HELEN OF TROY LTD
Form 10-Q
January 09, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 30, 2014

or

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

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

Commission file number: 001-14669

HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

Bermuda	**74-2692550**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
Clarenden House **2 Church Street** **Hamilton, Bermuda** *(Address of principal executive offices)* **1 Helen of Troy Plaza** **El Paso, Texas**	**79912**

(Registrant s United States Mailing Address) *(Zip Code)*

(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 x No o

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 x No o

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 T Accelerated filer £ Non-accelerated filer £ Smaller Reporting Company £

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

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

Class	Outstanding at January 5, 2015
Common Shares, $0.10 par value, per share	28,428,055 shares

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HELEN OF TROY LIMITED AND SUBSIDIARIES

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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)

	November 30, 2014	February 28, 2014
Assets		
Assets, current:		
Cash and cash equivalents	$ 21,056	$ 70,027
Receivables - principally trade, less allowances of $6,248 and $4,679	289,449	213,054
Inventory, net	318,823	289,255
Prepaid expenses and other current assets	9,118	10,097
Income taxes receivable	-	3,783
Deferred tax assets, net	30,110	29,260
Total assets, current	668,556	615,476
Property and equipment, net of accumulated depreciation of $81,217 and $71,516	128,588	129,117
Goodwill	549,828	453,241
Other intangible assets, net of accumulated amortization of $113,093 and $94,698	404,872	322,309
Deferred tax assets, net	917	2,523
Other assets, net of accumulated amortization of $8,664 and $6,781	10,935	10,636
Total assets	$ 1,763,696	$ 1,533,302
Liabilities and Stockholders Equity		
Liabilities, current:		
Revolving line of credit	$ 440,000	$ -
Accounts payable, principally trade	101,435	75,585
Accrued expenses and other current liabilities	164,097	156,688
Income taxes payable	4,312	-
Deferred tax liabilities, net	198	181
Long-term debt, current maturities	21,900	96,900
Total liabilities, current	731,942	329,354
Long-term debt, excluding current maturities	93,807	95,707
Deferred tax liabilities, net	53,299	56,988
Other liabilities, noncurrent	25,658	21,766
Total liabilities	904,706	503,815

Commitments and contingencies		
Stockholders equity:		
Cumulative preferred stock, non-voting, $1.00 par. Authorized 2,000,000 shares; none issued	**-**	-
Common stock, $0.10 par. Authorized 50,000,000 shares; 28,425,523 and 32,272,519 shares issued and outstanding	**2,843**	3,227
Additional paid in capital	**174,633**	180,861
Accumulated other comprehensive income (loss)	**128**	(1,091)
Retained earnings	**681,386**	846,490
Total stockholders equity	**858,990**	1,029,487
Total liabilities and stockholders equity	**$ 1,763,696**	$ 1,533,302

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Income (Unaudited)

(in thousands, except per share data)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2014	2013	**2014**	2013
Sales revenue, net	**$ 435,674**	$ 380,730	**$ 1,067,401**	$ 1,004,633
Cost of goods sold	**254,263**	233,029	**632,726**	613,513
Gross profit	**181,411**	147,701	**434,675**	391,120
Selling, general and administrative expense	**116,368**	98,308	**312,906**	278,697
Asset impairment charges	**-**	-	**9,000**	12,049
Operating income	**65,043**	49,393	**112,769**	100,374
Nonoperating income, net	**87**	13	**234**	153
Interest expense	**(4,173)**	(2,513)	**(11,588)**	(7,647)
Income before income taxes	**60,957**	46,893	**101,415**	92,880
Income tax expense (benefit):				
Current	**9,328**	10,911	**14,255**	24,780
Deferred	**(3,748)**	(1,542)	**(3,454)**	(7,133)
Net income	**$ 55,377**	$ 37,524	**$ 90,614**	$ 75,233
Earnings per share:				
Basic	**$ 1.95**	$ 1.17	**$ 3.17**	$ 2.35
Diluted	**$ 1.92**	$ 1.16	**$ 3.12**	$ 2.33
Weighted average shares of common stock used in computing net earnings per share:				
Basic	**28,414**	32,047	**28,630**	31,982
Diluted	**28,824**	32,482	**29,070**	32,311

