are not owned directly or indirectly by a U.S. parent company, an immaterial amount of our foreign income is subject to U.S. taxation on a permanent basis under current law. Additionally, our intellectual property is largely owned by our foreign subsidiaries, resulting in proportionally higher earnings in jurisdictions with lower statutory tax rates, which decreases our overall effective tax rate.

Fiscal 2019 income tax expense as a percentage of income before tax was 7.3% compared to 17.1% in the same period last year. The decrease in our effective tax rate was primarily due to the provisional charge of \$17.9 million recorded in fiscal 2018 related to the Tax Act.

Fiscal 2018 income tax expense as a percentage of income before tax was 17.1% compared to 7.3% in fiscal 2017. The increase in the effective tax rate was primarily due to the provisional charge of \$17.9 million related to the Tax Act, which increased our effective tax rate by 11.5 percentage points. This impact was partially offset by:

\$2.1 million in benefits resulting from the recognition of excess tax benefits from share-based compensation in income tax expense rather than paid in capital due to our adoption of ASU 2016-09; and

\$2.4 million in tax benefits related to the resolution of uncertain tax positions.

Table of Contents

Income from continuing operations, diluted EPS from continuing operations, adjusted Income from continuing operations (non-GAAP), and adjusted diluted EPS from continuing operations (non-GAAP)

In order to provide a better understanding of the impact of certain items on our income and EPS from continuing operations, the below tables report the comparative after tax impact of non-cash asset impairment charges, restructuring charges, tax reform, patent litigation charges, the TRU bankruptcy charge, amortization of intangible assets, and non-cash share-based compensation, as applicable, on income from continuing operations, and basic and diluted EPS from continuing operations for the periods covered below. For additional information regarding management's decision to present this non-GAAP financial information, see the introduction to this Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operation."

| (in thousands, except per share data) | Fiscal Year Ended February 28, 2019 | | | | | |
|---------------------------------------|-------------------------------------|----------|------------|----------------------------|--------|------------|
| | Income From Continuing Operations | | | Diluted Earnings Per Share | | |
| | Before Tax | Tax | Net of Tax | Before Tax | Tax | Net of Tax |
| As reported (GAAP) | \$188,000 | \$13,776 | \$174,224 | \$7.15 | \$0.52 | \$6.62 |
| Restructuring charges | 3,586 | 215 | 3,371 | 0.14 | 0.01 | 0.13 |
| Subtotal | 191,586 | 13,991 | 177,595 | 7.28 | 0.53 | 6.75 |
| Amortization of intangible assets | 14,204 | 372 | 13,832 | 0.54 | 0.01 | 0.53 |
| Non-cash share-based compensation | 22,053 | 1,395 | 20,658 | 0.84 | 0.05 | 0.79 |
| Adjusted (non-GAAP) | \$227,843 | \$15,758 | \$212,085 | \$8.66 | \$0.60 | \$8.06 |

Weighted average shares of common stock used in computing diluted earnings per share 26,303

| (in thousands, except per share data) | Fiscal Year Ended February 28, 2018 | | | | | |
|---------------------------------------|-------------------------------------|----------|------------|----------------------------|--------|------------|
| | Income From Continuing Operations | | | Diluted Earnings Per Share | | |
| | Before Tax | Tax | Net of Tax | Before Tax | Tax | Net of Tax |
| As reported (GAAP) | \$155,438 | \$26,556 | \$128,882 | \$5.70 | \$0.97 | \$4.73 |
| Tax reform | — | (17,939) | 17,939 | — | (0.66) | 0.66 |
| Asset impairment charges | 15,447 | 1,613 | 13,834 | 0.57 | 0.06 | 0.51 |
| Restructuring charges | 1,857 | 69 | 1,788 | 0.07 | — | 0.07 |
| TRU bankruptcy charge | 3,596 | 204 | 3,392 | 0.13 | 0.01 | 0.12 |
| Subtotal | 176,338 | 10,503 | 165,835 | 6.47 | 0.39 | 6.08 |
| Amortization of intangible assets | 18,854 | 850 | 18,004 | 0.69 | 0.03 | 0.66 |
| Non-cash share-based compensation | 15,054 | 1,669 | 13,385 | 0.55 | 0.06 | 0.49 |
| Adjusted (non-GAAP) | \$210,246 | \$13,022 | \$197,224 | \$7.71 | \$0.48 | \$7.24 |

Weighted average shares of common stock used in computing diluted earnings per share 27,254

| (in thousands, except per share data) | Fiscal Year Ended February 28, 2017 | | | | | |
|---------------------------------------|-------------------------------------|----------|------------|----------------------------|--------|------------|
| | Income From Continuing Operations | | | Diluted Earnings Per Share | | |
| | Before Tax | Tax | Net of Tax | Before Tax | Tax | Net of Tax |
| As reported (GAAP) | \$155,717 | \$11,407 | \$144,310 | \$5.58 | \$0.41 | \$5.17 |
| Asset impairment charges | 2,900 | 354 | 2,546 | 0.10 | 0.01 | 0.09 |
| Patent litigation charge | 1,468 | 4 | 1,464 | 0.05 | — | 0.05 |
| Subtotal | 160,085 | 11,765 | 148,320 | 5.74 | 0.42 | 5.32 |

Edgar Filing: HELEN OF TROY LTD - Form 10-K

| | | | | | | |
|-----------------------------------|------------|-----------|------------|---------|---------|---------|
| Amortization of intangible assets | 22,024 | 1,538 | 20,486 | 0.79 | 0.06 | 0.73 |
| Non-cash share-based compensation | 13,861 | 1,762 | 12,099 | 0.50 | 0.06 | 0.44 |
| Adjusted (non-GAAP) | \$ 195,970 | \$ 15,065 | \$ 180,905 | \$ 7.03 | \$ 0.54 | \$ 6.49 |

Weighted average shares of common stock used in computing diluted earnings per share 27,891

41

Table of Contents

Comparison of Fiscal 2019 to 2018

Our income from continuing operations was \$174.2 million in fiscal 2019 compared to \$128.9 million in fiscal 2018, an increase of 35.2%. Our diluted EPS from continuing operations increased \$1.89, or 40.0%, to \$6.62 in fiscal 2019 compared to \$4.73 in fiscal 2018.

Adjusted income from continuing operations increased \$14.9 million, or 7.5%, to \$212.1 million in fiscal 2019 compared to \$197.2 million in fiscal 2018. Adjusted diluted EPS from continuing operations increased 11.3% to \$8.06 in fiscal 2019 compared to \$7.24 in fiscal 2018. The increase in adjusted income from continuing operations was primarily due to an increase in adjusted operating income and lower interest expense. The increase in adjusted diluted EPS from continuing operations was due to increased adjusted income and lower diluted shares outstanding during fiscal 2019.

Comparison of Fiscal 2018 to 2017

Our income from continuing operations was \$128.9 million in fiscal 2018 compared to \$144.3 million in fiscal 2017, a decrease of 10.7%. Our diluted EPS from continuing operations decreased \$0.44, or 8.5%, to \$4.73 in fiscal 2018 compared to \$5.17 in fiscal 2017.

Adjusted income from continuing operations increased \$16.3 million, or 9.0%, to \$197.2 million in fiscal 2018 compared to \$180.9 million in fiscal 2017. Adjusted diluted EPS from continuing operations increased 11.6% to \$7.24 in fiscal 2018 compared to \$6.49 in fiscal 2017. The increase in adjusted income from continuing operations was primarily due to an increase in adjusted operating income and lower interest expense. The increase in adjusted diluted EPS from continuing operations was due to increased adjusted income and lower diluted shares outstanding during fiscal 2018.

Financial Condition, Liquidity and Capital Resources

Selected measures of our liquidity and capital utilization for fiscal 2019 and 2018 are shown below:

| | Fiscal Years Ended | | | |
|--|--------------------|-----------|---|--|
| | February 28, | | | |
| | 2019 | 2018 | | |
| Accounts Receivable Turnover (Days) ⁽¹⁾ | 68.3 | 62.7 | | |
| Inventory Turnover (Times) ⁽¹⁾ | 3.3 | 3.0 | | |
| Working Capital (in thousands) | \$292,828 | \$258,222 | | |
| Current Ratio | 1.9:1 | 1.9:1 | | |
| Ending Debt to Ending Equity Ratio | 32.2 | % 28.6 | % | |
| Return on Average Equity ⁽¹⁾ | 16.9 | % 12.7 | % | |

Accounts receivable turnover, inventory turnover and return on average equity computations use 12 month trailing net sales revenue, cost of goods sold or income from continuing operations components as required by the (1) particular measure. The current and four prior quarters' ending balances of accounts receivable, inventory and equity are used for the purposes of computing the average balance component as required by the particular measure.

Operating Activities:

Comparison of Fiscal 2019 to 2018

Operating activities from continuing operations provided net cash of \$200.6 million during fiscal 2019 compared to \$218.6 million during fiscal 2018. The decrease was primarily driven by an increase in cash used for inventory and a dispute settlement payment of \$15.0 million. These factors were partially offset by an increase in income from continuing operations and higher non-cash share-based compensation.

Table of Contents

Comparison of Fiscal 2018 to 2017

Operating activities from continuing operations provided \$218.6 million of cash during fiscal 2018 compared to \$212.5 million of cash provided during fiscal 2017. The increase was driven primarily by net favorable fluctuations in inventory, accounts payable and accrued expenses, as well as higher non-cash charges during fiscal 2018 compared to fiscal 2017.

Investing Activities:

Investing activities from continuing operations used cash of \$25.2 million, \$13.6 million, and \$224.7 million in fiscal 2019, 2018 and 2017, respectively.

Highlights from Fiscal 2019

- we invested in capital expenditures of \$26.4 million primarily for leasehold improvements; computers, furniture and other equipment; and tools, molds and other production equipment.

Highlights from Fiscal 2018

• we invested in capital expenditures of \$13.6 million primarily for leasehold improvements; computers, furniture and other equipment; tools, molds, other production equipment; and the development of new patents.

Highlights from Fiscal 2017

- we invested in capital expenditures of \$15.5 million primarily for leasehold improvements; computers, furniture and other equipment; tools, molds, other production equipment; the development of new patents; and
- we invested \$209.3 million to acquire Hydro Flask.

Financing Activities:

Financing activities used cash of \$178.9 million, \$262.2 million and \$201.4 million in fiscal 2019, 2018 2017, respectively.

Highlights from Fiscal 2019

- we had draws of \$667.3 million under our Credit Agreement;
- we repaid \$635.5 million drawn under our Credit Agreement;
- we repaid \$1.9 million of long-term debt; and
- we repurchased and retired 1,934,493 shares of common stock at an average price of \$112.43 per share for a total purchase price of \$217.5 million through a combination of open market purchases and the settlement of certain stock awards.

Highlights from Fiscal 2018

- we had draws of \$521.2 million under our Credit Agreement;
- we repaid \$692.5 million drawn under our Credit Agreement;
- we repaid \$25.7 million of long-term debt; and
- we repurchased and retired 793,085 shares of common stock at an average price of \$92.13 per share for a total purchase price of \$73.1 million through a combination of open market purchases and the settlement of certain stock awards.

Highlights from Fiscal 2017

- we had draws of \$470.9 million under our Credit Agreement;
- we repaid \$580.3 million drawn under our Credit Agreement;

Table of Contents

we repaid \$23.8 million of long-term debt, and;
we repurchased and retired 929,017 shares of common stock at an average price of \$81.37 per share for a total purchase price of \$75.6 million through a combination of open market purchases and the settlement of certain stock awards.

44

Table of Contents

Credit Agreement and Other Debt Agreements

Credit Agreement

We have a credit agreement (the “Credit Agreement”) with Bank of America, N.A., as administrative agent, and other lenders that provides for an unsecured total revolving commitment of \$1.0 billion as of February 28, 2019. The commitment under the Credit Agreement terminates on December 7, 2021. Borrowings accrue interest under one of two alternative methods (based upon a base rate or LIBOR) as described in the Credit Agreement. With each borrowing against our credit line, we can elect the interest rate method based on our funding needs at the time. We also incur loan commitment and letter of credit fees under the Credit Agreement. Outstanding letters of credit reduce the borrowing availability under the Credit Agreement on a dollar-for-dollar basis. As of February 28, 2019, the outstanding revolving loan principal balance was \$301.2 million and the balance of outstanding letters of credit was \$9.0 million. As of February 28, 2019, the amount available for borrowings under the Credit Agreement was \$689.8 million. Covenants in our debt agreements limit the amount of total indebtedness we can incur. As of February 28, 2019, these covenants effectively limited our ability to incur more than \$548.4 million of additional debt from all sources, including our Credit Agreement, or \$689.8 million in the event a qualified acquisition is consummated.

Other Debt Agreements

We have an aggregate principal balance of approximately \$22.4 million under a loan agreement with the Mississippi Business Finance Corporation (the “MBFC Loan”). The borrowings were used to fund construction of our Olive Branch, Mississippi distribution facility. The remaining principal balance is payable as follows: \$1.9 million annually on March 1, 2019 through 2022; and \$14.8 million on March 1, 2023. Any remaining outstanding principal and interest is due upon maturity on March 1, 2023.

All of our debt is unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. Our debt agreements require the maintenance of certain key financial covenants, defined in the table below. Our debt agreements also contain other customary covenants, including, among other things, covenants restricting or limiting us, except under certain conditions set forth therein, from (1) incurring debt, (2) incurring liens on its properties, (3) making certain types of investments, (4) selling certain assets or making other fundamental changes relating to mergers and consolidations, and (5) repurchasing shares of our common stock and paying dividends. Our debt agreements also contain customary events of default, including failure to pay principal or interest when due, among others. Our debt agreements are cross-defaulted to each other. Upon an event of default under our debt agreements, the holders or lenders may, among other things, accelerate the maturity of any amounts outstanding under our debt agreements. The commitments of the lenders to make loans to us under the Credit Agreement are several and not joint. Accordingly, if any lender fails to make loans to us, our available liquidity could be reduced by an amount up to the aggregate amount of such lender’s commitments under the Credit Agreement.

Table of Contents

The table below provides the formulas currently in effect for certain key financial covenants under our debt agreements:

| | |
|-------------------------------|---|
| Applicable Financial Covenant | Credit Agreement and MBFC Loan |
| Interest Coverage Ratio | $\text{EBIT}^{(1)} \div \text{Interest Expense}^{(1)}$ Minimum Required: 3.00 to 1.00 |
| Maximum Leverage Ratio | $\frac{\text{Total Current and Long Term Debt}^{(2)}}{\text{EBITDA}^{(1)} + \text{Pro Forma Effect of Acquisitions}}$ Maximum Currently Allowed: 3.50 to 1.00 ⁽³⁾ |

Key Definitions:

EBIT: Earnings Before Non-Cash Charges, Interest Expense and Taxes

EBITDA: EBIT + Depreciation and Amortization Expense + Share-based Compensation

Pro Forma Effect of Acquisitions: For any acquisition, pre-acquisition EBITDA of the acquired business is included so

that the EBITDA of the acquired business included in the computation equals its twelve month trailing total.

Notes:

(1) Computed using totals for the latest reported four consecutive fiscal quarters.

(2) Computed using the ending balances as of the latest reported fiscal quarter.

(3) In the event a qualified acquisition is consummated, the maximum leverage ratio is 4.25 to 1.00.

Contractual Obligations

Our contractual obligations and commercial commitments in effect as of the end of fiscal 2019 were:

| (in thousands) | Fiscal Years Ended the Last Day of February: | | | | | | |
|---|--|----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | Total | 2020 1 year | 2021 2 years | 2022 3 years | 2023 4 years | 2024 5 years | After 5 years |
| Floating rate debt | \$323,607 | \$1,900 | \$1,900 | \$303,100 | \$1,900 | \$14,807 | \$— |
| Long-term incentive plan payouts | 12,708 | 7,012 | 3,481 | 2,215 | — | — | — |
| Interest on floating rate debt ⁽¹⁾ | 32,237 | 11,453 | 11,387 | 8,879 | 518 | — | — |
| Open purchase orders | 234,659 | 234,659 | — | — | — | — | — |
| Minimum royalty payments | 49,159 | 12,650 | 12,855 | 13,040 | 7,914 | 2,700 | — |
| Advertising and promotional | 37,401 | 18,933 | 6,411 | 6,527 | 5,530 | — | — |
| Operating leases | 69,482 | 5,171 | 6,678 | 6,411 | 5,743 | 5,078 | 40,401 |
| Capital spending commitments | 4,602 | 4,602 | — | — | — | — | — |
| Total contractual obligations ⁽²⁾ | \$763,855 | \$296,380 | \$42,712 | \$340,172 | \$21,605 | \$22,585 | \$40,401 |

We estimate our future obligations for interest on our floating rate debt by assuming the weighted average interest rates in effect on each floating rate debt obligation at February 28, 2019 remain constant into the future. This is an estimate, as actual rates will vary over time. In addition, for the Credit Agreement, we assume that the balance outstanding as of February 28, 2019 remains the same for the remaining term of the agreement. The actual balance outstanding under the Credit Agreement may fluctuate significantly in future periods, depending on the availability of cash flow from operations and future investing and financing considerations.

In addition to the contractual obligations and commercial commitments in the table above, as of February 28, 2019, we have recorded a provision for uncertain tax positions of \$3.2 million. We are unable to reliably estimate the timing of most of the future payments, if any, related to uncertain tax positions; therefore, we have excluded these tax liabilities from the table above.

Table of Contents

Off-Balance Sheet Arrangements

We have no existing activities involving special purpose entities or off-balance sheet financing.

Current and Future Capital Needs

Based on our current financial condition and current operations, we believe that cash flows from operations and available financing sources will continue to provide sufficient capital resources to fund our foreseeable short- and long-term liquidity requirements. We expect our capital needs to stem primarily from the need to purchase sufficient levels of inventory and to carry normal levels of accounts receivable on our balance sheet. In addition, we continue to evaluate acquisition opportunities on a regular basis. We may finance acquisition activity with available cash, the issuance of shares of common stock, additional debt, or other sources of financing, depending upon the size and nature of any such transaction and the status of the capital markets at the time of such acquisition. We may also elect to repurchase additional shares of common stock under our Board authorization over the next fiscal year, subject to limitations contained in our debt agreements and based upon our assessment of a number 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. We may finance share repurchases with available cash, additional debt or other sources of financing. For additional information, see Part II, Item 5., “Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities” in this report. As of February 28, 2019, the amount of cash and cash equivalents held by our foreign subsidiaries was \$15.2 million, of which, an immaterial amount was held in foreign countries where the funds may not be readily convertible into other currencies.

