

HELEN OF TROY LTD
Form 10-Q
October 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 31, 2015

or

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

For the transition period from to

Commission file number: 001-14669

HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

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Bermuda
(State or other jurisdiction of
incorporation or organization)

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

Clarendon House
2 Church Street

Hamilton, Bermuda
(Address of principal executive offices)

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

79912
(Zip Code)

(915) 225-8000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller Reporting Company

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

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

Class	Outstanding at October 6, 2015
Common Shares, \$0.10 par value, per share	28,098,773 shares

HELEN OF TROY LIMITED AND SUBSIDIARIES

FORM 10 Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Balance Sheets (Unaudited)

(in thousands, except shares and par value)

	August 31, 2015	February 28, 2015
Assets		
Assets, current:		
Cash and cash equivalents	\$ 19,405	\$ 12,295
Receivables - principally trade, less allowances of \$7,199 and \$5,882	227,147	222,499
Inventory, net	348,463	293,081
Prepaid expenses and other current assets	11,428	9,715
Income taxes receivable	-	417
Deferred tax assets, net	27,486	26,753
Total assets, current	633,929	564,760
Property and equipment, net of accumulated depreciation of \$87,627 and \$82,154	124,659	126,068
Goodwill	582,602	549,727
Other intangible assets, net of accumulated amortization of \$124,146 and \$111,627	391,548	398,430
Deferred tax assets, net	1,766	2,132
Other assets, net of accumulated amortization of \$9,810 and \$9,166	12,482	12,638
Total assets	\$ 1,746,986	\$ 1,653,755
Liabilities and Stockholders' Equity		
Liabilities, current:		
Accounts payable, principally trade	\$ 143,102	\$ 98,564
Accrued expenses and other current liabilities	142,151	141,201
Income taxes payable	1,827	-
Deferred tax liabilities, net	186	200
Long-term debt, current maturities	23,800	21,900
Total liabilities, current	311,066	261,865
Long-term debt, excluding current maturities	455,507	411,307
Deferred tax liabilities, net	48,179	52,711
Other liabilities, noncurrent	20,968	23,307
Total liabilities	835,720	749,190

Commitments and contingencies

Stockholders' equity:

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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; 28,093,109 and 28,488,411 shares issued and outstanding	2,809	2,849
Additional paid in capital	188,809	179,934
Accumulated other comprehensive income (loss)	321	(76)
Retained earnings	719,327	721,858
Total stockholders' equity	911,266	904,565
Total liabilities and stockholders' equity	\$ 1,746,986	\$ 1,653,755

See accompanying notes to consolidated condensed financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Income (Unaudited)

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	August 31,		August 31,	
	2015	2014	2015	2014
Sales revenue, net	\$ 369,129	\$ 319,949	\$ 714,474	\$ 631,727
Cost of goods sold	221,124	186,205	423,150	378,463
Gross profit	148,005	133,744	291,324	253,264
Selling, general and administrative expense ("SG&A")	115,573	109,141	229,349	196,538
Asset impairment charges	-	-	3,000	9,000
Operating income	32,432	24,603	58,975	47,726
Nonoperating income, net	(46)	97	91	147
Interest expense	(2,503)	(3,998)	(5,394)	(7,415)
Income before income taxes	29,883	20,702	53,672	40,458
Income tax expense (benefit):				
Current	9,708	2,888	13,722	4,927
Deferred	(4,277)	(1,025)	(4,912)	294
Net income	\$ 24,452	\$ 18,839	\$ 44,862	\$ 35,237
Earnings per share:				
Basic	\$ 0.86	\$ 0.66	\$ 1.58	\$ 1.23
Diluted	\$ 0.84	\$ 0.65	\$ 1.54	\$ 1.21
Weighted average shares of common stock used in computing net earnings per share:				
Basic	28,435	28,372	28,478	28,738
Diluted	28,986	28,769	29,037	29,192

See accompanying notes to consolidated condensed financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(in thousands)

	Three Months Ended August 31,					
	2015		2014		Net of	
	Before	Net of	Before	Net of	Before	Net of
	Tax	Tax	Tax	Tax	Tax	Tax
Income	\$ 29,883	\$ (5,431)	\$ 24,452	\$ 20,702	\$ (1,863)	\$ 18,839
Other comprehensive income						
Cash flow hedge activity - interest rate swaps						
Changes in fair market value	-	-	-	16	(5)	11
Settlements reclassified to income	-	-	-	285	(100)	185
Subtotal	-	-	-	301	(105)	196
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	545	(142)	403	136	(21)	115
Settlements reclassified to income	(121)	22	(99)	50	(15)	35
Subtotal	424	(120)	304	186	(36)	150
Total other comprehensive income	424	(120)	304	487	(141)	346
Comprehensive income	\$ 30,307	\$ (5,551)	\$ 24,756	\$ 21,189	\$ (2,004)	\$ 19,185
	Six Months Ended August 31,					
	2015		2014		Net of	
	Before	Net of	Before	Net of	Before	Net of
	Tax	Tax	Tax	Tax	Tax	Tax
Income	\$ 53,672	\$ (8,810)	\$ 44,862	\$ 40,458	\$ (5,221)	\$ 35,237
Other comprehensive income						
Cash flow hedge activity - interest rate swaps						
Changes in fair market value	-	-	-	28	(10)	18
Settlements reclassified to income	-	-	-	1,199	(420)	779
Subtotal	-	-	-	1,227	(430)	797
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	812	(210)	602	214	(38)	176
Settlements reclassified to income	(240)	35	(205)	216	(42)	174
Subtotal	572	(175)	397	430	(80)	350
Total other comprehensive income	572	(175)	397	1,657	(510)	1,147

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Comprehensive income	\$ 54,244	\$ (8,985)	\$ 45,259	\$ 42,115	\$ (5,731)	\$ 36,384
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See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows (Unaudited)

(in thousands)

	Six Months Ended	
	August 31,	
	2015	2014
Cash provided (used) by operating activities:		
Net income	\$ 44,862	\$ 35,237
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,227	18,493
Amortization of financing costs	580	858
Provision for doubtful receivables	128	16
Non-cash share-based compensation	3,938	3,212
Intangible asset impairment charges	3,000	9,000
Loss on the sale of property and equipment	-	40
Deferred income taxes and tax credits	(5,679)	294
Changes in operating capital, net of effects of acquisition of businesses:		
Receivables	(4,776)	(3,771)
Inventories	(55,382)	(56,468)
Prepaid expenses and other current assets	(1,715)	701
Other assets and liabilities, net	(1,691)	1,222
Accounts payable	44,538	32,648
Accrued expenses and other current liabilities	1,397	(20,563)
Accrued income taxes	1,191	(2,924)
Net cash provided by operating activities	51,618	17,995
Cash provided (used) by investing activities:		
Capital and intangible asset expenditures	(5,946)	(3,688)
Proceeds from the sale of property and equipment	7	-
Payments to acquire businesses	(42,750)	(195,943)
Net cash used by investing activities	(48,689)	(199,631)
Cash provided (used) by financing activities:		
Proceeds from line of credit	289,900	640,900
Repayment of line of credit	(241,900)	(152,000)
Repayment of long-term debt	(1,900)	(76,900)
Payment of financing costs	(19)	(2,321)
Proceeds from share issuances under share-based compensation plans, including tax benefits	7,507	4,528
Payment of tax obligations resulting from cashless share award exercises	-	(4,569)
Payments for repurchases of common stock	(50,000)	(273,599)
Share-based compensation tax benefit	593	296
Net cash provided by financing activities	4,181	136,335
Net increase (decrease) in cash and cash equivalents		