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(in thousands)

	Three Months Ended November 30,					
	2014			2013		
	Before Tax	**Tax**	**Net of Tax**	Before Tax	Tax	Net of Tax
Income	**$ 60,957**	**$ (5,580)**	**$ 55,377**	$ 46,893	$ (9,369)	$ 37,524
Other comprehensive income						
Cash flow hedge activity - interest rate swaps						
Changes in fair market value	**-**	**-**	**-**	(70)	24	(46)
Settlements reclassified to income	**-**	**-**	**-**	946	(330)	616
Subtotal	**-**	**-**	**-**	876	(306)	570
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	**301**	**(59)**	**242**	(641)	125	(516)
Settlements reclassified to income	**(201)**	**31**	**(170)**	78	(15)	63
Subtotal	**100**	**(28)**	**72**	(563)	110	(453)
Total other comprehensive income	**100**	**(28)**	**72**	313	(196)	117
Comprehensive income	**$ 61,057**	**$ (5,608)**	**$ 55,449**	$ 47,206	$ (9,565)	$ 37,641

	Nine Months Ended November 30,					
	2014			2013		
	Before Tax	**Tax**	**Net of Tax**	Before Tax	Tax	Net of Tax
Income	**$ 101,415**	**$ (10,801)**	**$ 90,614**	$ 92,880	$ (17,647)	$ 75,233
Other comprehensive income						
Cash flow hedge activity - interest rate swaps						
Changes in fair market value	**28**	**(10)**	**18**	(97)	34	(63)
Settlements reclassified to income	**1,199**	**(420)**	**779**	2,785	(975)	1,810
Subtotal	**1,227**	**(430)**	**797**	2,688	(941)	1,747
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	**515**	**(97)**	**418**	(673)	136	(537)
Settlements reclassified to income	**15**	**(11)**	**4**	(246)	39	(207)
Subtotal	**530**	**(108)**	**422**	(919)	175	(744)

Total other comprehensive income	**1,757**	**(538)**	**1,219**	1,769	(766)	1,003
Comprehensive income	**$ 103,172**	**$ (11,339)**	**$ 91,833**	$ 94,649	$ (18,413)	$ 76,236

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)

	Nine Months Ended November 30,	
	2014	2013
Cash provided (used) by operating activities:		
Net income	**$ 90,614**	$ 75,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**29,075**	25,184
Amortization of financing costs	**1,457**	677
Provision for doubtful receivables	**417**	744
Non-cash share-based compensation	**4,539**	9,200
Intangible asset impairment charges	**9,000**	12,049
(Gain) loss on the sale of property and equipment	**43**	74
Deferred income taxes and tax credits	**(3,454)**	(7,136)
Changes in operating capital, net of effects of acquisition of businesses:		
Receivables	**(76,555)**	(60,724)
Inventories	**(23,468)**	(9,018)
Prepaid expenses and other current assets	**2,946**	955
Other assets and liabilities, net	**4,638**	(1,340)
Accounts payable	**19,377**	21,478
Accrued expenses and other current liabilities	**(113)**	22,787
Accrued income taxes	**4,956**	949
Net cash provided by operating activities	**63,472**	91,112
Cash provided (used) by investing activities:		
Capital and intangible asset expenditures	**(4,893)**	(38,563)
Payment to acquire a business, net of cash received	**(195,943)**	-
Net cash used by investing activities	**(200,836)**	(38,563)
Cash provided (used) by financing activities:		
Proceeds from line of credit	**694,400**	107,300
Repayment of line of credit	**(254,400)**	(184,400)
Proceeds from issuance of long-term debt	**-**	35,509
Repayment of long-term debt	**(76,900)**	-
Payment of financing costs	**(2,321)**	(127)
Proceeds from share issuances under share-based compensation plans, including tax benefits	**5,267**	5,019
Payment of tax obligations resulting from cashless share award exercises	**(4,569)**	(483)
Payments for repurchases of common stock	**(273,598)**	(1,311)
Share-based compensation tax benefit	**514**	1,877
Net cash provided (used) by financing activities	**88,393**	(36,616)
Net (decrease) increase in cash and cash equivalents	**(48,971)**	15,933
Cash and cash equivalents, beginning balance	**70,027**	12,842