Critical Accounting Policies and Estimates

The SEC defines critical accounting policies as those that are both most important to the portrayal of a company's financial condition and results, and require management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We consider the following policies to meet this definition.

Income Taxes

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments must be used in the calculation of certain tax assets and liabilities because of differences in the timing of recognition of revenue and expense for tax and financial statement purposes. We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. As changes occur in our assessments regarding our ability to recover our deferred tax assets, our tax provision is increased in any period in which we determine that the recovery is not probable.

In addition, the calculation of our tax liabilities requires us to account for uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on the two-step process prescribed within GAAP. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit based upon its technical merits, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that has greater than a 50 percent likelihood of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, historical experience with

Table of Contents

similar tax matters, guidance from our tax advisors, and new audit activity. A change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period in which the change occurs.

Customer Credit Risk and Estimates of Credits to be Issued to Customers

Our trade receivables subject us to credit risk, which is evaluated based on changing economic, political and specific customer conditions. We assess these risks and make provisions for collectability based on our best estimate of the risks presented and information available throughout the year. The use of different assumptions may change our estimate of collectability. We extend credit to our customers based upon an evaluation of the customer's financial condition and credit history and generally do not require collateral. Our credit terms generally range between 30 and 90 days from invoice date depending upon the evaluation of the customer's financial condition and history, pricing and the relationship with the customer. We monitor our customers' credit and financial condition in order to assess whether the economic conditions have changed and adjust our credit policies with respect to any individual customer as we determine appropriate. These adjustments may include, but are not limited to, restricting shipments to customers, reducing credit limits, shortening credit terms, requiring cash payments in advance of shipment or securing credit insurance.

We regularly receive requests for credits from retailers for returned products or in connection with sales incentives, such as cooperative advertising and volume rebate agreements. We reduce sales or increase SG&A, depending on the nature of the credits, for estimated future credits to customers. Our estimates of these amounts are based on either historical information about credits issued, relative to total sales, or on specific knowledge of incentives offered to retailers. This process entails a significant amount of subjectivity and uncertainty.

Valuation of Inventory

We currently record inventory on our balance sheet at average cost, or net realizable value, if it is below our recorded cost. Determination of net realizable value requires us to estimate the point in time at which an item's net realizable value drops below its recorded cost. We regularly review our inventory for slow-moving items and for items that we are unable to sell at prices above their original cost. When we identify such an item, we reduce its book value to the net amount that we expect to realize upon its sale. This process entails a significant amount of inherent subjectivity and uncertainty.

Goodwill and Indefinite-Lived Intangibles

As a result of acquisitions, we have significant intangible assets on our balance sheet that include goodwill and indefinite-lived intangibles (primarily trademarks and licenses). Accounting for business combinations requires the use of estimates and assumptions in determining the fair value of assets acquired and liabilities assumed in order to properly allocate the purchase price. The estimates of the fair value of the assets acquired and liabilities assumed are based upon assumptions believed to be reasonable using established valuation techniques that consider a number of factors, and when appropriate, valuations performed by independent third-party appraisers.

We consider whether circumstances or conditions exist which suggest that the carrying value of our goodwill and other long-lived assets might be impaired. 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 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 entail significant amounts of judgment and subjectivity.

We complete the annual analysis of the carrying value of our goodwill and other intangible assets during the fourth quarter of each fiscal year, or more frequently whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Considerable management judgment is necessary in reaching a conclusion regarding the reasonableness of fair value estimates, evaluating the most likely impact of a range of possible external conditions, considering the resulting operating changes and their impact on estimated future cash flows,

Table of Contents

determining the appropriate discount factors to use, and selecting and weighting appropriate comparable market level inputs.

We continue to monitor our reporting units for any triggering events or other signs of impairment. For both the goodwill and indefinite-lived intangible assets in its reporting units, the recoverability of these amounts is dependent upon achievement of our projections and the continued execution of key initiatives related to revenue growth and improved profitability. The rates used in our projections are management's estimate of the most likely results over time, given a wide range of potential outcomes. The assumptions and estimates used in our impairment testing involve significant elements of subjective judgment and analysis by our management. While we believe that the assumptions we use are reasonable at the time made, changes in business conditions or other unanticipated events and circumstances may occur that cause actual results to differ materially from projected results and this could potentially require future adjustments to our asset valuations.

Carrying Value of Other Long-Lived Assets

We consider whether circumstances or conditions exist that suggest that the carrying value of a long-lived asset might be impaired. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of the asset exceeds its fair market value. If analysis indicates that the asset's carrying value does exceed its fair market value, the next step is to record a loss equal to the excess of the asset's carrying value over its fair value. The steps entail significant amounts of judgment and subjectivity.

Economic Useful Life of Intangible Assets

We amortize intangible assets, such as licenses, trademarks, customer lists and distribution rights over their economic useful lives, unless those assets' economic useful lives are indefinite. If an intangible asset's economic useful life is deemed indefinite, that asset is not amortized. When we acquire an intangible asset, we consider factors such as the asset's history, our plans for that asset and the market for products associated with the asset. We consider these same factors when reviewing the economic useful lives of our previously acquired intangible assets as well. We review the economic useful lives of our intangible assets at least annually. The determination of the economic useful life of an intangible asset requires a significant amount of judgment and entails significant subjectivity and uncertainty. We complete our analysis of the remaining useful economic lives of our intangible assets during the fourth quarter of each fiscal year.

Share-Based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options, restricted stock awards, restricted stock units and performance restricted stock units ("PSUs"), to be measured based on the grant date fair value of the awards. The resulting expense is recognized over the periods during which the employee is required to perform service in exchange for the award. The estimated number of PSU's that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Stock options are recognized in the financial statements based on their fair values using an option pricing model at the date of grant. We use a Black-Scholes option-pricing model to calculate the fair value of options. This model requires various judgmental assumptions including volatility and expected option life.

For a more comprehensive list of our accounting policies, refer to Note 1 included in the accompanying consolidated financial statements. Note 1 describes several other policies, including policies governing the timing of revenue recognition, that are important to the preparation of our consolidated financial statements, but do not meet the SEC's definition of critical accounting policies because they do not involve subjective or complex judgments.

Table of Contents

New Accounting Guidance

Refer to Note 2 in the accompanying consolidated financial statements for a discussion of any new accounting pronouncements and the potential impact to our consolidated results of operations and financial position.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Changes in currency exchange rates and interest rates are our primary financial market risks.

Foreign Currency Risk

Our functional currency is the U.S. Dollar. By operating internationally, we are subject to foreign currency risk from transactions denominated in currencies other than the U.S. Dollar (“foreign currencies”). Such transactions include sales, certain inventory purchases and operating expenses. As a result of such transactions, portions of our cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies.

For fiscal 2019, 2018 and 2017, approximately 13% of our net sales revenue was in foreign currency. These sales were primarily denominated in British Pounds, Euros, Mexican Pesos, and Canadian Dollars. We make most of our inventory purchases from the Far East and use the U.S. Dollar for such purchases. In our consolidated statements of income, exchange gains and losses resulting from the remeasurement of foreign taxes receivable, taxes payable, deferred tax assets, and deferred tax liabilities are recognized in their respective income tax lines, and all other foreign exchange gains and losses are recognized in SG&A.

We identify foreign currency risk by regularly monitoring our foreign currency-denominated transactions and balances. Where operating conditions permit, we 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 hedge against certain foreign currency exchange rate-risk by using a series of forward contracts and zero-cost collars designated as cash flow hedges and mark-to-market derivatives to protect against the foreign currency exchange risk inherent in our forecasted transactions denominated in foreign currencies. Our primary objective in holding derivatives is to reduce the volatility of net earnings and cash flows, and the net asset value associated with changes in foreign currency exchange rates. Our foreign currency risk management strategy includes both hedging instruments and derivatives that are not designated as hedging instruments, which generally have terms of up to 18 to 24 months. We do not enter into any forward exchange contracts or similar instruments for trading or other speculative purposes. We expect that as currency market conditions warrant, and our foreign denominated transaction exposure grows, we will continue to execute additional contracts in order to hedge against certain potential foreign exchange losses. As of February 28, 2019 and 2018, a hypothetical adverse 10% change in foreign currency rates would reduce the carrying and fair values of the hedging instruments and derivatives by \$8.2 million and \$11.2 million on a pre-tax basis, respectively. This

calculation is for risk analysis purposes and does not purport to represent actual losses or gains in fair value that we could incur. It is important to note that the change in value represents the estimated change in the fair value of the contracts. Actual results in the future may differ materially from these estimated results due to actual developments in the global financial markets. Because the contracts hedge an underlying exposure, we would expect a similar and opposite change in foreign exchange gains or losses over the same periods as the contracts. Refer to Note 16 in the accompanying consolidated financial statements for further information regarding these instruments.

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 and in fiscal 2019 the Chinese Renminbi strengthened against the U.S. Dollar by approximately 6.0%. If China’s currency continues to fluctuate against the U.S. Dollar in the short-to-intermediate term, we cannot accurately predict the

Table of Contents

impact of those fluctuations on our results of operations. Accordingly, 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.

Interest Rate Risk

Interest on our outstanding debt as of February 28, 2019 is floating, as such, we are exposed to changes in short-term market interest rates and these changes in rates will impact our net interest expense. We hedge against interest rate volatility by using interest rate swaps to hedge a portion of our outstanding floating rate debt. Additionally, our cash and short-term investments generate interest income that will vary based on changes in short-term interest. As of February 28, 2019 and 2018, a hypothetical adverse 10% change in interest rates would reduce the carrying and fair values of the interest rate swaps by \$2.1 million and \$0.9 million on a pre-tax basis, respectively. This calculation is for risk analysis purposes and does not purport to represent actual losses or gains in fair value that we could incur. It is important to note that the change in value represents the estimated change in the fair value of the swaps. Actual results in the future may differ materially from these estimated results due to actual developments in the global financial markets. Because the swaps hedge an underlying exposure, we would expect a similar and opposite change in floating interest rates over the same periods as the swaps. Refer to Notes 14 and 16 in the accompanying consolidated financial statements for further information regarding our interest rate sensitive assets and liabilities.

Table of Contents

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

| | PAGE |
|---|-----------|
| <u>Management's Report on Internal Control Over Financial Reporting</u> | <u>53</u> |
| <u>Reports of Independent Registered Public Accounting Firm</u> | <u>54</u> |
| Consolidated Financial Statements: | |
| <u>Consolidated Balance Sheets as of February 28, 2019 and February 28, 2018</u> | <u>56</u> |
| <u>Consolidated Statements of Income for each of the years in the three-year period ended February 28, 2019</u> | <u>57</u> |
| <u>Consolidated Statements of Comprehensive Income for each of the years in the three-year period ended February 28, 2019</u> | <u>58</u> |
| <u>Consolidated Statements of Stockholders' Equity for each of the years in the three-year period ended February 28, 2019</u> | <u>59</u> |
| <u>Consolidated Statements of Cash Flows for each of the years in the three-year period ended February 28, 2019</u> | <u>60</u> |
| <u>Notes to Consolidated Financial Statements</u> | <u>61</u> |
| Financial Statement Schedule: | |
| <u>Schedule II - Valuation and Qualifying Accounts for each of the years in the three-year period ended February 28, 2019</u> | <u>96</u> |

All other schedules are omitted as the required information is included in the consolidated financial statements or is not applicable.

Table of Contents

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Helen of Troy's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined by Rules 13a-15(f) or 15d-15(f) under the Securities Exchange Act.

Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Furthermore, the effectiveness of internal controls may become inadequate because of future changes in conditions, or variations in the degree of compliance with our policies or procedures.

Our management assesses the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the 2013 Internal Control-Integrated Framework. Based on our assessment, we concluded that our internal control over financial reporting was effective as of February 28, 2019.

Our independent registered public accounting firm, Grant Thornton LLP, has issued an audit report on the effectiveness of our internal control over financial reporting. Their report appears on the following page.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Helen of Troy Limited

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Helen of Troy Limited and subsidiaries (the “Company”) as of February 28, 2019, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 28, 2019, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended February 28, 2019, and our report dated April 29, 2019 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Dallas, Texas

April 29, 2019

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Helen of Troy Limited

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Helen of Troy Limited and subsidiaries (the “Company”) as of February 28, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended February 28, 2019, and the related notes and schedule (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of February 28, 2019, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 28, 2019 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2008.

Dallas, Texas

April 29, 2019

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

| (in thousands, except shares and par value) | February 28, 2019 | February 28, 2018 |
|---|----------------------|----------------------|
| Assets | | |
| Assets, current: | | |
| Cash and cash equivalents | \$ 11,871 | \$ 20,738 |
| Receivables - principally trade, less allowances of \$2,032 and \$2,912 | 280,280 | 275,565 |
| Inventory | 302,339 | 251,511 |
| Prepaid expenses and other current assets | 10,369 | 9,545 |
| Income taxes receivable | — | 349 |
| Total assets, current | 604,859 | 557,708 |
| Property and equipment, net of accumulated depreciation of \$123,744 and \$115,202 | 130,338 | 123,503 |
| Goodwill | 602,320 | 602,320 |
| Other intangible assets, net of accumulated amortization of \$181,463 and \$167,354 | 291,526 | 302,915 |
| Deferred tax assets, net | 7,991 | 16,654 |
| Other assets, net of accumulated amortization of \$2,115 and \$2,022 | 12,501 | 20,617 |
| Total assets | \$ 1,649,535 | \$ 1,623,717 |
| Liabilities and Stockholders' Equity | | |
| Liabilities, current: | | |
| Accounts payable, principally trade | \$ 143,560 | \$ 129,341 |
| Accrued expenses and other current liabilities | 165,160 | 168,261 |
| Income taxes payable | 1,427 | — |
| Long-term debt, current maturities | 1,884 | 1,884 |
| Total liabilities, current | 312,031 | 299,486 |
| Long-term debt, excluding current maturities | 318,900 | 287,985 |
| Deferred tax liabilities, net | 5,748 | 7,096 |
| Other liabilities, noncurrent | 16,219 | 14,691 |
| Total liabilities | 652,898 | 609,258 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Cumulative preferred stock, non-voting, \$1.00 par. Authorized 2,000,000 shares; none issued | — | — |
| Common stock, \$0.10 par. Authorized 50,000,000 shares; 24,946,046 and 26,575,634 shares issued and outstanding | 2,495 | 2,658 |
| Additional paid in capital | 246,585 | 230,676 |
| Accumulated other comprehensive income | 1,191 | 631 |
| Retained earnings | 746,366 | 780,494 |
| Total stockholders' equity | 996,637 | 1,014,459 |
| Total liabilities and stockholders' equity | \$ 1,649,535 | \$ 1,623,717 |
| See accompanying notes to consolidated financial statements. | | |

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Statements of Income

| (in thousands, except per share data) | Fiscal Years Ended February 28, | | |
|---|---------------------------------|-------------|-------------|
| | 2019 | 2018 | 2017 |
| Sales revenue, net | \$1,564,151 | \$1,478,845 | \$1,397,535 |
| Cost of goods sold | 923,045 | 867,646 | 824,119 |
| Gross profit | 641,106 | 611,199 | 573,416 |
| Selling, general and administrative expense ("SG&A") | 438,141 | 424,833 | 400,852 |
| Asset impairment charges | — | 15,447 | 2,900 |
| Restructuring charges | 3,586 | 1,857 | — |
| Operating income | 199,379 | 169,062 | 169,664 |
| Nonoperating income, net | 340 | 327 | 414 |
| Interest expense | (11,719) | (13,951) | (14,361) |
| Income before income tax | 188,000 | 155,438 | 155,717 |
| Income tax expense | 13,776 | 26,556 | 11,407 |
| Income from continuing operations | 174,224 | 128,882 | 144,310 |
| Loss from discontinued operations, net of tax | (5,679) | (84,436) | (3,621) |
| Net income | \$168,545 | \$44,446 | \$140,689 |
| Earnings (loss) per share - basic: | | | |
| Continuing operations | \$6.68 | \$4.76 | \$5.24 |
| Discontinued operations | (0.22) | (3.12) | (0.13) |
| Total earnings per share - basic | \$6.46 | \$1.64 | \$5.11 |
| Earnings (loss) per share - diluted: | | | |
| Continuing operations | \$6.62 | \$4.73 | \$5.17 |
| Discontinued operations | (0.22) | (3.10) | (0.13) |
| Total earnings per share - diluted | \$6.41 | \$1.63 | \$5.04 |
| Weighted average shares of common stock used in computing earnings per share: | | | |
| Basic | 26,073 | 27,077 | 27,522 |
| Diluted | 26,303 | 27,254 | 27,891 |
| See accompanying notes to consolidated financial statements. | | | |

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

| (in thousands) | Fiscal Years Ended February | | |
|---|-----------------------------|----------|-----------|
| | 2019 | 2018 | 2017 |
| Net income | \$168,545 | \$44,446 | \$140,689 |
| Other comprehensive income (loss), net of tax: | | | |
| Cash flow hedge activity - interest rate swaps | (1,573) | 1,705 | — |
| Cash flow hedge activity - foreign currency contracts | 2,133 | (2,247) | 508 |
| Total other comprehensive income (loss), net of tax | 560 | (542) | 508 |
| Comprehensive income | \$169,105 | \$43,904 | \$141,197 |

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

| (in thousands, including shares) | Common Stock Shares | Par Value | Additional Paid in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|---|------------------------|--------------|----------------------------------|--|----------------------|----------------------------------|
| Balances at February 29, 2016 | 27,735 | \$2,774 | \$198,077 | \$ 665 | \$728,527 | \$ 930,043 |
| Income from continuing operations | — | — | — | — | 144,310 | 144,310 |
| Loss from discontinued operations | — | — | — | — | (3,621) | (3,621) |
| Other comprehensive income (loss), net of tax | — | — | — | 508 | — | 508 |
| Exercise of stock options | 170 | 17 | 7,288 | — | — | 7,305 |
| Net issuance and settlement of restricted stock | 21 | 2 | 1,733 | — | — | 1,735 |
| Issuance of common stock related to stock purchase plan | 32 | 3 | 2,485 | — | — | 2,488 |
| Common stock repurchased and retired | (929) | (93) | (5,272) | — | (70,230) | (75,595) |
| Share-based compensation | — | — | 13,861 | — | — | 13,861 |
| Cumulative effect of accounting change | — | — | 588 | — | (856) | (268) |
| Balances at February 28, 2017 | 27,029 | 2,703 | 218,760 | 1,173 | 798,130 | 1,020,766 |
| Income from continuing operations | — | — | — | — | 128,882 | 128,882 |
| Loss from discontinued operations | — | — | — | — | (84,436) | (84,436) |
| Other comprehensive income (loss), net of tax | — | — | — | (542) | — | (542) |
| Exercise of stock options | 126 | 12 | 6,547 | — | — | 6,559 |
| Net issuance and settlement of restricted stock | 198 | 20 | (318) | — | — | (298) |
| Issuance of common stock related to stock purchase plan | 16 | 2 | 1,525 | — | — | 1,527 |
| Common stock repurchased and retired | (793) | (79) | (10,892) | — | (62,082) | (73,053) |
| Share-based compensation | — | — | 15,054 | — | — | 15,054 |
| Balances at February 28, 2018 | 26,576 | 2,658 | 230,676 | 631 | 780,494 | 1,014,459 |
| Income from continuing operations | — | — | — | — | 174,224 | 174,224 |
| Loss from discontinued operations | — | — | — | — | (5,679) | (5,679) |
| Other comprehensive income (loss), net of tax | — | — | — | 560 | — | 560 |
| Exercise of stock options | 126 | 13 | 6,262 | — | — | 6,275 |
| Net issuance and settlement of restricted stock | 147 | 15 | (15) | — | — | — |
| Issuance of common stock related to stock purchase plan | 31 | 3 | 2,392 | — | — | 2,395 |
| Common stock repurchased and retired | (1,934) | (194) | (14,783) | — | (202,516) | (217,493) |
| Share-based compensation | — | — | 22,053 | — | — | 22,053 |
| Cumulative effect of accounting change | — | — | — | — | (157) | (157) |
| Balances at February 28, 2019 | 24,946 | \$2,495 | \$246,585 | \$ 1,191 | \$746,366 | \$ 996,637 |

See accompanying notes to consolidated financial statements.