Cash and cash equivalents, ending balance	**$ 21,056**	$ 28,775

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

November 30, 2014

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

The accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our consolidated financial position as of November 30, 2014 and February 28, 2014, and the results of our consolidated operations for the interim periods presented. We follow the same accounting policies when preparing quarterly financial data as we use for preparing annual data. These statements should be read in conjunction with the consolidated financial statements and the notes included in our latest annual report on Form 10-K for the fiscal year ended February 28, 2014, and our other reports on file with the Securities and Exchange Commission (the SEC).

In this report and the accompanying consolidated condensed financial statements and notes, unless the context suggests otherwise or otherwise indicated, references to the Company , our Company , Helen of Troy , we , us , or our refer to Helen of Troy Limited and its subsidiaries. W to the Company s common shares, par value $0.10 per share, as common stock. References to OXO refer to the operations of OXO International and certain of its affiliated subsidiaries that comprise our Housewares segment. References to Kaz refer to the operations of Kaz, Inc. and its subsidiaries, which comprise a segment within the Company referred to as the Healthcare / Home Environment segment. References to Healthy Directions refer to the operations of Healthy Directions, LLC and its subsidiaries, acquired on June 30, 2014, that comprise the Nutritional Supplements segment. Product and service names mentioned in this report are used for identification purposes only and may be protected in the United States and other jurisdictions by trademarks, trade names, service marks, and other intellectual property rights of the Company and other parties. The absence of a specific attribution in connection with any such mark does not constitute a waiver of any such right. All trademarks, trade names, service marks, and logos referenced herein belong to their respective owners. References to the FASB refer to the Financial Accounting Standards Board. References to GAAP refer to U.S. generally accepted accounting principles. References to ASU refer to the codification of GAAP in the Accounting Standards Updates issued by the FASB. References to ASC refer to the codification of GAAP in the Accounting Standards Codification issued by the FASB.

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

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

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

Note 2 - ***Change in Accounting Estimate***

In the third quarter of fiscal year 2015, we revised our product liability estimates to reflect more relevant historical claims experience. The effect of the change in estimate was recorded in selling, general and administrative expense (SG&A) and increased operating income and net income by $2.22 million and $1.36 million, respectively, for the fiscal quarter and year-to-date ended November 30, 2014. The effect of the change in estimate increased diluted earnings per share $0.05 per share for both the third fiscal quarter and fiscal year-to-date ended November 30, 2014.

Note 3 ***New Accounting Pronouncements***

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

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, issued as a new Topic, ASC Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for us beginning in fiscal year 2018 and can be adopted either retrospectively or as a cumulative effect adjustment as of the date of adoption. We are currently evaluating the effect this new accounting guidance will have on our consolidated results of operations, cash flows and financial position.

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Note 4 ***Commitments and Contingencies***

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.

Notes 8, 10, 11, 12, 13, and 14 provide additional information regarding certain of our significant commitments and certain significant contingencies we have provided for in the accompanying consolidated condensed financial statements.

Our products are under warranty against defects in material and workmanship for periods ranging from two to five years. We estimate our warranty accrual using historical trends and believe that these trends are the most reliable method by which we can estimate our warranty liability. The following table summarizes the activity in our warranty accrual for the periods covered below:

ACCRUAL FOR WARRANTY RETURNS

(in thousands)

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2014 (1)		2013		**2014 (2)**		2013	
Beginning balance	**$**	**22,492**	$	21,357	**$**	**19,269**	$	23,150
Additions to the accrual		**16,574**		12,931		**46,088**		38,041
Reductions of the accrual - payments and credits issued		**(13,821)**		(12,197)		**(40,112)**		(39,100)
Ending balance	**$**	**25,245**	$	22,091	**$**	**25,245**	$	22,091

(1) For the fiscal quarter ended November 30, 2014, the table includes accrual additions of $2.18 million and related payments and credits of $2.37 million attributed to Healthy Directions.

(2) For the nine months ended November 30, 2014, the table includes additions to the accrual of $5.37 million and related payments and credits of $4.20 million attributed to Healthy Directions.

Note 5 ***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. Options for common stock are excluded from the computation of diluted earnings per share if their effect is antidilutive. See Note 16 to these consolidated condensed financial statements for more information regarding share-based payment arrangements.

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

WEIGHTED AVERAGE DILUTED SECURITIES

(in thousands)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2014	2013	**2014**	2013
Weighted average shares outstanding, basic	**28,414**	32,047	**28,630**	31,982
Incremental shares from share-based payment arrangements	**410**	435	**440**	329
Weighted average shares outstanding, diluted	**28,824**	32,482	**29,070**	32,311
Dilutive securities, as a result of in-the-money options	**643**	574	**686**	373
Dilutive securities, as a result of unvested or unsettled share awards	**278**	408	**267**	298
Antidilutive securities, as a result of out-of-the-money options	**245**	358	**240**	586

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Note 6 ***Segment Information***

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

THREE MONTHS ENDED NOVEMBER 30, 2014 AND 2013

(in thousands)

November 30, 2014	**Housewares**	**Healthcare / Home Environment**	**Nutritional Supplements (1)**	**Personal Care**	**Total**
Sales revenue, net	**$ 85,984**	**$ 176,994**	**$ 38,462**	**$ 134,234**	**$ 435,674**
Asset impairment charges	**-**	**-**	**-**	**-**	**-**
Operating income	**18,275**	**18,694**	**6,214**	**21,860**	**65,043**
Capital and intangible asset expenditures	**233**	**535**	**211**	**226**	**1,205**
Depreciation and amortization	**892**	**5,125**	**2,032**	**2,533**	**10,582**

November 30, 2013	**Housewares**	**Healthcare / Home Environment**	**Nutritional Supplements (1)**	**Personal Care**	**Total**
Sales revenue, net	$ 74,776	$ 165,752	$ -	$ 140,202	$ 380,730
Asset impairment charges	-	-	-	-	-
Operating income	15,278	10,665	-	23,450	49,393
Capital and intangible asset expenditures	193	3,207	-	585	3,985
Depreciation and amortization	871	5,149	-	2,726	8,746

NINE MONTHS ENDED NOVEMBER 30, 2014 AND 2013

(in thousands)

November 30, 2014	**Housewares**	**Healthcare / Home Environment**	**Nutritional Supplements (1)**	**Personal Care**	**Total**
Sales revenue, net	**$ 222,377**	**$ 445,701**	**$ 63,096**	**$ 336,227**	**$ 1,067,401**
Asset impairment charges	**-**	**-**	**-**	**9,000**	**9,000**
Operating income	**45,201**	**31,919**	**6,324**	**29,325**	**112,769**

Capital and intangible asset expenditures	**1,275**	**2,022**	**388**	**1,208**	**4,893**
Depreciation and amortization	**2,669**	**15,384**	**3,391**	**7,631**	**29,075**

November 30, 2013	**Housewares**	**Healthcare / Home Environment**	**Nutritional Supplements (1)**	**Personal Care**	**Total**
Sales revenue, net	$ 208,471	$ 424,398	$ -	$ 371,764	$ 1,004,633
Asset impairment charges	-	-	-	12,049	12,049
Operating income	41,506	22,175	-	36,693	100,374
Capital and intangible asset expenditures	574	36,321	-	1,668	38,563
Depreciation and amortization	2,868	14,298	-	8,018	25,184

(1) The Nutritional Supplements segment includes three- and five-months of operating results, respectively, for the fiscal quarter and year-to-date ended November 30, 2014, as the segment was acquired on June 30, 2014. Operating income includes acquisition-related expenditures of $3.61 million for the five months of operating results included in the fiscal year-to-date ended November 30, 2014. For further information regarding the acquisition, see Note 10 to these consolidated condensed financial statements.