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

| (in thousands) | Fiscal Years Ended February 28, | | |
|--|---------------------------------|-----------|------------|
| | 2019 | 2018 | 2017 |
| Cash provided by operating activities: | | | |
| Net income | \$ 168,545 | \$ 44,446 | \$ 140,689 |
| Less: Loss from discontinued operations | (5,679) | (84,436) | (3,621) |
| Income from continuing operations | 174,224 | 128,882 | 144,310 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: | | | |
| Depreciation and amortization | 29,927 | 33,730 | 36,175 |
| Amortization of financing costs | 1,015 | 887 | 706 |
| Provision for doubtful receivables | 1,097 | 1,066 | 2,277 |
| Non-cash share-based compensation | 22,053 | 15,054 | 13,861 |
| Non-cash intangible asset impairment charges | — | 15,447 | 2,900 |
| (Gain) loss on the sale or disposal of property and equipment | (540) | 331 | 197 |
| Deferred income taxes and tax credits | 7,636 | 21,264 | (7,499) |
| Changes in operating assets and liabilities, net of effects of acquisition of business: | | | |
| Receivables | (5,812) | (44,921) | (4,721) |
| Inventories | (50,828) | 29,366 | 17,161 |
| Prepaid expenses and other current assets | 239 | (383) | (1,908) |
| Other assets and liabilities, net | 7,549 | (16,728) | (814) |
| Accounts payable | 14,219 | 23,689 | 6,299 |
| Accrued expenses and other current liabilities | (1,526) | 12,293 | 7,023 |
| Accrued income taxes | 1,315 | (1,368) | (3,476) |
| Net cash provided by operating activities - continuing operations | 200,568 | 218,609 | 212,491 |
| Net cash provided (used) by operating activities - discontinued operations | (5,265) | 5,598 | 16,010 |
| Net cash provided by operating activities | 195,303 | 224,207 | 228,501 |
| Cash provided (used) by investing activities: | | | |
| Capital and intangible asset expenditures | (26,385) | (13,605) | (15,507) |
| Proceeds from the sale of property and equipment | 1,138 | 13 | 32 |
| Payments to acquire businesses, net of cash acquired | — | — | (209,267) |
| Net cash used by investing activities - continuing operations | (25,247) | (13,592) | (224,742) |
| Net cash provided (used) by investing activities - discontinued operations | — | 49,226 | (5,112) |
| Net cash provided (used) by investing activities | (25,247) | 35,634 | (229,854) |
| Cash used by financing activities: | | | |
| Proceeds from line of credit | 667,250 | 521,200 | 470,900 |
| Repayment of line of credit | (635,450) | (692,500) | (580,300) |
| Repayment of long-term debt | (1,900) | (25,700) | (23,800) |
| Payment of financing costs | — | — | (2,299) |
| Proceeds from share issuances under share-based compensation plans | 8,670 | 7,863 | 9,734 |
| Repurchases of common stock in the open market and from share settlements | (217,493) | (73,053) | (75,595) |
| Net cash used by financing activities - continuing operations | (178,923) | (262,190) | (201,360) |
| Net cash provided by financing activities - discontinued operations | — | — | — |
| Net cash used by financing activities | (178,923) | (262,190) | (201,360) |

Edgar Filing: HELEN OF TROY LTD - Form 10-K

| | | | |
|--|----------|----------|------------|
| Net decrease in cash and cash equivalents | (8,867) | (2,349) | (202,713) |
| Cash and cash equivalents, beginning balance | 20,738 | 23,087 | 225,800 |
| Cash and cash equivalents, ending balance | 11,871 | 20,738 | 23,087 |
| Less: Cash and cash equivalents of discontinued operations, ending balance | — | — | (761) |
| Cash and cash equivalents of continuing operations, ending balance | \$11,871 | \$20,738 | \$23,848 |
| Supplemental cash flow information: | | | |
| Interest paid | \$11,292 | \$13,543 | \$9,978 |
| Income taxes paid, net of refunds | \$4,277 | \$6,081 | \$15,950 |
| See accompanying notes to consolidated financial statements. | | | |

60

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of U.S. Dollars, except share and per share data, unless indicated otherwise)

Note 1 – Summary of Significant Accounting Policies and Related Information

General

When used in these 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 our common shares, par value \$0.10 per share, as “common stock.” References to “the FASB” refer to the Financial Accounting Standards Board. References to “GAAP” refer to U.S. generally accepted accounting principles. References to “ASU” refer to the codification of GAAP in the Accounting Standards Updates issued by the FASB. References to “ASC” refer to the codification of GAAP in the Accounting Standards Codification issued by the FASB.

We incorporated as Helen of Troy Corporation in Texas in 1968 and were reorganized as Helen of Troy Limited in Bermuda in 1994. We are a global designer, developer, importer, marketer, and distributor of an expanding portfolio of brand-name consumer products. As of February 28, 2019, we operated three segments: Housewares, Health & Home, and Beauty. Our Housewares segment provides a broad range of innovative consumer products for the home. Product offerings include food preparation tools and storage containers; cleaning, bath and garden tools and accessories; infant and toddler care products; and insulated beverage and food containers. The Health & Home segment focuses on healthcare devices such as thermometers, humidifiers, blood pressure monitors, and heating pads; water filtration systems; and small home appliances such as portable heaters, fans, air purifiers, and insect control devices. Our Beauty segment products include electric hair care, beauty care and wellness appliances; grooming tools and accessories; and liquid-, solid- and powder-based personal care and grooming products.

On December 20, 2017, we completed the divestiture of the Nutritional Supplements segment through the sale of Healthy Directions LLC and its subsidiaries to Direct Digital, LLC. The results of the Nutritional Supplements operations have been reported as discontinued operations for all periods presented in the consolidated financial statements. For additional information see Note 4. All other footnotes present results from continuing operations.

Our business is seasonal due to different calendar events, holidays and seasonal weather patterns. Historically, our highest sales volume and operating income occur in our third fiscal quarter ending November 30th. We purchase our products from unaffiliated manufacturers, most of which are located in China, Mexico and the United States. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Actual results may differ materially from those estimates.

Our consolidated financial statements are prepared in United States (“U.S.”) Dollars. All intercompany accounts and transactions are eliminated in consolidation.

We have reclassified, combined or separately disclosed certain amounts in the prior years’ consolidated financial statements and accompanying footnotes to conform to the current year’s presentation, including discontinued operations (see Note 4) and the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (see Note 3).

Table of Contents

Our significant accounting policies include:

Cash and cash equivalents

Cash equivalents include all highly liquid investments with an original maturity of three months or less. We maintain cash and cash equivalents at several financial institutions, which at times may not be federally insured or may exceed federally insured limits. We have not experienced any losses in such accounts and believe we are not exposed to any significant credit risks on such accounts. We consider money market accounts to be cash equivalents.

Receivables

Our receivables are comprised of trade credit granted to customers, primarily in the retail industry, offset by an allowance for doubtful receivables. Our allowance for doubtful receivables reflects our best estimate of probable losses, determined principally based on historical experience and specific allowances for known at-risk accounts. Our policy is to write off receivables when we have determined they will no longer be collectible. Write-offs are applied as a reduction to the allowance for doubtful accounts and any recoveries of previous write-offs are netted against bad debt expense in the period recovered.

We have a significant concentration of credit risk with three major customers at February 28, 2019 representing approximately 17%, 12% and 12% of gross trade receivables, respectively. In addition, as of February 28, 2019 and 2018, approximately 48% of our gross trade receivables in both years were due from our five top customers.

Foreign currency transactions and related derivative financial instruments

The U.S. Dollar is the functional currency for the Company and all of its subsidiaries; therefore, we do not have a translation adjustment recorded through accumulated other comprehensive income. All our non-U.S. subsidiaries' transactions involving other currencies have been re-measured in U.S. Dollars using exchange rates in effect on the date each transaction occurred. In our consolidated statements of income, exchange gains and losses resulting from the remeasurement of foreign taxes receivable, taxes payable, deferred tax assets, and deferred tax liabilities are recognized in their respective income tax lines and all other foreign exchange gains and losses are recognized in SG&A. In order to manage our exposure to changes in foreign currency exchange rates, we use forward currency contracts and cross-currency swaps to exchange foreign currencies for U.S. Dollars at specified rates. Derivatives for which we have elected and qualify for hedge accounting, are recorded on the balance sheet at their fair value and changes in the fair value of the forward exchange contracts and zero cost collars are recorded each period in our consolidated statements of comprehensive income until the underlying hedge transaction is settled, at which point changes in fair value are recorded in our consolidated statements of income. For derivatives which we have not elected, or do not qualify for, hedge accounting, changes in the fair value of the contracts are recorded each period in our consolidated statements of income. We evaluate all hedging transactions each quarter to determine that they remain effective. Any material ineffectiveness is recorded as part of SG&A in our consolidated statements of income.

Inventory and cost of goods sold

Our inventory consists almost entirely of finished goods. Inventories are stated at the lower of average costs or net realizable value. We write down a portion of our inventory to net realizable value based on the historical success of product lines and estimates about future demand and market conditions, among other factors. Our average costs include the amounts we pay manufacturers for product, tariffs and duties associated with transporting product across national borders, freight costs associated with transporting the product from our manufacturers to our distribution centers, and general and administrative expenses directly attributable to acquiring inventory, as applicable.

Table of Contents

General and administrative expenses in inventory include all the expenses of operating our sourcing activities and expenses incurred for production monitoring, product design, engineering, and packaging. We charged \$47.7, \$43.2 and \$41.7 million of such general and administrative expenses to inventory during fiscal 2019, 2018 and 2017, respectively. We estimate that \$15.6 and \$11.8 million of general and administrative expenses directly attributable to the procurement of inventory were included in our inventory balances on hand at February 28, 2019 and 2018, respectively.

The “Cost of goods sold” line item in the consolidated statements of income is comprised of the book value of inventory sold to customers during the reporting period. When circumstances dictate that we use net realizable value as the basis for recording inventory, we base our estimates on expected future selling prices less expected disposal costs.

For fiscal 2019, 2018 and 2017, finished goods purchased from vendors in the Far East comprised approximately 74%, 74% and 71%, respectively, of total finished goods purchased. During fiscal 2019, 2018, and 2017, we had one vendor (located in Mexico) who fulfilled approximately 11% of our product requirements. For fiscal 2019, 2018 and 2017, our top two manufacturers combined fulfilled approximately 20%, 19% and 18% of our product requirements. Over the same periods, our top five suppliers fulfilled approximately 38%, 34% and 31% of our product requirements, respectively.

Property and equipment

These assets are stated at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Expenditures for repair and maintenance of property and equipment are expensed as incurred. For tax purposes, accelerated depreciation methods are used where allowed by tax laws.

License agreements, trademarks, patents, and other intangible assets

A significant portion of our sales are made subject to trademark license agreements with various licensors. Our license agreements are reported on our consolidated balance sheets at cost, less accumulated amortization. The cost of our license agreements represent amounts paid to licensors to acquire the license or to alter the terms of the license in a manner that we believe to be in our best interest. Certain licenses have extension terms that may require additional payments to the licensor as part of the terms of renewal. We capitalize costs incurred to renew or extend the term of a license agreement and amortize such costs on a straight-line basis over the remaining term or economic life of the agreement, whichever is shorter. Royalty payments are not included in the cost of license agreements. Royalty expense under our license agreements is recognized as incurred and is included in our consolidated statements of income in SG&A. Net sales revenue subject to trademark license agreements requiring royalty payments comprised approximately 41%, 45% and 44% of consolidated net sales revenue for fiscal 2019, 2018 and 2017, respectively. During fiscal 2019, two license agreements accounted for net sales revenue subject to royalty payments of approximately 16% and 12% of consolidated net sales, respectively. No other license agreements had associated net sales revenue subject to royalty payments that accounted for 10% or more of consolidated net sales revenue.

We also sell products under trademarks and brand assets that we own. Trademarks and brand assets that we acquire from other entities are generally recorded on our consolidated balance sheets based upon the appraised fair value of the acquired asset, net of any accumulated amortization and impairment charges. Costs associated with developing trademarks internally are recorded as expenses in the period incurred. In certain instances where trademarks or brand assets have readily determinable useful lives, we amortize their costs on a straight-line basis over such lives. In most instances, we have determined that such acquired assets have an indefinite useful life. In these cases, no amortization is recorded. Patents acquired through acquisition, if material, are recorded on our consolidated balance sheets based upon the appraised value of the acquired patents and amortized over the remaining life of the patent. Additionally, we incur certain costs in connection with the design and development of products to be covered by patents, which are capitalized as incurred and amortized on a straight-line basis over the life of the patent in the jurisdiction filed, typically 14 years.

Table of Contents

Other intangible assets include customer lists, distribution rights, patent rights, and non-compete agreements that we acquired. These are recorded on our consolidated balance sheets based upon the fair value of the acquired asset and amortized on a straight-line basis over the remaining life of the asset as determined either through outside appraisal or by the term of any controlling agreements.

Goodwill, intangible and other long-lived assets and related impairment testing

Goodwill is recorded as the difference, if any, between the aggregate consideration paid and the fair value of the net tangible and intangible assets received in the acquisition of a business. We evaluate goodwill at the reporting unit level (operating segment or one level below an operating segment). We measure the amount of any goodwill impairment based upon the estimated fair value of the underlying assets and liabilities of the reporting unit, including any unrecognized intangible assets and estimates of the implied fair value of goodwill. An impairment charge is recognized to the extent the recorded goodwill exceeds the implied fair value of goodwill.

We complete our analysis of the carrying value of our goodwill and other intangible assets annually, or more frequently, whenever events or changes in circumstances indicate 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 the 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. These steps entail significant amounts of judgment and subjectivity.

We perform our annual impairment testing for goodwill and indefinite-lived assets as of the beginning of the fourth quarter of our fiscal year.

Economic useful lives and amortization of intangible assets

We amortize intangible assets, such as licenses and trademarks, over their economic useful lives, unless those assets' economic useful lives are indefinite. If an intangible asset's economic useful life is deemed indefinite, that asset is not amortized. We review the economic useful lives of our intangible assets at least annually.

Intangible assets consist primarily of goodwill, license agreements, trademarks, brand assets, customer lists, distribution rights, patents, and patent licenses. For certain intangible assets subject to amortization, we use the straight-line method over appropriate periods ranging from 5 to 30 years.

Sales Returns

We allow for sales returns for defects in material and workmanship for periods ranging from two to five years. We recognize an allowance for sales returns to reduce sales to reflect our best estimate of future customer returns, determined principally based on historical experience and specific allowances for known pending returns.

Financial instruments

The carrying amounts of cash and cash equivalents, receivables, accounts payable, accrued expenses, and income taxes payable approximate fair value because of the short maturity of these items. See Note 15 for our assessment of the fair value of our long-term debt.

Income taxes and uncertain tax positions

The provision for income tax expense is calculated on reported income before income taxes based on current tax law and includes, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Tax laws may require items to be included in the determination of taxable income at different times from when the items are reflected in the financial statements. Deferred tax balances reflect the effects of temporary differences between the financial statement carrying amounts of assets and liabilities and their tax bases, as well as from net

Table of Contents

operating losses and tax credit carryforwards, and are stated at enacted tax rates in effect for the year taxes are expected to be paid or recovered.

Deferred tax assets represent tax benefits for tax deductions or credits available in future years and require certain estimates and assumptions to determine whether it is more likely than not that all or a portion of the benefit will not be realized. The recoverability of these future tax deductions and credits is determined by assessing the adequacy of future expected taxable income from all sources, including the future reversal of existing taxable temporary differences, taxable income in carryback years, estimated future taxable income and available tax planning strategies. Should a change in facts or circumstances lead to a change in judgment about the ultimate recoverability of a deferred tax asset, we record or adjust the related valuation allowance in the period that the change in facts and circumstances occurs, along with a corresponding increase or decrease in income tax expense.

We record tax benefits for uncertain tax positions based upon management's evaluation of the information available at the reporting date. To be recognized in the financial statements, the tax position must meet the more-likely-than-not threshold that the position will be sustained upon examination by the tax authority based on technical merits assuming the tax authority has full knowledge of all relevant information. For positions meeting this recognition threshold, the benefit is measured as the largest amount of benefit that meets the more-likely-than-not threshold to be sustained. We periodically evaluate these tax positions based on the latest available information. For tax positions that do not meet the threshold requirement, we record liabilities for unrecognized tax benefits as a tax expense or benefit in the period recognized or reversed and disclose as a separate liability in our financial statements, including related accrued interest and penalties.

Revenue recognition

We adopted the provisions of ASU 2014-9 in the first quarter of fiscal 2019, and we elected to adopt the standard using the retrospective method. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We recognize revenue when control of, and title to, the product sold transfers to the customer. We measure revenue as the amount of consideration for which we expect to be entitled, in exchange for transferring goods.

We offer our customers certain incentives in the form of volume rebates, product markdown allowances, trade discounts, cash discounts, slotting fees, and other similar arrangements which are accounted for as variable consideration. In some cases, we apply judgment, such as contractual rates and historical payment trends, when estimating variable consideration. These programs are generally recorded as reductions of net sales revenue. In instances when we purchase a distinct good or service from our customer and fair value can be reasonably estimated, these amounts are expensed in our consolidated statements of income in SG&A. The amount of consideration granted to customers recorded in SG&A were \$17.0, \$11.8 and \$12.1 million for fiscal 2019, 2018 and 2017, respectively. See Note 3 for further information related to reclassified amounts in SG&A.

Sales taxes and other similar taxes are excluded from revenue. We account for shipping and handling activities as a fulfillment costs. We do not have unsatisfied performance obligations since our performance obligations are satisfied at a single point in time.

Advertising

Advertising costs include cooperative retail advertising with our customers, traditional and digital media advertising and production expenses, and expenses associated with other promotional product messaging and consumer awareness programs. Advertising costs are expensed in the period in which they are incurred and included in our consolidated statements of income in SG&A. We incurred total advertising costs of \$62.4, \$53.7 and \$51.5 million during fiscal 2019, 2018 and 2017, respectively.

Table of Contents

Research and development expense

Research and development expenses consist primarily of salary and employee benefit expenses and contracted development efforts and expenses associated with development of products. Expenditures for research activities relating to product design, development and improvement are generally charged to expense as incurred and are included in our consolidated statements. We incurred total research and development expenses of \$13.0, \$13.5 and \$11.8 million during fiscal 2019, 2018 and 2017, respectively.

Shipping and handling revenue and expense

Shipping and handling revenue and expense are included in our consolidated statements of income in SG&A. This includes distribution center costs, third-party logistics costs and outbound transportation costs we incur. Our net expense for shipping and handling was \$89.4, \$78.1 and \$79.4 million during fiscal 2019, 2018 and 2017, respectively.

Share-based compensation plans

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options, restricted stock awards (“RSAs”), restricted stock units (“RSUs”), and performance stock units (“PSUs”), to be measured based on the grant date fair value of the awards. The resulting expense is recognized over the periods during which the employee is required to perform service in exchange for the award. The estimated number of PSU’s that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. All share-based compensation expense is recorded net of forfeitures in our consolidated statements of income.

Stock options are recognized in the financial statements based on their fair values using an option-pricing model at the date of grant. We use a Black-Scholes option-pricing model to calculate the fair value of options. This model requires various judgmental assumptions including volatility, forfeiture rates and expected option life.

See Note 9 for further information on our share-based compensation plans.

Table of Contents

Note 2 – New Accounting Pronouncements

Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new guidance requires the recognition of lease liabilities, representing lease payments, on a discounted basis, and corresponding right-of-use assets on the balance sheet for leases with a term of longer than 12 months. The new guidance also includes requirements for enhanced disclosures to give financial statement users the ability to assess the amount and timing of cash flows arising from leasing arrangements. In July 2018, the FASB issued ASU 2018-11 which permits application of the new guidance at the beginning of the year of adoption. The new lease guidance is effective for us on March 1, 2019, and we expect to adopt the new guidance at that date and will not recast comparative periods. We plan to elect the package of practical expedients available under the transition provisions, including (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases. We do not expect the adoption of the new guidance to have a material impact on our consolidated statements of income or cash flows. However, we expect that the adoption will have a material impact on our consolidated balance sheet.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging –Targeted Improvements to Accounting for Hedging Activities (Topic 815), which amends and simplifies hedge accounting with the intent of better aligning financial reporting for hedging relationships with an entity's risk management activities. The ASU is effective for us on March 1, 2019. We believe that the adoption of this guidance will not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU is effective for us on March 1, 2020, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact this guidance may have on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 removes certain disclosures, modifies certain disclosures and adds additional disclosures. The ASU is effective for us on March 1, 2020, and interim periods within those fiscal years. Early adoption is permitted. Certain disclosures in ASU 2018-13 would need to be applied on a retrospective basis and others on a prospective basis. We are currently evaluating the impact this guidance may have on our consolidated financial statements.

There have been no other accounting pronouncements issued but not yet adopted that are expected to have a material impact on our consolidated financial statements.

Adopted

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220). The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. Adoption of this guidance in the first quarter of fiscal 2019 did not have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting (Topic 718). This update amends the scope of modification accounting surrounding share-based payment arrangements as issued in ASU 2016-09 by providing guidance on the various types of changes which would trigger modification accounting for share-based payment awards.

Table of Contents

Adoption of this guidance in the first quarter of fiscal 2019 did not have a material impact on our consolidated financial statements.

In January 2017, the FASB, issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance provides for a single-step quantitative test to identify and measure impairment, requiring an entity to recognize an impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value. We adopted the guidance on March 1, 2017, applying it on a prospective basis. The application of this guidance did not have a material impact on our financial statements.

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other Than Inventory (Topic 740). ASU 2016-16 amends accounting guidance for intra-entity transfers of assets other than inventory to require the recognition of taxes when the transfer occurs. The amendment was effective for us on March 1, 2018. A modified retrospective approach is required for transition to the new guidance, with a cumulative-effect adjustment consisting of the net impact from (1) the write-off of any unamortized expense previously deferred and (2) recognition of any previously unrecognized deferred tax assets, net of any valuation allowance. The new guidance does not include any specific new disclosure requirements. Adoption of this guidance in the first quarter of fiscal 2019 did not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides a framework for revenue recognition that replaces most existing GAAP revenue recognition guidance. We adopted the guidance in the first quarter of fiscal 2019. For additional information see Note 3 regarding the impact of adoption of this guidance on our consolidated financial statements.

Note 3 – Revenue Recognition

We adopted the provisions of ASU 2014-9 in the first quarter of fiscal 2019, and we elected to adopt the standard using the retrospective method. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Our revenue is primarily generated from the sale of non-customized consumer products to customers. Revenue is recognized when control of, and title to, the product sold transfers to the customer. Therefore, the timing and amount of revenue recognized was not materially impacted by the new guidance. We have thus concluded that the adoption of the guidance did not have a material impact on our consolidated financial statements. The provisions of the new guidance did however impact the classification of certain consideration paid to our customers. We therefore have reclassified an immaterial amount of such payments from SG&A to a reduction of net sales revenue for all periods presented. Also, in accordance with the guidance, we reclassified an immaterial amount of estimated sales returns from a reduction of receivables to accrued expenses and other current liabilities for all periods presented. We elected to adopt the guidance using the full retrospective method.

The effect of the adoption of ASU 2014-9 on the consolidated financial statements from continuing operations is as follows:

| (in thousands) | Before Reclassification February 28, 2018 | Reclassification | After Reclassification February 28, 2018 |
|--|--|------------------|---|
| Balance Sheet | | | |
| Receivables | \$ 273,168 | \$ 2,397 | \$ 275,565 |
| Accrued expenses and other current liabilities | \$ 165,864 | \$ 2,397 | \$ 168,261 |

Table of Contents

| (in thousands) | Before Reclassification Fiscal Year Ended February 28, 2018 | Reclassification | After Reclassification Fiscal Year Ended February 28, 2018 |
|---------------------|--|------------------|---|
| Statement of Income | | | |
| Sales revenue, net | \$ 1,489,747 | \$ (10,902) | \$ 1,478,845 |
| SG&A | \$ 435,735 | \$ (10,902) | \$ 424,833 |

| (in thousands) | Before Reclassification Fiscal Year Ended February 28, 2017 | Reclassification | After Reclassification Fiscal Year Ended February 28, 2017 |
|---------------------|--|------------------|---|
| Statement of Income | | | |
| Sales revenue, net | \$ 1,406,676 | \$ (9,141) | \$ 1,397,535 |
| SG&A | \$ 409,993 | \$ (9,141) | \$ 400,852 |

Note 4 – Discontinued Operations

In December 2017, we completed the divestiture of the Nutritional Supplements segment through the sale of Healthy Directions LLC and its subsidiaries ("Healthy Directions") to Direct Digital, LLC. The purchase price from the sale was comprised of \$46.0 million in cash, which was paid at closing, and a supplemental payment with a target value of \$25.0 million, payable on or before August 1, 2019. The final amount of the supplemental payment was adjusted based on a settlement with respect to the calculation of the performance of Healthy Directions through February 28, 2018. During the third quarter of fiscal 2019, we reduced the estimated value of the supplemental payment to \$10.8 million and recorded a corresponding pre-tax charge of \$5.8 million (\$4.4 million after tax) to discontinued operations. Also, during fiscal 2019, we recorded additional net charges of \$1.5 million (\$1.3 million after tax) to discontinued operations, resulting primarily from the resolution of certain contingencies. In conjunction with the sale of the business, we have agreed to provide certain transition services for up to an eighteen-month period following the closing of the transaction.

There were no balance sheet amounts related to discontinued operations for either period presented. The results of operations associated with discontinued operations are presented in the following table:

| (in thousands) | Fiscal Years Ended February 28, | | |
|--|------------------------------------|---------------------|------------|
| | 2019 | 2018 ⁽¹⁾ | 2017 |
| Sales revenue, net | \$— | \$99,013 | \$130,543 |
| Cost of goods sold | — | 28,744 | 37,632 |
| Gross profit | — | 70,269 | 92,911 |
| Selling, general and administrative expense ("SG&A") | — | 72,419 | 88,742 |
| Asset impairment charges ⁽²⁾ | — | 132,297 | 9,500 |
| Restructuring charges | — | 621 | — |
| Operating loss | — | (135,068) | (5,331) |
| Gain (loss) on sale before income tax | (7,257) | 1,624 | — |
| Interest expense | — | (367) | (497) |
| Loss before income tax | (7,257) | (133,811) | (5,828) |
| Income tax benefit | 1,578 | 49,375 | 2,207 |
| Loss from discontinued operations | \$(5,679) | \$(84,436) | \$(3,621) |

- (1) Fiscal 2018 includes approximately 9.6 months of operating results prior to the divestiture on December 20, 2017. Impairment charges Includes goodwill impairment charges of \$96.6 million and trademark impairment charges of (2) \$35.7 million during fiscal 2018 and trademark impairment charges of \$9.5 million during fiscal 2017. Total after tax asset impairment charges were \$83.5 million for fiscal 2018 and \$5.9 million for fiscal 2017.

Table of Contents

Note 5 – Property and Equipment

A summary of property and equipment is as follows:

| (in thousands) | Estimated Useful Lives (Years) | February 28, 2019 | February 28, 2018 |
|---|--------------------------------------|----------------------|----------------------|
| Land | — | \$12,644 | \$12,800 |
| Building and improvements | 3 —40 | 113,820 | 106,870 |
| Computer, furniture and other equipment | 3 —15 | 84,711 | 79,657 |
| Tools, molds and other production equipment | 3 —7 | 36,378 | 33,466 |
| Construction in progress | — | 6,529 | 5,912 |
| Property and equipment, gross | | 254,082 | 238,705 |
| Less accumulated depreciation | | (123,744) | (115,202) |
| Property and equipment, net | | \$130,338 | \$123,503 |

We recorded \$15.7, \$14.9 and \$14.2 million of depreciation expense including \$4.1, \$3.7 and \$4.6 million in cost of goods sold and \$11.6, \$11.2 and \$9.6 million in SG&A in the consolidated statements of income for fiscal 2019, 2018 and 2017, respectively.

We lease certain facilities, equipment, and vehicles under operating leases, which expire at various dates through fiscal 2033. Certain of the leases contain escalation clauses and renewal or purchase options in addition to rent abatement amounts. Rent expense related to our operating leases was \$7.9, \$5.5, and \$5.3 million for fiscal 2019, 2018 and 2017, respectively.

Note 6 – Accrued Expenses and Other Current Liabilities

A summary of accrued expenses and other current liabilities is as follows:

| (in thousands) | February 28, 2019 | February 28, 2018 |
|--|----------------------|----------------------|
| Accrued compensation, benefits and payroll taxes | \$36,782 | \$37,666 |
| Accrued sales discounts and allowances | 28,655 | 28,311 |
| Accrued sales returns | 23,316 | 24,842 |
| Accrued advertising | 26,549 | 25,324 |
| Accrued legal fees and settlements | 2,604 | 17,243 |
| Other | 47,254 | 34,875 |
| Total accrued expenses and other current liabilities | \$165,160 | \$168,261 |

Note 7 – Hydro Flask Acquisition

On March 18, 2016, we completed the acquisition of all membership units of Steel Technology, LLC, doing business as Hydro Flask. Hydro Flask is a leading designer, distributor and marketer of high performance insulated stainless steel food and beverage containers for active lifestyles. The aggregate purchase price for the transaction was approximately \$209.3 million, net of cash acquired. Significant assets acquired include receivables, inventory, prepaid expenses, property and equipment, trade names, technology assets, customer relationships, and goodwill. We accounted for the acquisition as the purchase of a business and recorded the excess purchase price as goodwill, which is not expected to be deductible for income tax purposes. We completed our analysis of the economic lives of the assets acquired and determined the appropriate fair values of the acquired assets. We assigned \$59.0 million to trade names with indefinite economic lives. We assigned \$10.3 million to technology assets and \$14.2 million to customer relationships and are amortizing these assets over expected lives of 10 and 24 years, respectively. For technology assets, we considered the average

Table of Contents

life cycle of the underlying products, which range from 7 -15 years, and the overall average life of the associated patent portfolio. For the customer relationships, we used historical attrition rates to assign an expected life. The following schedule presents the net assets of Hydro Flask recorded at the acquisition date of March 18, 2016, excluding cash acquired:

(in thousands)

| | |
|---|-----------|
| Assets: | |
| Receivables | \$7,955 |
| Inventory | 6,243 |
| Prepaid expenses and other current assets | 336 |
| Property and equipment | 1,108 |
| Goodwill | 116,053 |
| Trade names - indefinite | 59,000 |
| Technology assets - definite | 10,300 |
| Customer relationships - definite | 14,200 |
| Subtotal - assets | 215,195 |
| Liabilities: | |
| Accounts payable | 2,275 |
| Accrued expenses | 3,662 |
| Subtotal - liabilities | 5,937 |
| Net assets recorded | \$209,258 |

The fair values of the above assets acquired and liabilities assumed were estimated by applying income and market approaches. Key assumptions include various discount rates based upon a 12.3% weighted average cost of capital; royalty rates used in the determination of trade names and technology asset values of 6% and 2%, respectively; and a customer attrition rate used in the determination of customer relationship values of approximately 4% per year.

The impact of the Hydro Flask acquisition on our consolidated statements of income for fiscal 2017 is as follows:

| | |
|---|-----------|
| | Fiscal |
| | Year |
| March 18, 2016 (acquisition date) through February 28, 2017 | Ended |
| (in thousands, except earnings per share data) | February |
| | 28, 2017 |
| Sales revenue, net | \$107,005 |
| Net income | 27,902 |
| Earnings per share: | |
| Basic | \$1.01 |
| Diluted | \$1.00 |

The following supplemental unaudited pro forma information presents our financial results as if the Hydro Flask acquisition had occurred as of the beginning of the fiscal periods presented. This supplemental pro forma information has been prepared for comparative purposes and would not necessarily indicate what may have occurred if the acquisition had been completed on March 1, 2015, and this information is not intended to be indicative of future results.

Table of Contents

HYDRO FLASK - PRO FORMA IMPACT ON CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

As if the acquisition had been completed on March 1, 2015 Fiscal Years Ended the Last Day of February

| (in thousands, except earnings per share data) | 2017 | 2016 |
|--|--------------|--------------|
| Sales revenue, net | \$ 1,410,171 | \$ 1,450,530 |
| Net income | 144,947 | 105,669 |
| Earnings per share: | | |
| Basic | \$ 5.27 | \$ 3.74 |
| Diluted | \$ 5.20 | \$ 3.68 |

Note 8 – Goodwill and Intangibles

We do not record amortization expense for goodwill or other intangible assets that have indefinite useful lives. Amortization expense is recorded for intangible assets with definite useful lives. Some of our goodwill is held in jurisdictions that allow deductions for tax purposes, however, in some of those jurisdictions we have no tax basis for the associated goodwill recorded for book purposes. Accordingly, the majority of our goodwill is not deductible for tax purposes. We perform annual impairment testing each fiscal year and interim impairment testing, if necessary. We write down any asset deemed to be impaired to its fair value.

Our impairment test methodology uses primarily estimated future discounted cash flow models (“DCF Models”). The DCF Models use a number of assumptions including expected future cash flows from the assets, volatility, risk free rate, and the expected life of the assets, the determination of which require significant judgments from management. In determining the assumptions to be used, we consider the existing rates on Treasury Bills, yield spreads on assets with comparable expected lives, historical volatility of our common stock and that of comparable companies, and general economic and industry trends, among other considerations. When stock market or other conditions warrant, we expand our traditional impairment test methodology to give weight to other methods that provide additional observable market information in order to better reflect the current risk level being incorporated into market prices and in order to corroborate the fair values of each of our reporting units. Management will place increased reliance on these additional methods in conjunction with its DCF Models in the event that the total market capitalization of its stock drops below its consolidated stockholders’ equity balance for a sustained period.

Considerable management judgment is necessary in reaching a conclusion regarding the reasonableness of fair value estimates, evaluating the most likely impact of a range of possible external conditions, considering the resulting operating changes and their impact on estimated future cash flows, determining the appropriate discount factors to use, and selecting and weighting appropriate comparable market level inputs.

The fair values used in our impairment tests are determined using estimated future discounted cash flows and relative market-based data. The valuation techniques utilized assumptions we believed to be appropriate in the circumstances; however, future circumstances attributable to a strategic change in our business could result in changes to those assumptions and other charges or losses relating our segments may be recorded and could be material. We are unable to project the amount of any expense, charge or loss that may be incurred in future periods.

Impairment Testing in Fiscal 2019 - We did not record any impairment charges related to goodwill or intangible assets during fiscal 2019.

Impairment Testing in Fiscal 2018 - As a result of our testing of indefinite-lived trademarks, we recorded non-cash asset impairment charges of \$15.4 million (\$13.8 million after tax) during fiscal 2018. The charges were related to trademarks in our Beauty segment, which were written down to their

Table of Contents

estimated fair values, determined on the basis of our estimated future discounted cash flows using the relief from royalty valuation method.

Impairment Testing in Fiscal 2017 - As a result of our testing of indefinite-lived trademarks, we recorded non-cash impairment charges of \$2.9 million (\$2.5 million after tax) during fiscal 2017. The charges were related to certain trademarks in our Beauty segment, which were written down to estimated fair value, determined on the basis of estimated future discounted cash flows using the relief from royalty valuation method.