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 overhead expenses that are allocable to the segment. The operations for the Nutritional Supplements segment do not include any allocation of corporate costs for fiscal year 2015. As the new segment is further integrated into our operating structure, we expect to make an allocation of corporate costs

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to the segment in future fiscal years. When we decide such allocations are appropriate, there may be some reduction in the operating income of the Nutritional Supplements segment offset by increases in operating income of our other segments. The extent of this operating income impact between the segments has not yet been determined. We do not allocate nonoperating income and expense, including interest or income taxes, to operating segments.

Note 7 - ***Comprehensive Income (Loss)***

The table below presents the changes in accumulated other comprehensive income (loss) by component and the amounts reclassified out of accumulated other comprehensive income (loss) for the 2015 fiscal year-to-date:

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

(in thousands)

	Unrealized Holding Gains (Losses) On Cash Flow Hedges		
	Interest Rate Swaps (1)	**Foreign Currency Contracts (2)**	**Total**
Balance at February 28, 2014	$ (797)	$ (294)	$ (1,091)
Other comprehensive income before reclassification	**28**	**515**	**543**
Amounts reclassified out of accumulated other comprehensive income (loss)	**1,199**	**15**	**1,214**
Tax effects	**(430)**	**(108)**	**(538)**
Other comprehensive income	**797**	**422**	**1,219**
Balance at November 30, 2014	$ -	**$ 128**	**$ 128**

(1) Includes net deferred tax benefits of $0.43 million at February 28, 2014.

(2) Includes net deferred tax (expense) benefits of ($0.03) and $0.08 million at November 30, 2014 and February 28, 2014, respectively.

Note 8 - ***Supplemental Balance Sheet Information***

PROPERTY AND EQUIPMENT

(in thousands)

	Estimated Useful Lives (Years)	November 30, 2014	February 28, 2014
Land	-	$ 12,800	$ 12,800
Building and improvements	3 - 40	102,040	98,660
Computer, furniture and other equipment	3 - 15	66,593	60,291
Tools, molds and other production equipment	1 - 10	25,580	23,017
Construction in progress	-	2,792	5,865
Property and equipment, gross		209,805	200,633
Less accumulated depreciation		(81,217)	(71,516)
Property and equipment, net		$ 128,588	$ 129,117

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ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

(in thousands)

	November 30, 2014	February 28, 2014
Accrued compensation, benefits and payroll taxes	$ 41,994	$ 69,877
Accrued sales returns, discounts and allowances	35,817	25,297
Accrued warranty returns	25,245	19,269
Accrued advertising	24,970	16,414
Accrued product liability, legal and professional fees	6,429	5,705
Accrued royalties	9,214	5,712
Accrued property, sales and other taxes	9,624	6,835
Derivative liabilities, current	-	1,596
Liability for uncertain tax positions	-	453
Other	10,804	5,530
Total accrued expenses and other current liabilities	$ 164,097	$ 156,688

OTHER LIABILITIES, NONCURRENT

(in thousands)

	November 30, 2014	February 28, 2014
Deferred compensation liability	$ 8,412	$ 7,257
Liability for uncertain tax positions	10,846	13,471
Other liabilities	6,400	1,038
Total other liabilities, noncurrent	$ 25,658	$ 21,766

Note 9 - *Goodwill and Intangible Assets*

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

Annual Impairment Testing in the First Quarter of Fiscal Year 2014 - We performed our annual evaluation of goodwill and indefinite-lived intangible assets for impairment during the first quarter of fiscal year 2014. As a result of our testing of indefinite-lived trademarks and licenses, we recorded a non-cash asset impairment charge of $12.05 million ($12.03 million after tax). The charge was related to certain trademarks in our Personal Care segment, which were written down to their estimated fair value, determined on the basis of future discounted cash flows using the relief from royalty valuation method.