The following tables summarize the changes in our goodwill and intangible assets by segment for fiscal 2019 and 2018:

| (in thousands) | Weighted Average Life | Balances at February 28, 2018 | | Year Ended February 28, 2019 | | | Balances at February 28, 2019 | | Accumulated Amortization | Net Book Value |
|----------------------------|-----------------------|-------------------------------|---------------------------------|------------------------------|------------------------|-----------------------|---------------------------------|------------|--------------------------|----------------|
| | | Gross Carrying Amount | Cumulative Goodwill Impairments | Additional Impairments | Retirement Adjustments | Gross Carrying Amount | Cumulative Goodwill Impairments | | | |
| Housewares: | | | | | | | | | | |
| Goodwill | | \$282,056 | \$— | \$— | \$— | \$— | \$282,056 | \$— | \$— | \$282,056 |
| Trademarks - indefinite | | 134,200 | — | — | — | — | 134,200 | — | — | 134,200 |
| Other intangibles - finite | 14.7 | 40,828 | — | 684 | — | (95) | 41,417 | — | (19,398) | 22,019 |
| Subtotal | | 457,084 | — | 684 | — | (95) | 457,673 | — | (19,398) | 438,275 |
| Health & Home: | | | | | | | | | | |
| Goodwill | | 284,913 | — | — | — | — | 284,913 | — | — | 284,913 |
| Trademarks - indefinite | | 54,000 | — | — | — | — | 54,000 | — | — | 54,000 |
| Licenses - finite | 4.7 | 15,300 | — | 1,750 | — | — | 17,050 | — | (15,402) | 1,648 |
| Licenses - indefinite | | 7,400 | — | — | — | — | 7,400 | — | — | 7,400 |
| Other Intangibles - finite | 5.5 | 117,586 | — | 381 | — | — | 117,967 | — | (87,953) | 30,014 |
| Subtotal | | 479,199 | — | 2,131 | — | — | 481,330 | — | (103,355) | 377,975 |
| Beauty: | | | | | | | | | | |
| Goodwill | | 81,841 | (46,490) | — | — | — | 81,841 | (46,490) | — | 35,351 |
| Trademarks - indefinite | | 30,407 | — | — | — | — | 30,407 | — | — | 30,407 |
| Trademarks - finite | 9.6 | 150 | — | — | — | — | 150 | — | (102) | 48 |
| Licenses - indefinite | | 10,300 | — | — | — | — | 10,300 | — | — | 10,300 |
| Licenses - finite | 3.8 | 13,696 | — | — | — | — | 13,696 | — | (12,482) | 1,214 |
| Other intangibles - finite | 4.6 | 46,402 | — | — | — | — | 46,402 | — | (46,126) | 276 |
| Subtotal | | 182,796 | (46,490) | — | — | — | 182,796 | (46,490) | (58,710) | 77,596 |
| Total | | \$1,119,079 | \$(46,490) | \$2,815 | \$— | \$(95) | \$1,121,799 | \$(46,490) | \$(181,463) | \$893,846 |

Table of Contents

| (in thousands) | Weighted Average Life (Years) | Balances at February 28, 2017 | | Year Ended February 28, 2018 | | | Balances at February 28, 2018 | | Accumulated Amortization | Net Book Value |
|----------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------|-------------|------------------------|-------------------------------|---------------------------------|--------------------------|----------------|
| | | Gross Carrying Amount | Cumulative Goodwill Impairments | Additions | Impairments | Retirement Adjustments | Gross Carrying Amount | Cumulative Goodwill Impairments | | |
| Housewares: | | | | | | | | | | |
| Goodwill | | \$282,056 | \$— | \$— | \$— | \$— | \$282,056 | \$— | \$— | \$282,056 |
| Trademarks - indefinite | | 134,200 | — | — | — | — | 134,200 | — | — | 134,200 |
| Other intangibles - finite | 15.7 | 40,393 | — | 607 | — | (173) | 40,828 | — | (17,530) | 23,298 |
| Subtotal | | 456,649 | — | 607 | — | (173) | 457,084 | — | (17,530) | 439,554 |
| Health & Home: | | | | | | | | | | |
| Goodwill | | 284,913 | — | — | — | — | 284,913 | — | — | 284,913 |
| Trademarks - indefinite | | 54,000 | — | — | — | — | 54,000 | — | — | 54,000 |
| Licenses - finite | | 15,300 | — | — | — | — | 15,300 | — | (15,300) | — |
| Licenses - indefinite | | 7,400 | — | — | — | — | 7,400 | — | — | 7,400 |
| Other Intangibles - finite | 5.8 | 116,982 | — | 605 | — | — | 117,586 | — | (77,128) | 40,458 |
| Subtotal | | 478,595 | — | 605 | — | — | 479,199 | — | (92,428) | 386,771 |
| Beauty: | | | | | | | | | | |
| Goodwill | | 81,841 | (46,490) | — | — | — | 81,841 | (46,490) | — | 35,351 |
| Trademarks - indefinite | | 45,854 | — | — | (15,447) | — | 30,407 | — | — | 30,407 |
| Trademarks - finite | 10.6 | 150 | — | — | — | — | 150 | — | (97) | 53 |
| Licenses - indefinite | | 10,300 | — | — | — | — | 10,300 | — | — | 10,300 |
| Licenses - finite | 4.8 | 13,696 | — | — | — | — | 13,696 | — | (12,166) | 1,530 |
| Other intangibles - finite | 1.7 | 46,402 | — | — | — | — | 46,402 | — | (45,133) | 1,269 |
| Subtotal | | 198,243 | (46,490) | — | (15,447) | — | 182,796 | (46,490) | (57,396) | 78,910 |
| Total | | \$1,133,487 | \$(46,490) | \$1,212 | \$(15,447) | \$(173) | \$1,119,079 | \$(46,490) | \$(167,354) | \$905,235 |

The following table summarizes the amortization expense attributable to intangible assets recorded in SG&A in the consolidated statements of income for fiscal 2019, 2018 and 2017, as well as estimated amortization expense for fiscal 2020 through 2024:

| Aggregate Amortization Expense (in thousands) | |
|---|----------|
| Fiscal 2019 | \$14,204 |
| Fiscal 2018 | 18,854 |
| Fiscal 2017 | 22,024 |

Estimated Amortization Expense (in thousands)

| | |
|-------------|-----------|
| Fiscal 2020 | \$ 13,142 |
| Fiscal 2021 | 10,563 |
| Fiscal 2022 | 4,057 |
| Fiscal 2023 | 3,986 |
| Fiscal 2024 | 3,679 |

Note 9 – Share-Based Compensation Plans

During the fiscal year we had equity transactions under four expired and two active share-based compensation plans. The expired plans consist of a stock option and restricted stock plan adopted in 1998 (the "1998 Plan"), the Helen of Troy Limited 2008 Stock Incentive Plan (the "2008 Stock Incentive Plan"), the Helen of Troy Limited 2008 Non-Employee Directors Stock Incentive Plan (the "2008 Directors' Plan"), and the Helen of Troy Limited 2008 Employee Stock Purchase Plan (the "2008 ESPP"). The active plans consists of the 2018 Stock Incentive Plan (the "2018 Plan") and the 2018 Employee Stock Purchase Plan (the "2018 ESPP"). The plans are administered by the Compensation Committee of the Board of Directors, which consists of non-employee directors who are independent under the applicable listing standards for companies traded on the NASDAQ Stock Market LLC.

Table of Contents

Expired Plans

The 1998 Plan: The Plan expired by its terms on August 25, 2008. As of February 28, 2019, there were no shares of common stock subject to exercise or outstanding under the plan.

The 2008 Stock Incentive Plan: Expired by its terms on September 1, 2018. As of February 28, 2019, there were 162,938 shares of common stock subject to options outstanding under the plan. There were 351,750 restricted stock units outstanding as of February 28, 2019 that may be settled for up to 539,122 shares of common stock.

The 2008 Directors Plan: Expired by its terms on September 1, 2018. As of February 28, 2019, there were no shares outstanding under the plan.

The 2008 Employee Stock Purchase Plan: Expired by its terms on September 1, 2018. During fiscal 2019, 17,435 shares were purchased under this plan.

Active Plans

The 2018 Plan: On August 22, 2018, our shareholders approved the 2018 Plan. The 2018 Plan permits the granting of stock options, stock appreciation rights, RSAs, RSUs, PSUs, and other stock-based awards. The aggregate number of shares for issuance under the 2018 Plan will not exceed 2,000,000 shares.

A summary of shares available for issue under the 2018 Plan follows:

| | |
|--|-----------|
| Shares originally authorized | 2,000,000 |
| Less share awards issued | (2,128) |
| Plus forfeitures | 4,300 |
| Less share awards previously vested and settled | — |
| Subtotal | 2,002,172 |
| Less RSUs issuable upon vesting ⁽¹⁾ | (78,553) |
| Less maximum PSUs issuable upon vesting ⁽¹⁾ | — |
| Shares available for issuance | 1,923,619 |

⁽¹⁾ RSUs and PSUs potentially issuable are estimated assuming the maximum payouts adjusted for actual forfeitures to date.

The 2018 ESPP: On August 22, 2018, our shareholders approved the 2018 ESPP. The aggregate number of shares of common stock that may be purchased under the 2018 ESPP will not exceed 750,000 shares. Under the terms of the plan, employees may authorize the withholding of up to 15% of their wages or salaries to purchase our shares of common stock, not to exceed \$25,000 of the fair market value of such shares for any calendar year. The purchase price for shares acquired under the 2018 ESPP is equal to the lower of 85% of the share's fair market value on either the first day of each option period or the last day of each period. The plan will expire by its terms on September 1, 2028. Shares of common stock purchased under the 2018 ESPP vest immediately at the time of purchase.

Accordingly, the fair value award associated with their discounted purchase price is expensed at the time of purchase. During fiscal 2019, there were 14,222 shares purchased under the plan.

Table of Contents

We recorded share-based compensation expense in SG&A as follows:

| (in thousands, except per share data) | Fiscal Years Ended February 28, | | |
|--|---------------------------------|----------|----------|
| | 2019 | 2018 | 2017 |
| Stock options | \$829 | \$1,634 | \$2,614 |
| Directors stock compensation | 526 | 525 | 514 |
| Performance based and other stock awards | 20,047 | 12,631 | 10,243 |
| Employee stock purchase plan | 651 | 264 | 490 |
| Share-based compensation expense | 22,053 | 15,054 | 13,861 |
| Less income tax benefits | (1,395) | (1,669) | (1,762) |
| Share-based compensation expense, net of income tax benefits | \$20,658 | \$13,385 | \$12,099 |
| Continuing operations earnings per share impact of share-based compensation expense: | | | |
| Basic | \$0.79 | \$0.49 | \$0.44 |
| Diluted | \$0.79 | \$0.49 | \$0.43 |

A summary of our total unrecognized share-based compensation expense as of February 28, 2019 is as follows:

| (in thousands, except weighted average expense period data) | Weighted Unrecognized Average Compensation Period of Expense Recognition (in months) | |
|---|--|-------------|
| | Expense | Recognition |
| Stock options | \$ 244 | 8.6 |
| Restricted stock units (RSUs and PSUs) | 18,519 | 26.4 |

Stock Options

A summary of stock option activity under our expired share-based compensation plans follows:

| (in thousands, except contractual term and per share data) | Options | Weighted Average Exercise Price (per share) | Weighted Average Grant Date Fair Value (per share) | Weighted Average Remaining Contractual Term (in years) | Intrinsic Value |
|--|---------|---|--|--|-----------------|
| | | | | | |
| Outstanding at February 29, 2016 | 649 | \$ 53.94 | \$ 19.52 | 6.1 | \$26,847 |
| Grants | 2 | 102.04 | 28.74 | | |
| Exercises | (170) | 43.07 | | | 9,152 |
| Forfeitures / expirations | (33) | 65.68 | | | |
| Outstanding at February 28, 2017 | 448 | 57.41 | 20.54 | 5.0 | 18,097 |
| Grants | — | — | — | | |
| Exercises | (126) | 52.28 | | | 5,400 |
| Forfeitures / expirations | (22) | 72.37 | | | |
| Outstanding at February 28, 2018 | 300 | 58.35 | 32.04 | 4.3 | 9,606 |
| Grants | — | — | — | | |
| Exercises | (126) | 49.82 | | | 6,414 |
| Forfeitures / expirations | (11) | 80.33 | | | |
| Outstanding at February 28, 2019 | 163 | \$ 63.47 | \$ 48.64 | 3.6 | \$7,925 |
| Exercisable at February 28, 2019 | 126 | \$ 58.20 | \$ 53.91 | 3.4 | \$6,811 |

Table of Contents

A summary of non-vested stock option activity and changes under our expired share-based compensation plans follows:

| (in thousands, except per share data) | Non- Vested Options | Weighted Average Grant Date Fair Value (per share) |
|---------------------------------------|---------------------------|--|
| Outstanding at February 29, 2016 | 521 | \$ 20.81 |
| Grants | 2 | 28.74 |
| Vested or forfeited | (243) | 18.95 |
| Outstanding at February 28, 2017 | 280 | 22.48 |
| Grants | — | — |
| Vested or forfeited | (155) | 25.02 |
| Outstanding at February 28, 2018 | 125 | 19.31 |
| Grants | — | — |
| Vested or forfeited | (88) | 14.67 |
| Outstanding at February 28, 2019 | 37 | \$ 30.44 |

There were no options granted during fiscal 2019 and 2018. The fair value of our stock option grants were estimated using a Black-Scholes option pricing model with the following assumptions for fiscal 2017:

| | Fiscal Year Ended February 28, 2017 | |
|---|--|---|
| Range of risk free interest rates used | 1.2 | % |
| Expected dividend rate | — | % |
| Weighted average volatility rate | 33.4 | % |
| Range of expected volatility rates used | 33.4 | % |
| Range of expected terms used (in years) | 4.1 | |

Restricted Stock Awards

Under the 2008 Directors' Plan for fiscal 2019, 2018 and 2017, we issued 2,737, 5,658 and 5,285 shares subject to restricted stock awards to non-employee Board members with grant date fair values of \$0.2, \$0.5 and \$0.5 million, respectively, and share prices of \$89.77, \$92.95, and \$92.98 respectively. The restricted stock awards vested immediately, were valued at the fair value of our common stock at the date of grant, and accordingly, were expensed at the time of the grants.

Under the 2018 Plan during fiscal 2019, we issued 2,128 shares subject to restricted stock awards to non-employee Board members with a total grant date fair value of 0.3 million, or \$131.74 per share. No restricted stock awards under the 2018 Plan were granted in fiscal 2018 or 2017. The restricted stock awards vested immediately, were valued at the fair value of our common stock at the date of grant, and accordingly, were expensed at the time of the grants.

Table of Contents

Restricted Stock Units

A summary of restricted stock unit activity and changes under our equity incentive plans are as follows:

| (in thousands, except per share data) | Expired Equity Plan | | | Active Equity Plan | | |
|---|------------------------|--|--------------------------|------------------------|--|------------------|
| | Restricted Stock Units | Weighted Average Grant Date Fair Value (per share) | Fair Value at Grant Date | Restricted Stock Units | Weighted Average Grant Date Fair Value (per share) | Fair Value Grant |
| Outstanding at February 29, 2016 ⁽¹⁾ | 213 | \$ 66.50 | \$20,311 | — | \$ — | \$— |
| Granted ⁽¹⁾ | 162 | 96.90 | | — | — | |
| Vested or Forfeited ⁽²⁾ | (53) | 70.14 | | — | — | |
| Outstanding at February 28, 2017 | 322 | 81.19 | 31,418 | — | — | — |
| Granted ⁽¹⁾ | 262 | 96.44 | | — | — | |
| Vested or Forfeited ⁽²⁾ | (274) | 78.71 | | — | — | |
| Outstanding at February 28, 2018 | 310 | 90.05 | 27,944 | — | — | — |
| Granted ⁽¹⁾ | 197 | 84.02 | | 79 | 125.40 | |
| Vested or Forfeited ⁽²⁾ | (155) | 82.19 | | (5) | 124.71 | |
| Outstanding at February 28, 2019 | 352 | \$ 92.45 | \$32,519 | 74 | \$ 125.45 | \$9,202 |

⁽¹⁾ The expired plan reflects 141,541, 192,002 and 15,643 RSUs, which vested and settled throughout the year at a weighted average fair values of \$81.23, \$62.88 and \$60.28 per share in fiscal 2019, 2018 and 2017, respectively.

⁽²⁾ The active plan reflects 900 RSUs which vested and settled throughout the year at a weighted average fair value of \$120.70 per share in fiscal 2019.

Note 10 – Defined Contribution Plans

We sponsor defined contribution savings plans in the U.S. and other countries where we have employees. Total company matching contributions made to these plans for fiscal 2019, 2018 and 2017 were \$4.0, \$3.9 and \$3.2 million, respectively.

Note 11 – Repurchase of Helen of Troy Common Stock

On May 10, 2017, our Board of Directors authorized the repurchase of up to \$400 million of our outstanding common stock. The authorization is effective for a period of three years and replaced our former repurchase authorization.

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 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. As of February 28, 2019, our repurchase authorization allowed for the purchase of \$110.5 million of common stock.

Our current equity-based compensation plans include provisions that allow for the “net exercise” of share settled awards by all plan participants. In a net exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from the option holder can be paid for by having the option holder tender back to us a number of shares at fair value equal to the amounts due. Net exercises are treated as purchases and retirements of shares.

Table of Contents

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

| (in thousands, except share and per share data) | Fiscal Years Ended | | |
|---|--------------------|----------|----------|
| | February 28, | | |
| | 2019 | 2018 | 2017 |
| Common stock repurchased on the open market: | | | |
| Number of shares | 1,875,469 | 717,300 | 922,731 |
| Aggregate value of shares | \$212,080 | \$65,795 | \$75,000 |
| Average price per share | \$113.08 | \$91.73 | \$81.28 |

Common stock received in connection with share-based compensation:

| | | | |
|---------------------------|---------|---------|---------|
| Number of shares | 59,024 | 75,785 | 6,286 |
| Aggregate value of shares | \$5,413 | \$7,258 | \$595 |
| Average price per share | \$91.70 | \$95.77 | \$94.61 |

Note 12 – Restructuring Plan

In October 2017, we announced a restructuring plan (referred to as “Project Refuel”) intended to enhance the performance primarily in the Beauty and former Nutritional Supplements segments. Project Refuel includes charges for a reduction-in-force and the elimination of certain contracts. During the first quarter of fiscal 2019, we expanded Project Refuel to include the realignment and streamlining of our supply chain structure. We are targeting total annualized profit improvements of approximately \$8.0 million to \$10.0 million over the duration of the plan. We estimate the plan to be completed during fiscal 2020 and expect to incur total restructuring charges of approximately \$7.0 million. Restructuring provisions are determined based on estimates prepared at the time the restructuring actions are approved by management and are revised periodically.

During fiscal 2019, we incurred \$3.6 million of pre-tax restructuring costs related to employee severance and termination benefits. Since implementing Project Refuel, we have incurred \$5.4 million of pre-tax restructuring costs related to employee severance and termination benefits and contract termination costs as of February 28, 2019. During fiscal 2019, we made total cash restructuring payments of \$3.1 million and had a remaining liability of \$1.2 million as of February 28, 2019. Since implementing Project Refuel, we have made total cash restructuring payments of \$4.2 million as of February 28, 2019.

Note 13 – Other Commitments and Contingencies

Indemnity Agreements – Under agreements with customers, licensors and parties from whom we have acquired assets or entered into business combinations, we indemnify these parties against liability associated with our products. Additionally, we are party to a number of agreements under leases where we indemnify the lessor for liabilities attributable to our actions or conduct. The indemnity agreements to which we are a party do not, in general, increase our liability for claims related to our products or actions and have not materially affected our consolidated financial statements.

Employment Contract – We have an employment contract with Mr. Julien Mininberg, our CEO, that was amended and restated on November 7, 2018. The amended and restated agreement, among other things, extended the term of Mr. Mininberg’s employment agreement from March 1, 2019 through February 28, 2023. The agreement provides a base salary, potential incentive bonus and long-term incentive compensation. The agreement also specifies varying levels of salary continuation and/or severance compensation dependent on certain circumstances such as involuntary termination for other than cause or involuntary termination due to a change of control.

International Trade – We purchase most of our appliances and a significant portion of other products that we sell from unaffiliated manufacturers located in the Far East, mainly in China. With most of our products being manufactured in the Far East, we are subject to risks associated with trade barriers, the imposition of additional tariffs, currency exchange fluctuations and social, economic and political unrest. In recent years, increasing labor costs, regional labor dislocations driven by new government policies, local inflation, changes in ocean cargo carrier capacity and costs, the impact of energy prices on

Table of Contents

transportation, and fluctuations in the Chinese Renminbi against the U.S. Dollar have resulted in variability in our cost of goods sold. In the past, certain Chinese suppliers have closed operations due to economic conditions that pressured their profitability. Although we have multiple sourcing partners for certain products, occasionally we are unable to source certain items on a timely basis due to changes occurring with our suppliers. We believe that we could source similar products outside China, if necessary, and we continuously explore expanding sourcing alternatives in other countries. However, the relocation of any production capacity could require substantial time and increased costs.

Customer Incentives – We regularly enter into arrangements with customers whereby we offer various incentives, including incentives in the form of volume rebates. Our estimates of the liabilities for such incentives is included in the accompanying consolidated balance sheets on the line entitled “Accrued expenses and other current liabilities,” and in Note 6 to these consolidated financial statements included in the lines entitled “Accrued sales discounts and allowances” and “Accrued advertising” and are based on incentives applicable to sales occurring up to the respective balance sheet dates.

Thermometer Patent Litigation – In January 2016, a jury ruled against us in a case that involved claims by Exergen Corporation. The case involved the alleged patent infringement related to two forehead thermometer models sold by our subsidiary, Kaz USA, Inc., in the United States. As a result of the jury verdict, we recorded a charge in fiscal 2016 including legal fees and other related expenses, of \$17.8 million (before and after tax). In June 2016, certain post-trial motions were concluded with Exergen Corporation being awarded an additional \$1.5 million of pre-judgment compensation. We accrued this additional amount in May 2016. In July 2016, we appealed the judgment to the United States Court of Appeals for the Federal Circuit. In March 2018, the Federal Circuit issued a decision, which reversed the district court’s verdict of infringement of one of the two patents at issue and remanded the damage award for a determination by the district court of the impact the reversal of infringement has on the damage award. Following the remand, we entered into a settlement agreement, filed a Stipulation of Dismissal with Prejudice and made a settlement payment of \$15.0 million on May 31, 2018.

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

Contractual Obligations and Commercial Commitments – Our contractual obligations and commercial commitments at the end of fiscal 2019 were:

| | Fiscal Years Ended the Last Day of February: | | | | | | |
|---|--|-----------|----------|-----------|----------|----------|----------|
| | | 2020 | 2021 | 2022 | 2023 | 2024 | After |
| (in thousands) | Total | 1 year | 2 years | 3 years | 4 years | 5 years | 5 years |
| Floating rate debt | \$323,607 | \$1,900 | \$1,900 | \$303,100 | \$1,900 | \$14,807 | \$— |
| Long-term incentive plan payouts | 12,708 | 7,012 | 3,481 | 2,215 | — | — | — |
| Interest on floating rate debt ⁽¹⁾ | 32,237 | 11,453 | 11,387 | 8,879 | 518 | — | — |
| Open purchase orders | 234,659 | 234,659 | — | — | — | — | — |
| Minimum royalty payments | 49,159 | 12,650 | 12,855 | 13,040 | 7,914 | 2,700 | — |
| Advertising and promotional | 37,401 | 18,933 | 6,411 | 6,527 | 5,530 | — | — |
| Operating leases | 69,482 | 5,171 | 6,678 | 6,411 | 5,743 | 5,078 | 40,401 |
| Capital spending commitments | 4,602 | 4,602 | — | — | — | — | — |
| Total contractual obligations ⁽²⁾ | \$763,855 | \$296,380 | \$42,712 | \$340,172 | \$21,605 | \$22,585 | \$40,401 |

We estimate our future obligations for interest on our floating rate debt by assuming the weighted average interest rates in effect on each floating rate debt obligation at February 28, 2019 remain constant into the future. This is an estimate, as actual rates will vary over time. In addition, for the Credit Agreement, we assume that the balance outstanding as of February 28, 2019 remains the same for the remaining term of the agreement. The actual balance outstanding under the Credit Agreement may fluctuate significantly in future periods, depending on the availability of cash flow from operations and future investing and financing considerations.

Table of Contents

In addition to the contractual obligations and commercial commitments in the table above, as of February 28, 2019, we have recorded a provision for uncertain tax positions of \$3.2 million. We are unable to reliably estimate the timing of most of the future payments, if any, related to uncertain tax positions; therefore, we have excluded these tax liabilities from the table above.

Note 14 – Long Term Debt

We have a credit agreement (the “Credit Agreement”) with Bank of America, N.A., as administrative agent, and other lenders that provides for an unsecured total revolving commitment of \$1.0 billion as of February 28, 2019. The commitment under the Credit Agreement terminates on December 7, 2021. Borrowings accrue interest under one of two alternative methods (based upon a base rate or LIBOR) as described in the Credit Agreement. With each borrowing against our credit line, we can elect the interest rate method based on our funding needs at the time. We also incur loan commitment and letter of credit fees under the Credit Agreement. Outstanding letters of credit reduce the borrowing availability under the Credit Agreement on a dollar-for-dollar basis. As of February 28, 2019, the outstanding revolving loan principal balance was \$301.2 million (excluding prepaid financing fees) and the balance of outstanding letters of credit was \$9.0 million. As of February 28, 2019, the amount available for borrowings under the Credit Agreement was \$689.8 million. Covenants in our debt agreements limit the amount of total indebtedness we can incur. As of February 28, 2019 these covenants effectively limited our ability to incur more than \$548.4 million of additional debt from all sources, including our Credit Agreement, or \$689.8 million in the event a qualified acquisition is consummated.

A summary of our long-term debt follows:

| (dollars in thousands) | Original Date Borrowed | Interest Rates | Matures | February 28, 2019 | February 28, 2018 |
|--|------------------------|----------------|---------|-------------------|-------------------|
| Mississippi Business Finance Corporation Loan (the "MBFC Loan") ⁽¹⁾ | 03/13 | Floating | 03/23 | \$22,335 | \$24,219 |
| Credit Agreement ⁽²⁾ | 01/15 | Floating | 12/21 | 298,449 | 265,650 |
| Total long-term debt | | | | 320,784 | 289,869 |
| Less current maturities of long-term debt | | | | (1,884) | (1,884) |
| Long-term debt, excluding current maturities | | | | \$318,900 | \$287,985 |

The MBFC Loan is unsecured with an original balance of \$37.6 million and incurs floating interest based on applicable LIBOR plus a margin of up to 2.0% , or a base rate plus a margin of up to 1.0%, as determined by the interest rate elected and the Leverage Ratio. The loan is subject to holder’s call on or after March 1, 2018. The loan can be prepaid without penalty. The remaining principal balance is payable as follows: \$1.9 million annually on March 1, 2019 through 2022; and \$14.8 million on March 1, 2023. Any remaining outstanding principal and interest is due upon maturity on March 1, 2023.

Floating interest rates are hedged with an interest rate swap to effectively fix interest rates on \$225 million of the outstanding principal balance under the Credit Agreement. Notes 15 and 16 to these consolidated financial statements provide additional information regarding the interest rate swap.

At February 28, 2019 and 2018, our long-term debt has floating interest rates, and its book value approximates its fair value.

All of our debt is unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. Our debt agreements require the maintenance of certain financial covenants, including maximum leverage ratios, minimum interest coverage ratios and minimum consolidated net worth levels (as each of these terms is defined in the various agreements). Our debt agreements also contain other customary covenants. We were in compliance with the terms of these agreements as of February 28, 2019.

Table of Contents

The following table contains information about interest rates on our Credit Agreement and the related weighted average borrowings outstanding for the periods covered by our consolidated statements of income:

| (in thousands) | Fiscal Years Ended February 28, | | | |
|---|---------------------------------|-----------|-----------|---|
| | 2019 | 2018 | 2017 | |
| Average borrowings outstanding ⁽¹⁾ | \$290,860 | \$382,960 | \$498,420 | |
| Average interest rate during each year ⁽²⁾ | 3.2 | %2.7 | %2.2 | % |
| Interest rate range during each year | 2.8% - | 2.3 - | 1.9 - | |
| | 5.5% | 4.8% | 4.3% | |
| Weighted average interest rates on borrowings outstanding at year end | 3.6 | %2.9 | %2.3 | % |

(1) Average borrowings outstanding is computed as the average of the current and four prior quarters ending balances of our credit facility.

(2) The average interest rate during each year is computed by dividing the total interest expense associated with the Credit Agreement for a fiscal year by the average borrowings outstanding for the same fiscal year.

The following table contains a summary of the components of our interest expense for the periods covered by our consolidated statements of income:

| (in thousands) | Fiscal Years Ended | | |
|-------------------------------------|--------------------|----------|----------|
| | February 28, | | |
| | 2019 | 2018 | 2017 |
| Interest and commitment fees | \$11,366 | \$13,084 | \$13,745 |
| Deferred finance costs | 1,015 | 887 | 706 |
| Interest rate swap settlements, net | (515) |)54 | — |
| Cross-currency debt swap | (147) |)(74 |)(90 |
| Total interest expense | \$11,719 | \$13,951 | \$14,361 |

Note 15 – Fair Value

We classify our various assets and liabilities recorded or reported at fair value under a hierarchy prescribed by GAAP that prioritizes inputs to fair value measurement techniques into three broad levels:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets;

Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable; and

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

Assets and liabilities subject to classification are classified upon acquisition. When circumstances dictate the transfer of an asset or liability to a different level, our policy is to recognize the transfer at the beginning of the reporting period in which the event resulting in the transfer occurred.

Table of Contents

The following tables present the fair value of our financial assets and liabilities measured on a recurring basis as of the last day of February 2019 and 2018:

Fair
Values at
February
28, 2019
(level
2)⁽¹⁾

(in thousands)

Assets:

| | |
|----------------------------|---------|
| Money market accounts | \$915 |
| Interest rate swaps | 512 |
| Foreign currency contracts | 1,692 |
| Total assets | \$3,119 |

Liabilities:

| | |
|----------------------------|-----------|
| Floating rate debt | \$320,784 |
| Interest rate swaps | 339 |
| Foreign currency contracts | 563 |
| Total liabilities | \$321,686 |

Fair
Values at
February
28, 2018
(level
2)⁽¹⁾

(in thousands)

Assets:

| | |
|----------------------------|---------|
| Money market accounts | \$1,107 |
| Interest rate swap | 2,481 |
| Foreign currency contracts | 642 |
| Total assets | \$4,230 |

Liabilities:

| | |
|----------------------------|-----------|
| Floating rate debt | 289,869 |
| Foreign currency contracts | 2,606 |
| Total liabilities | \$292,475 |

Our financial assets and liabilities are classified as Level 2 assets because their valuation is dependent on (1) observable inputs and other quoted prices for similar assets or liabilities, or model-derived valuations whose significant value drivers are observable.

The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the short maturity of these items.

We use derivatives for hedging purposes and our derivatives are primarily interest rate swaps, foreign currency contracts, zero cost collars and cross-currency debt swaps. See Notes 1, 16 and 17 to these consolidated financial statements for more information on our hedging activities.

We classify our floating rate debt as a Level 2 item because the estimation of the fair market value of these financial assets requires the use of current market rates of interest for obligations with comparable remaining terms. Such comparable rates are considered significant other observable market inputs. Our debt has floating interest rates and its book value approximates its fair value as of the reporting date.

Our other non-financial assets include goodwill and other intangible assets, which we classify as Level 3 items. These assets are measured at fair value on a non-recurring basis as part of our impairment testing. Note 8 to these consolidated financial statements contains additional information regarding impairment testing and related intangible asset impairments.

Table of Contents

The table below presents other non-financial assets measured on a non-recurring basis using significant unobservable inputs (Level 3) for fiscal 2019 and 2018:

| (in thousands) | Fiscal Years Ended | |
|--|--------------------|-----------|
| | 2019 | 2018 |
| Beginning balances | \$905,235 | \$938,324 |
| Total income (expense): | | |
| Included in net income - realized | (14,109) | (34,128) |
| Acquired during the period | 2,815 | 1,212 |
| Retirement adjustments during the period | (95) | (173) |
| Ending balances | \$893,846 | \$905,235 |

Note 16 – Financial Instruments and Risk Management

Foreign Currency Risk – Our functional currency is the U.S. Dollar. By operating internationally, we are subject to foreign currency risk from transactions denominated in currencies other than the U.S. Dollar (“foreign currencies”). Such transactions include sales, certain inventory purchases and operating expenses. As a result of such transactions, portions of our cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies. For fiscal 2019, approximately 13% of our net sales revenue was in foreign currency. These sales were primarily denominated in British Pounds, Euros, Mexican Pesos and Canadian Dollars. We make most of our inventory purchases from the Far East and primarily use the U.S. Dollar for such purchases. In our consolidated statements of income, exchange gains and losses resulting from the remeasurement of foreign taxes receivable, taxes payable, deferred tax assets, and deferred tax liabilities are recognized in their respective income tax lines, and all other foreign exchange gains and losses are recognized in SG&A. We recorded net exchange gains (losses) from foreign currency fluctuations, including the impact of currency hedges and the cross-currency debt swap, of \$1.3, \$(3.1) and \$0.5 million in SG&A during fiscal 2019, 2018 and 2017, respectively.

We hedge against certain foreign currency exchange rate-risk by using a series of forward contracts and zero-cost collars designated as cash flow hedges and mark-to-market derivatives to protect against the foreign currency exchange risk inherent in our forecasted transactions denominated in currencies other than the U.S. Dollar. We do not enter into any forward exchange contracts or similar instruments for trading or other speculative purposes. The effective portion of the changes in fair value of these instruments is reported in OCI and reclassified into SG&A in the same period they are settled. The ineffective portion, which is not material for any year presented, is immediately recognized in SG&A.

Interest Rate Risk – Interest on our outstanding debt as of February 28, 2019 is based on floating interest rates. If short-term interest rates increase, we will incur higher interest expense on any future outstanding balances of floating rate debt. Floating interest rates are hedged with interest rate swaps to effectively fix interest rates on \$225.0 million of the outstanding principal balance under the Credit Agreement, which totaled \$301.2 million as of February 28, 2019.

Table of Contents

The following table summarizes the fair values of our various derivative instruments at the end of fiscal 2019 and 2018:

| (in thousands) Derivatives designated as hedging instruments | February 28, 2019 | | | Prepaid Expenses and Other Current Assets | Other Assets | Accrued Expenses Other and Other Liabilities | |
|--|-------------------|-----------------------------|--------------------|---|-----------------|--|----------------------------|
| | Hedge Type | Final Settlement Date | Notional Amount | | | Current Liabilities | Non-current Liabilities |
| Zero-cost collar - Euro | Cash flow | 2/2020 | €9,500 | \$ 11 | \$ — | \$ — | \$ — |
| Foreign currency contracts - sell Euro | Cash flow | 2/2020 | €29,000 | 1,047 | — | — | — |
| Foreign currency contracts - sell Canadian Dollars | Cash flow | 2/2020 | \$16,000 | 168 | — | — | — |
| Zero-cost collar - Pounds | Cash flow | 5/2020 | £4,500 | — | — | 200 | — |
| Foreign currency contracts - sell Pounds | Cash flow | 5/2020 | £19,500 | 248 | — | — | 13 |
| Foreign currency contracts - sell Mexican Pesos | Cash flow | 9/2019 | \$30,000 | — | — | 58 | — |
| Interest rate swaps | Cash flow | 1/2024 | \$225,000 | 512 | — | — | 339 |
| Subtotal | | | | 1,986 | — | 258 | 352 |
| Derivatives not designated under hedge accounting | | | | | | | |
| Foreign currency contracts - cross-currency debt swaps - Euro | (1) | 04/2020 | €5,280 | — | 218 | — | — |
| Foreign currency contracts - cross-currency debt swaps - Pound | (1) | 04/2020 | £6,395 | — | — | — | 292 |
| Subtotal | | | | — | 218 | — | 292 |
| Total fair value | | | | \$ 1,986 | \$ 218 | \$ 258 | \$ 644 |
| | February 28, 2018 | | | | | | |
| Derivatives designated as hedging instruments | Hedge Type | Final Settlement Date | Notional Amount | Prepaid Expenses and Other Current Assets | Other Assets | Accrued Expenses Other and Other Liabilities | Other Liabilities |
| Foreign currency contracts - sell Euro | Cash flow | 7/2019 | €38,000 | \$ — | \$ 102 | \$ 1,320 | \$ — |
| Foreign currency contracts - sell Canadian Dollars | Cash flow | 6/2019 | \$27,750 | 378 | 101 | — | — |
| Foreign currency contracts - sell Pounds | Cash flow | 4/2019 | £19,500 | — | 56 | 513 | — |
| Foreign currency contracts - sell Mexican Pesos | Cash flow | 5/2018 | \$20,000 | 5 | — | — | — |
| Interest rate swap | Cash flow | 12/2021 | \$100,000 | 539 | 1,942 | — | — |
| Subtotal | | | | 922 | 2,201 | 1,833 | — |

Derivatives not designated under hedge accounting

| | | | | | | | |
|--|-----|---------|--------|--------|---------|----------|--------|
| Foreign currency contracts - cross-currency debt swap - Euro | (1) | 04/2020 | €5,280 | — | — | — | 208 |
| Foreign currency contracts - cross-currency debt swaps - Pound | (1) | 04/2020 | £6,395 | — | — | — | 565 |
| Subtotal | | | | — | — | — | 773 |
| Total fair value | | | | \$ 922 | \$2,201 | \$ 1,833 | \$ 773 |

These are foreign currency contracts for which we have not elected hedge accounting. We refer to them as “cross-currency debt swaps”. They, in effect, adjust the currency denomination of a portion of our outstanding debt to the Euro and British Pound, as applicable, for the notional amounts reported, creating an economic hedge against currency movements.

The pre-tax effect of derivative instruments for fiscal 2019 and 2018 is as follows:

| (in thousands) | Fiscal Years Ended February 28, | | Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income | | Gain (Loss) Recognized As Income | | | |
|--|---------------------------------|---------|---|-----------|----------------------------------|------------------|---------|-----------|
| | 2019 | 2018 | Location | 2019 | 2018 | Location | 2019 | 2018 |
| Currency contracts - cash flow hedges | \$(94) | \$1,758 | SG&A | \$(2,488) | \$4,364 | | \$— | \$— |
| Interest rate swaps - cash flow hedges | (2,308) | 2,481 | Interest expense | — | — | Interest expense | 515 | (54) |
| Cross-currency debt swaps - principal | — | — | | — | — | SG&A | 700 | (1,479) |
| Cross-currency debt swaps - interest | — | — | | — | — | Interest Expense | 147 | 74 |
| Total | \$(2,402) | \$4,239 | | \$(2,488) | \$4,364 | | \$1,362 | \$(1,459) |

We expect a gain of \$1.7 million associated with foreign currency contracts and interest rate swaps currently reported in accumulated other comprehensive income, to be reclassified into income over the next twelve months. The amount ultimately realized, however, will differ as exchange rates change and

Table of Contents

the underlying contracts settle. See Notes 1, 15 and 17 to these consolidated financial statements for more information on our hedging activities.

Counterparty Credit Risk – Financial instruments, including foreign currency contracts, cross-currency debt swaps and interest rate swaps, expose us to counterparty credit risk for nonperformance. We manage our exposure to counterparty credit risk by dealing with counterparties who are substantial international financial institutions with significant experience using such derivative instruments. Although our theoretical credit risk is the replacement cost at the then-estimated fair value of these instruments, we believe that the risk of incurring credit risk losses is remote.

Risks Inherent in Cash and Cash Equivalents – As the levels of our cash and cash equivalents change, they can become more subject to foreign exchange rate risk, interest rate risk, credit risk, and liquidity risk. Cash consists of interest-bearing, non-interest-bearing and short-term investment accounts. We consider money market accounts to be cash equivalents.

The following table summarizes our cash and cash equivalents at the end of fiscal 2019 and 2018:

| (in thousands) | February 28, 2019 | | February 28, 2018 | |
|--|--------------------|----------------------------|--------------------|----------------------------|
| | Carrying Amount | Range of Interest Rates | Carrying Amount | Range of Interest Rates |
| Cash, interest and non-interest-bearing accounts | \$10,956 | 0.00 to 0.30% | \$19,631 | 0.00 to 0.35% |
| Money market funds | 915 | 0.00 to 1.25% | 1,107 | 0.00 to 0.03% |
| Total cash and cash equivalents | \$11,871 | | \$20,738 | |

Table of Contents

Note 17 – Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component and related tax effects for fiscal 2019 and 2018 were as follows:

| (in thousands) | Interest Rate Swaps | Foreign Currency Contracts | Total |
|--|------------------------|----------------------------------|----------|
| Balance at February 28, 2017 | \$ — | \$ 1,173 | \$ 1,173 |
| Other comprehensive income before reclassification | 2,481 | 1,758 | 4,239 |
| Amounts reclassified out of accumulated other comprehensive income | — | (4,364) | (4,364) |
| Tax effects | (776) | 359 | (417) |
| Other comprehensive income (loss) | 1,705 | (2,247) | (542) |
| Balance at February 28, 2018 | \$ 1,705 | \$ (1,074) | \$ 631 |
| Other comprehensive income (loss) before reclassification | (2,308) | (94) | (2,402) |
| Amounts reclassified out of accumulated other comprehensive income | — | 2,488 | 2,488 |
| Tax effects | 735 | (261) | 474 |
| Other comprehensive income (loss) | (1,573) | 2,133 | 560 |
| Balance at February 28, 2019 | \$ 132 | \$ 1,059 | \$ 1,191 |

See Notes 1, 15 and 16 to these consolidated financial statements for additional information regarding our hedging activities.

Note 18 – Segment and Geographic Information

The following table contains segment information included in continuing operations.

SEGMENT INFORMATION

(in thousands)

| Fiscal 2019 | Housewares | Health & Home | Beauty | Total |
|---|---------------------------|------------------|------------|--------------|
| Sales revenue, net | \$ 523,807 | \$ 695,217 | \$ 345,127 | \$ 1,564,151 |
| Asset impairment charges | — | — | — | — |
| Restructuring charges | 926 | 686 | 1,974 | 3,586 |
| Operating income | 100,743 | 68,448 | 30,188 | 199,379 |
| Identifiable assets | 698,519 | 686,335 | 264,481 | 1,649,335 |
| Capital and intangible asset expenditures | 16,023 | 8,508 | 1,854 | 26,385 |
| Depreciation and amortization | 6,048 | 17,058 | 6,821 | 29,927 |
| Fiscal 2018 | Housewares ⁽¹⁾ | Health & Home | Beauty | Total |
| Sales revenue, net | \$ 459,004 | \$ 674,062 | \$ 345,779 | \$ 1,478,845 |
| Asset impairment charges | — | — | 15,447 | 15,447 |
| Restructuring charges | 220 | — | 1,637 | 1,857 |
| Operating income | 89,319 | 62,099 | 17,644 | 169,062 |
| Identifiable assets | 664,622 | 675,627 | 283,468 | 1,623,717 |
| Capital and intangible asset expenditures | 8,537 | 3,716 | 1,352 | 13,605 |
| Depreciation and amortization | 5,825 | 16,750 | 11,155 | 33,730 |

Table of Contents

| Fiscal 2017 | Housewares ⁽¹⁾ | Health & Home Beauty | Total |
|---|---------------------------|----------------------|---------------------|
| Sales revenue, net | \$ 418,558 | \$626,982 | \$351,995 1,397,535 |
| Asset impairment charges | — | — | 2,900 2,900 |
| Restructuring charges | — | — | — |
| Operating income | 89,020 | 51,072 | 29,572 169,664 |
| Identifiable assets | 639,922 | 688,828 | 287,485 1,616,235 |
| Capital and intangible asset expenditures | 5,652 | 5,192 | 4,663 15,507 |
| Depreciation and amortization | 5,795 | 20,483 | 9,897 36,175 |

(1) Fiscal 2018 includes a full twelve months of operating results for Hydro Flask, compared to eleven and one-half months for fiscal 2017.

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

GEOGRAPHIC INFORMATION

The following table provides net sales revenue by geographic region, in U.S. Dollars:

| (in thousands) | Fiscal Years Ended | | |
|---|---------------------|-------------------------|-------------------------|
| | February 28, | | |
| | 2019 ⁽¹⁾ | 2018 ^{(1) (2)} | 2017 ^{(1) (2)} |
| Sales revenue, net by geographic region | | | |
| United States | \$ 1,221,806 | \$ 1,161,698 | \$ 1,104,870 |
| Canada | 66,855 | 58,856 | 58,631 |
| EMEA | 143,024 | 143,668 | 133,172 |
| Asia Pacific | 90,073 | 75,376 | 60,532 |
| Latin America | 42,393 | 39,247 | 40,330 |
| Total sales revenue, net | \$ 1,564,151 | \$ 1,478,845 | \$ 1,397,535 |

We adopted ASU 2014-09, Revenue of Contracts with Customers (Topic 606) in the first quarter of fiscal 2019 and (1) have reclassified amounts in the prior year's statements of income to conform to the current period's presentation.

For more information see Note 3 to these consolidated financial statements.

(2) Fiscal 2017 includes eleven and one-half months of operating results for Hydro Flask, acquired on March 18, 2016.

(2) Fiscal 2018 includes a full year of operating results for Hydro Flask.

Worldwide sales to our largest customer and its affiliates accounted for approximately 16%, 17% and 17% of our net sales revenue in fiscal 2019, 2018 and 2017, respectively. Sales to this customer are made within the Beauty and Health & Home segments. Of these sales, approximately 78%, 79%, and 79% for fiscal 2019, 2018 and 2017, respectively, were within the United States. Sales to our second largest customer accounted for 16%, 13% and 10% of our net sales in fiscal 2019, 2018 and 2017, respectively. Sales to Target Corporation accounted for approximately 10% of our consolidated net sales revenue in fiscal 2019, 2018 and 2017, respectively. No other customers accounted for 10% or more of net sales revenue during the periods presented.

Table of Contents

Our domestic and international long-lived assets were as follows:

| | Fiscal Years Ended February 28, | | |
|---------------------|---------------------------------|-------------|-------------|
| (in thousands) | 2019 | 2018 | 2017 |
| United States | \$416,521 | \$437,920 | \$409,337 |
| International: | | | |
| Barbados | 499,589 | 496,258 | 499,064 |
| Other international | 128,566 | 131,831 | 159,490 |
| Subtotal | 628,155 | 628,089 | 658,554 |
| Total | \$1,044,676 | \$1,066,009 | \$1,067,891 |

The table above classifies assets based upon the country where we hold legal title.

Table of Contents

Note 19 – Selected Quarterly Financial Data (Unaudited)

Selected unaudited quarterly financial data is as follows (in thousands except share data):

SELECTED QUARTERLY FINANCIAL DATA

| Fiscal Year 2019: | May | August | November | February | Total |
|-----------------------------------|-----------|-----------|-----------|-----------|-------------|
| Sales revenue, net | \$354,679 | \$393,548 | \$431,081 | \$384,843 | \$1,564,151 |
| Gross profit | 146,558 | 155,173 | 181,845 | 157,530 | 641,106 |
| Asset impairment charges | — | — | — | — | — |
| Restructuring charges | 1,725 | 859 | 25 | 977 | 3,586 |
| Income from continuing operations | 38,173 | 44,017 | 54,320 | 37,714 | 174,224 |
| Loss from discontinued operations | (381) |)— | (4,850) |)(448) |)(5,679) |

Earnings (loss) per share ⁽¹⁾

Basic

| | | | | | |
|--------------------------|--------|--------|--------|---------|---------|
| Continuing operations | \$1.44 | \$1.67 | \$2.08 | \$1.49 | \$6.68 |
| Discontinued operations | (0.01) |)— | (0.19) |)(0.02) |)(0.22) |
| Total earnings per share | \$1.42 | \$1.67 | \$1.90 | \$1.47 | \$6.46 |

Diluted

| | | | | | |
|--------------------------|--------|--------|--------|---------|---------|
| Continuing operations | \$1.43 | \$1.66 | \$2.06 | \$1.47 | \$6.62 |
| Discontinued operations | (0.01) |)— | (0.18) |)(0.02) |)(0.22) |
| Total earnings per share | \$1.42 | \$1.66 | \$1.88 | \$1.45 | \$6.41 |

Fiscal Year 2018:

| | May | August | November | February | Total |
|--|-----------|-----------|-----------|-----------|-------------|
| Sales revenue, net | \$325,491 | \$344,949 | \$420,841 | \$387,564 | \$1,478,845 |
| Gross profit | 131,570 | 143,477 | 178,138 | 158,014 | 611,199 |
| Asset impairment charges | 4,000 | — | — | 11,447 | 15,447 |
| Restructuring charges | — | — | 1,165 | 692 | 1,857 |
| Income from continuing operations | 27,308 | 34,572 | 58,624 | 8,378 | 128,882 |
| Income (loss) from discontinued operations | (21,440) |)(25,639) |)(89,060) |)(51,703) |)(84,436) |

Earnings (loss) per share ⁽¹⁾

Basic

| | | | | | |
|--------------------------|--------|---------|----------|---------|---------|
| Continuing operations | \$1.01 | \$1.27 | \$2.16 | \$0.31 | \$4.76 |
| Discontinued operations | (0.79) |)(0.94) |)(3.28) |)(1.91) |)(3.12) |
| Total earnings per share | \$0.22 | \$0.33 | \$(1.12) |)(2.22) | \$1.64 |

Diluted

| | | | | | |
|--------------------------|--------|---------|----------|---------|---------|
| Continuing operations | \$1.00 | \$1.26 | \$2.15 | \$0.31 | \$4.73 |
| Discontinued operations | (0.79) |)(0.94) |)(3.27) |)(1.91) |)(3.10) |
| Total earnings per share | \$0.22 | \$0.33 | \$(1.12) |)(2.22) | \$1.63 |

Earnings per share calculations for each quarter are based on the weighted average number of shares outstanding (1) for each period, and the sum of the quarterly amounts may not necessarily equal the annual earnings per share amounts.

Note 20 - Income Taxes

We reorganized the Company in Bermuda in 1994 and many of our foreign subsidiaries are not directly or indirectly owned by a U.S. parent. As such, a large portion of our foreign income is not subject to U.S. taxation on a permanent basis under current law. Additionally, our intellectual property is largely owned by foreign subsidiaries, resulting in proportionally higher earnings in jurisdictions with lower statutory tax rates, which decreases our overall effective tax

rate. The taxable income earned in each jurisdiction,

90

Table of Contents

whether U.S. or foreign, is determined by the subsidiary's operating results, and transfer pricing and tax regulations in the related jurisdictions.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law. Among other changes, the Tax Act lowered the U.S. statutory corporate income tax rate from 35% to 21% and established a modified territorial system requiring a mandatory deemed repatriation tax on undistributed earnings of certain foreign subsidiaries. Under accounting standards for income taxes, the impact of new tax legislation must be taken into account in the period in which it is enacted. Subsequent to the Tax Act, the SEC issued Staff Accounting Bulletin 118 ("SAB 118") allowing companies to use provisional estimates to record the effects of the Tax Act. SAB 118 also provides a measurement period (not to exceed one year from the date of enactment) to complete the accounting for the impacts of the Tax Act.

As a result of the enactment, we recorded a provisional tax charge of \$17.9 million in fiscal 2018 related to the one-time remeasurement of our U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, the one-time repatriation tax applied to our undistributed foreign earnings and the impact of executive compensation that is no longer deductible under the Tax Act. In accordance with SAB 118, we completed the accounting for the tax effects of the Tax Act and recorded immaterial adjustments to the provisional tax charge during the fourth quarter of fiscal 2019.

The Tax Act introduced new provisions for U.S. taxation of certain global intangible low-taxed income ("GILTI"). The Company elected to account for the tax on GILTI as a period cost and therefore has not recorded deferred taxes related to GILTI on its foreign subsidiaries.

In connection with the enactment of the Tax Act, we repatriated \$40 million of cash held in our U.S. owned foreign subsidiaries without such funds being subject to further U.S. federal income tax. As of February 28, 2019, we had approximately \$28.1 million of undistributed earnings. We intend to continue to reinvest these earnings outside the United States for the foreseeable future. While U.S. federal tax expense has been recognized as a result of the Tax Act, no deferred tax liabilities with respect to items such as certain foreign exchange gains or losses, foreign withholding taxes or state taxes have been recognized. It is not practicable for us to determine the amount of deferred income taxes associated with these undistributed earnings.

Our components of income before income tax expense are as follows:

| | Fiscal Years Ended February 28, | | |
|----------------|------------------------------------|-----------|-----------|
| (in thousands) | 2019 | 2018 | 2017 |
| U.S. | \$32,135 | \$23,824 | \$20,878 |
| Non-U.S. | 155,865 | 131,614 | 134,839 |
| Total | \$188,000 | \$155,438 | \$155,717 |

Table of Contents

Our components of income tax expense (benefit) are as follows:

| | Fiscal Years Ended | | |
|----------------|--------------------|----------|-----------|
| | February 28, | | |
| (in thousands) | 2019 | 2018 | 2017 |
| U.S. | | | |
| Current | \$2,460 | \$3,380 | \$19,195 |
| Deferred | 10,480 | 19,578 | (10,475) |
| | 12,940 | 22,958 | 8,720 |
| Non-U.S. | | | |
| Current | 2,102 | 1,912 | (290) |
| Deferred | (1,266) | 1,686 | 2,977 |
| | 836 | 3,598 | 2,687 |
| Total | \$13,776 | \$26,556 | \$11,407 |

Our total income tax expense differs from the amounts computed by applying the U.S. statutory tax rate to income before income taxes. A income tax rate reconciliation of these differences are as follows:

| | Fiscal Years Ended February 28, | | | | | |
|--|---------------------------------|----|-------|----|-------|----|
| | 2019 | | 2018 | | 2017 | |
| Effective income tax rate at the U.S. statutory rate | 21.0 | % | 32.7 | % | 35.0 | % |
| Impact of U.S. state income taxes | 1.2 | % | 0.5 | % | 0.5 | % |
| Effect of statutory tax rate in Macau | (10.3 |)% | (19.5 |)% | (20.1 |)% |
| Effect of statutory tax rate in Barbados | (5.9 |)% | (5.2 |)% | (7.3 |)% |
| Effect of statutory tax rate in Europe | (1.9 |)% | (5.3 |)% | (3.6 |)% |
| Effect of income from other non-U.S. operations subject to varying rates | 1.8 | % | 2.1 | % | 2.1 | % |
| Effect of foreign exchange fluctuations | 0.2 | % | 0.3 | % | 0.4 | % |
| Effect of asset impairment charges | — | % | 2.2 | % | 0.4 | % |
| Effect of U.S. tax reform | (0.1 |)% | 11.5 | % | — | % |
| Effect of uncertain tax positions | (0.6 |)% | (1.3 |)% | (1.1 |)% |
| Effect of nondeductible executive compensation | 0.9 | % | 0.6 | % | — | % |
| Effect of base erosion and anti-abuse tax | 1.0 | % | — | % | — | % |
| Other items | — | % | (1.5 |)% | 1.0 | % |
| | 7.3 | % | 17.1 | % | 7.3 | % |

Effective income tax
rate

Our Macau subsidiary generates income from the sale of the goods that it has sourced and procured. This subsidiary is responsible for the sourcing and procurement of a large portion of the products that we sell. We currently have an indefinite tax holiday in Macau conditioned on the subsidiary meeting certain employment and investment thresholds. The Macau Offshore Law and its supplementary regulations that grant tax incentives to approved offshore institutions will be abolished on January 1, 2021. Existing approved offshore institutions such as ours can continue to operate under the offshore regime until the end of the calendar year 2020. Beginning in calendar year 2021, we believe our Macau subsidiary will become subject to a statutory corporate income tax of approximately 12%. The ultimate impact of this change, if any, on our overall effective tax rate will depend on a variety of factors including our mix of income by jurisdiction, transfer pricing considerations and the specific tax regulations applicable to us when we are no longer under the Macau Offshore regime. It is not practicable for us to determine the potential impact on our financial statements until the tax changes in Macau are fully established and our transfer pricing analysis is complete. Because our Macau subsidiary is not directly or indirectly owned by a U.S. parent, there is no U.S. tax liability associated with the income generated in Macau.

Each year there are significant transactions or events that are incidental to our core businesses and that by a combination of their nature and jurisdiction, can have a disproportionate impact on our reported

Table of Contents

effective tax rates. Without these transactions or events, the trend in our effective tax rates would follow a more normalized pattern.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of the last day of February 2019 and 2018 are as follows:

| (in thousands) | February 28, | |
|-------------------------------------|--------------|-----------|
| | 2019 | 2018 |
| Deferred tax assets, gross: | | |
| Operating loss carryforwards | \$ 18,300 | \$ 32,829 |
| Accounts receivable | 4,680 | 4,767 |
| Inventories | 7,806 | 7,183 |
| Accrued expenses and other | 8,293 | 7,385 |
| Total gross deferred tax assets | 39,079 | 52,164 |
| Valuation allowance | (17,086) | (17,747) |
| Deferred tax liabilities: | | |
| Depreciation and amortization | (19,750) | (24,859) |
| Total deferred tax liabilities, net | \$ 2,243 | \$ 9,558 |

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. We consider the scheduled reversal of deferred tax liabilities, expected future taxable income and tax planning strategies in assessing the ultimate realization of deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not be recoverable. In fiscal 2019, the \$0.7 million net decrease in our valuation allowance was principally due to changes in estimates regarding the value of operating loss carryforwards to be used in the future.

The composition of our operating loss carryforwards at the end of fiscal 2019 is as follows:

| (in thousands) | February 28, 2019 | | |
|--|--------------------------------|---------------------|-----------------------------|
| | Tax Year Expiration Date Range | Deferred Tax Assets | Operating Loss Carryforward |
| U.S. federal operating loss carryforward | Indefinite | \$ 1,051 | \$ 5,005 |
| U.S. state operating loss carryforward | 2021 - 2037 | 138 | 3,704 |
| Non-U.S. operating loss carryforwards with definite carryover periods | 2020 - 2036 | 4,716 | 17,599 |
| Non-U.S. operating loss carryforwards with indefinite carryover periods | Indefinite | 12,395 | 44,396 |
| Subtotals | | 18,300 | \$ 70,704 |
| Less portion of valuation allowance established for operating loss carryforwards | | (17,086) | |
| Total | | | \$ 1,214 |

Any future amount of deferred tax asset considered realizable could be reduced in the near term if estimates of future taxable income during any carryforward periods are reduced.

Table of Contents

During fiscal 2019 and 2018, changes in the total amount of unrecognized tax benefits were as follows:

| (in thousands) | Fiscal Years | |
|--|--------------------|----------|
| | Ended February 28, | |
| | 2019 | 2018 |
| Total unrecognized tax benefits, beginning balance | \$4,428 | \$6,611 |
| Resolution of tax dispute | — | (1,486) |
| Changes in tax positions taken during a prior period | 15 | 88 |
| Lapse in statute of limitations | (1,057) | (890) |
| Impact of foreign currency re-measurement | (161) | 218 |
| Settlements | (20) | (113) |
| Total unrecognized tax benefits, ending balance | 3,205 | 4,428 |
| Less current unrecognized tax benefits | (316) | (1,079) |
| Noncurrent unrecognized tax benefits | \$2,889 | \$3,349 |

Included in the balance of unrecognized tax benefits at the end of fiscal 2019 were \$3.2 million (includes interest) of tax benefits, which, if recognized, would affect our effective tax rate. We do not expect any significant changes to our existing unrecognized tax benefits during the next twelve months resulting from any issues currently pending with tax authorities.

We classify interest and penalties on uncertain tax positions as income tax expense. At the end of February 2019 and 2018, the liability for tax-related interest and penalties included in unrecognized tax benefits was \$0.6 million and \$1.1 million, respectively. Additionally, during fiscal 2019, 2018 and 2017 we recognized tax benefits from tax-related interest and penalties of \$0.5, \$0.5 and \$0.6 million, respectively, in the consolidated statements of income. We file income tax returns in the U.S. federal jurisdiction and in various states and foreign jurisdictions. We do not expect that any proposed adjustments from these tax jurisdictions will have a material impact on our consolidated financial statements.

As of February 28, 2019, tax years under examination or still subject to examination by material tax jurisdictions are as follows:

| Jurisdiction | Tax Years Under Examination | Open Tax Years |
|-------------------------|-----------------------------|----------------|
| United Kingdom - None - | | 2018 -2019 |
| United States | 2016 - 2018 | 2016 -2019 |
| Switzerland | - None - | 2015 -2019 |
| Hong Kong | - None - | 2013 -2019 |

During fiscal 2017 we received an assessment from a state tax authority which adjusted taxable income applicable to the particular state resulting from interpretations of certain state income tax provisions applicable to our legal structure. We believe we have accurately reported our taxable income and are vigorously protesting the assessment through administrative processes with the state. We believe it is unlikely that the outcome of these matters will have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

Table of Contents

Note 21 – Earnings Per Share

We compute basic earnings per share using the weighted average number of shares of common stock outstanding during the period. We compute diluted earnings per share using the weighted average number of shares of common stock outstanding plus the effect of dilutive securities. Dilutive securities at any given point in time may consist of outstanding options to purchase common stock and issued and contingently issuable unvested RSUs and PSUs. See Note 9 to these consolidated financial statements for more information regarding RSUs, PSUs and other performance based stock awards. Options for common stock are excluded from the computation of diluted earnings per share if their effect is antidilutive.

For fiscal 2019, 2018 and 2017, the components of basic and diluted shares were as follows:

WEIGHTED AVERAGE DILUTED SECURITIES

| (in thousands) | Fiscal Years Ended | | |
|---|--------------------|--------|--------|
| | February 28, | | |
| | 2019 | 2018 | 2017 |
| Weighted average shares outstanding, basic | 26,073 | 27,077 | 27,522 |
| Incremental shares from share-based compensation arrangements | 230 | 177 | 369 |
| Weighted average shares outstanding, diluted | 26,303 | 27,254 | 27,891 |
| Antidilutive securities | 262 | 319 | 137 |

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Schedule II - Valuation and Qualifying Accounts

| (in thousands) | Beginning Balance | Additions (1) | Deductions (2) | Ending Balance |
|----------------------------------|----------------------|------------------|-------------------|-------------------|
| Year Ended February 28, 2017 | | | | |
| Allowances for doubtful accounts | \$ 1,712 | \$ 2,277 | \$ 723 | \$ 3,266 |
| Year Ended February 28, 2018 | | | | |
| Allowances for doubtful accounts | \$ 3,266 | \$ 1,066 | \$ 1,420 | \$ 2,912 |
| Year Ended February 28, 2019 | | | | |
| Allowances for doubtful accounts | \$ 2,912 | \$ 1,097 | \$ 1,977 | \$ 2,032 |

All amounts presented above have been restated to exclude the impact of our discontinued operations.

(1) Represents periodic charges to the provision for doubtful accounts.

(2) Represents write-offs of doubtful accounts, net of recoveries of previously reserved amounts.

Table of Contents

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) promulgated under the Exchange Act as of February 28, 2019. Based upon that evaluation, our CEO and CFO concluded that

97

Table of Contents

our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Management's Report on Internal Control Over Financial Reporting

The management's report on internal control over financial reporting and the attestation report on internal controls over financial reporting of the independent registered public accounting firm required by this item are set forth under Item 8., "Financial Statements and Supplementary Data" of this report on Form 10-K and are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

In connection with the evaluation described above, we identified no change in our internal control over financial reporting as defined in Rule 13a-15(f) promulgated under the Exchange Act that occurred during our fiscal year ended February 28, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information in our definitive Proxy Statement for the 2019 Annual General Meeting of Shareholders (the “Proxy Statement”) is incorporated by reference in response to this Item 10, as noted below:

Information about our Directors who are standing for re-election is set forth under “Election of Directors”;

Information about our executive officers is set forth under “Executive Officers”;

Information about our Audit Committee, including members of the committee, and our designated “audit committee financial experts” is set forth under “Corporate Governance” and “Board Committees and Meetings”;

Information about Section 16(a) beneficial ownership reporting compliance is set forth under “Section 16(a) Beneficial Ownership Reporting Compliance”; and

Information about any material changes to procedures for recommending nominees to the board of directors is set forth under “Board Committees and Meetings.”

We have adopted a Code of Ethics governing our Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, and finance department members. The full text of our Code of Ethics is published on our website, at www.helenoftroy.com, under the “Investor Relations-Corporate Governance” caption. We intend to disclose future amendments to, or waivers from, certain provisions of this Code on our website or in a current report on Form 8-K.

Item 11. Executive Compensation

Information set forth under the captions “Director Compensation”; “Executive Compensation”; “Compensation Discussion and Analysis”; “Compensation Committee Interlocks and Insider Participation”; and “Report of the Compensation Committee” in our Proxy Statement is incorporated by reference in response to this Item 11.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Information set forth under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Executive Compensation” in our Proxy Statement is incorporated by reference in response to this Item 12.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information set forth under the captions “Certain Relationships - Related Person Transactions”; “Corporate Governance”; and “Board Committees and Meetings” in our Proxy Statement is incorporated by reference in response to this Item 13.

Item 14. Principal Accounting Fees and Services

Information set forth under the caption “Audit and Other Fees Paid to our Independent Registered Public Accounting Firm” in our Proxy Statement is incorporated by reference in response to this Item 14.

Table of Contents

PART IV

Item 15. Exhibits, Financial Statement Schedules

- (a) 1. Financial Statements: See “Index to Consolidated Financial Statements” under Item 8 in this Report on Form 10-K.
2. Financial Statement Schedule: See “Schedule II” in this Report on Form 10 K.
3. Exhibits

The exhibit numbers succeeded by an asterisk (*) indicate exhibits physically filed with this Form 10-K. The exhibit numbers succeeded by an asterisk (**) indicate exhibits furnished with this Form 10-K that are not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers succeeded by a cross (†) are management contracts or compensatory plans or arrangements.

- 2.1 Agreement and Plan of Merger dated as of December 8, 2010, among Helen of Troy Texas Corporation, KI Acquisition Corp., Kaz, Inc., the Company, and the Kaz, Inc. shareholders party thereto (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 9, 2010).
- 3.1 Memorandum of Association (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4, File No. 33-73594, filed with the Securities and Exchange Commission on December 30, 1993 (the “1993 S-4”)).
- 3.2 Bye-Laws, as amended (incorporated by reference to Appendix A to the Company’s Definitive Proxy Statement on Schedule 14A, File No. 001-14669, filed with the Securities and Exchange Commission on June 27, 2016).
- 10.1 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 of the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2014, filed with the Securities and Exchange Commission on April 29, 2014 (the “2014 10-K”)).
- 10.2 Helen of Troy Limited 2008 Employee Stock Purchase Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 27, 2008 (the “2008 Proxy Statement”)).
- 10.3 Helen of Troy Limited 2008 Non-Employee Directors Stock Incentive Plan (incorporated by reference to Appendix C to the 2008 Proxy Statement).
- 10.4 Helen of Troy Limited Amended and Restated 2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 25, 2015).

Table of Contents

- 10.5† Amended and Restated Helen of Troy Limited 2011 Annual Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on 10-Q, filed with the Securities and Exchange Commission on October 11, 2016).
- 10.6 Loan Agreement, dated as of March 1, 2013, by and between Kaz USA, Inc. and Mississippi Business Finance Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 26, 2013).
- 10.7 Guaranty Agreement, dated as of March 1, 2013, by Helen of Troy Limited and certain of its subsidiaries in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 26, 2013).
- 10.8 Trust Indenture, dated as of March 1, 2013 between Mississippi Business Finance Corporation and Deutsche Bank National Trust, as trustee (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 26, 2013).
- 10.9 First Amendment to Guaranty Agreement, dated as of February 7, 2014, made by Helen of Troy, L.P., Helen of Troy Limited, a Barbados company, HOT Nevada, Inc, Helen of Troy Nevada Corporation, Helen of Troy Texas Corporation, Idelle Labs Ltd., OXO International Ltd., Helen of Troy Macao Commercial Offshore Limited, Kaz, Inc., Kaz USA, Inc., Kaz Canada, Inc., and Pur Water Purification Products, Inc., in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2014).
- 10.10 Second Amendment to Guaranty Agreement, dated as of June 11, 2014, made by Helen of Troy Limited and certain of its subsidiaries in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 17, 2014).

Table of Contents

- 10.11 Amended and Restated Credit Agreement dated January 16, 2015, by and among Helen of Troy, L.P., a Texas limited partnership, Helen of Troy Limited, a Bermuda company, Bank of America, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 20, 2015).
- 10.12 First Amendment to Amended and Restated Credit Agreement dated December 7, 2016, by and among Helen of Troy, L.P., a Texas limited partnership, Helen of Troy Limited, a Bermuda company, Bank of America, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 13, 2016).
- 10.13* Amended and Restated Guaranty, dated March 1, 2018, made by Helen of Troy Limited and certain of its subsidiaries in favor of Bank of America, N.A. and other lenders, pursuant to the Amended and Restated Credit Agreement, dated January 16, 2015.
- 10.14 Third Amendment to Guaranty Agreement, dated as of January 16, 2015, made by Helen of Troy Limited and certain of its subsidiaries in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 20, 2015).
- 10.15 Fourth Amendment to Guaranty Agreement, dated as of December 7, 2016, made by Helen of Troy Limited and certain of its subsidiaries in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2017, filed with the Securities and Exchange Commission on May 1, 2017 (the "2017 10-K")).
- 10.16 First Supplemental Trust Indenture, dated as of March 1, 2014, by and between Mississippi Business Finance Corporation and Deutsche Bank National Trust, as trustee (incorporated by reference to Exhibit 10.24 of the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2015, filed with the Securities and Exchange Commission on April 29, 2015 (the "2015 10-K")).

Table of Contents

- 10.17 Second Supplemental Trust Indenture, dated as of February 18, 2015 but effective February 1, 2015, by and between Mississippi Business Finance Corporation and Deutsche Bank National Trust, as trustee (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 23, 2015).
- 10.18 Third Supplemental Trust Indenture, dated as of December 7, 2016, but effective December 1, 2016, by and between Mississippi Business Finance Corporation and Deutsche Bank National Trust, as trustee (incorporated by reference to Exhibit 10.25 of the 2017 10-K).
- 10.19 Second Amendment, Assumption, Consent and Ratification Agreement, dated effective as of March 1, 2018, by and among Helen of Troy Limited, a Bermuda company, Helen of Troy Texas Corporation, a Texas corporation, Helen of Troy L.P., a Texas limited partnership, the guarantors party thereto, Bank of America, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 7, 2018).
- 10.20* First Amendment to Helen of Troy Limited 2008 Employee Stock Purchase Plan.
- 10.21* Second Amendment to Helen of Troy Limited 2008 Employee Stock Purchase Plan.
- 10.22† Amended and Restated Employment Agreement among Helen of Troy Nevada Corporation, Helen of Troy Limited, a Bermuda company, Helen of Troy Limited, a Barbados company, and Julien Mininberg, effective March 1, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 7, 2018).
- 10.23† Helen of Troy Limited 2018 Stock Incentive Plan (incorporated by reference to Annex B of the Company's Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on June 28, 2018).

Table of Contents

| | |
|----------|--|
| 10.24† | <u>Helen of Troy Limited 2018 Employee Stock Purchase Plan (incorporated by reference to Annex B of the Company's Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on June 28, 2018).</u> |
| 10.25 | <u>Fourth Supplemental Trust Indenture, dated effective as of September 28, 2018, by and between Mississippi Business Finance Corporation and U.S. Bank National Association (successor to Deutsche Bank National Trust Company), as trustee (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ending November 30, 2018, filed with the Securities and Exchange Commission on January 9, 2019).</u> |
| 10.26 | <u>Fifth Amendment to Guaranty Agreement, dated effective as of September 28, 2018, made by Helen of Troy Limited and certain of its subsidiaries in favor of Bank of America, N. A. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ending November 30, 2018, filed with the Securities and Exchange Commission on January 9, 2019).</u> |
| 21* | <u>Subsidiaries of the Registrant.</u> |
| 23.1* | <u>Consent of Independent Registered Public Accounting Firm, Grant Thornton LLP.</u> |
| 31.1* | <u>Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 31.2* | <u>Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 32** | <u>Joint certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase |

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HELEN OF TROY LIMITED

By: /s/ Julien R. Mininberg
Julien R. Mininberg
Chief Executive Officer and Director
April 29, 2019

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Julien R. Mininberg
Julien R. Mininberg
Chief Executive Officer, Director and Principal
Executive Officer
April 29, 2019

/s/ Brian L. Grass
Brian L. Grass
Chief Financial Officer, Principal Financial Officer and Principal
Accounting Officer
April 29, 2019

/s/ Gary B. Abromovitz
Gary B. Abromovitz
Director, Deputy Chairman of the Board
April 29, 2019

/s/ Timothy F. Meeker
Timothy F. Meeker
Director, Chairman of the Board
April 29, 2019

/s/ Beryl B. Raff
Beryl B. Raff
Director
April 29, 2019

/s/ Krista Berry
Krista Berry
Director
April 29, 2019

/s/ Darren G. Woody
Darren G. Woody
Director
April 29, 2019

/s/ Thurman K. Case
Thurman K. Case
Director
April 29, 2019

/s/ William F. Susetka
William F. Susetka
Director
April 29, 2019

/s/ Vincent D. Carson
Vincent D. Carson
Director
April 29, 2019