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

GOODWILL AND INTANGIBLE ASSETS

(in thousands)

Description	November 30, 2014 Gross Carrying Amount	November 30, 2014 Cumulative Goodwill Impairments	November 30, 2014 Accumulated Amortization	November 30, 2014 Net Book Value	February 28, 2014 Gross Carrying Amount	February 28, 2014 Cumulative Goodwill Impairments	February 28, 2014 Accumulated Amortization	February 28, 2014 Net Book Value
Housewares:								
Goodwill	$ 166,132	$ -	$ -	$ 166,132	$ 166,132	$ -	$ -	$ 166,132
Trademarks - indefinite	75,200	-	-	75,200	75,200	-	-	75,200
Other intangibles - finite	15,923	-	(12,090)	3,833	15,693	-	(11,149)	4,544
Total Housewares	257,255	-	(12,090)	245,165	257,025	-	(11,149)	245,876
Healthcare / Home Environment:								
Goodwill	251,758	-	-	251,758	251,758	-	-	251,758
Trademarks - indefinite	54,000	-	-	54,000	54,000	-	-	54,000
Licenses - finite	15,300	-	(8,637)	6,663	15,300	-	(6,416)	8,884
Other intangibles - finite	114,918	-	(42,789)	72,129	114,490	-	(34,606)	79,884
Total Healthcare / Home Environment	435,976	-	(51,426)	384,550	435,548	-	(41,022)	394,526
Nutritional Supplements:								
Goodwill (1)	96,587	-	-	96,587	-	-	-	-
Brand assets - indefinite	65,500	-	-	65,500	-	-	-	-
Other intangibles - finite	43,800	-	(2,607)	41,193	-	-	-	-
Total Nutritional Supplements	205,887	-	(2,607)	203,280	-	-	-	-
Personal Care:								
Goodwill	81,841	(46,490)	-	35,351	81,841	(46,490)	-	35,351
Trademarks - indefinite	54,754	-	-	54,754	63,754	-	-	63,754
Trademarks - finite	150	-	(81)	69	150	-	(77)	73
Licenses - indefinite	10,300	-	-	10,300	10,300	-	-	10,300
Licenses - finite	18,683	-	(16,123)	2,560	18,683	-	(15,887)	2,796
Other intangibles - finite	49,437	-	(30,766)	18,671	49,437	-	(26,563)	22,874
Total Personal Care	215,165	(46,490)	(46,970)	121,705	224,165	(46,490)	(42,527)	135,148
Total	$ 1,114,283	$ (46,490)	$ (113,093)	$ 954,700	$ 916,738	$ (46,490)	$ (94,698)	$ 775,550

(1) Includes $1.28 million of acquisition adjustments recorded in the fiscal quarter ending August 31, 2014.

On October 24, 2014, we amended the terms of our trademark licensing agreement with Honeywell International Inc. to relinquish the rights to market Honeywell branded portable air purifiers after December 31, 2015 in twelve selected developing countries, including China. In exchange for the amendment, we received a one-time cash payment of $7 million ($6.98 million after tax), which was recorded as a gain in SG&A. For the fiscal quarter and year-to-date ended November 30, 2014, sales into the relinquished countries accounted for approximately 1.1 and 1.0 percent, respectively, of the Healthcare / Home Environment segment s total net sales. For the fiscal quarter and year-to-date ended November 30, 2013, sales into the relinquished countries accounted for approximately 0.4 and 0.5 percent, respectively, of the Healthcare / Home Environment segment s total net sales. We plan to market portable air purifiers in the relinquished markets under non-Honeywell branded trademarks and retained the rights to market Honeywell portable air purifiers in other countries, including the United States, Canada and all European countries. For categories such as portable fans, portable heaters and portable humidifiers, we remain the Honeywell global licensee under the same material terms as our previous agreement.

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The following table summarizes the amortization expense attributable to intangible assets for the periods covered in this quarterly report, as well as our estimated amortization expense for the fiscal years 2015 through 2020.

AMORTIZATION OF INTANGIBLE ASSETS

(in thousands)

Aggregate Amortization Expense **For the three months ended**		
November 30, 2014	**$**	**6,853**
November 30, 2013	$	5,407
Aggregate Amortization Expense **For the nine months ended**		
November 30, 2014	**$**	**18,427**
November 30, 2013	$	16,246
Estimated Amortization Expense **For the fiscal years ended**		
February 2015	$	25,257
February 2016	$	27,150
February 2017	$	26,835
February 2018	$	23,030
February 2019	$	18,306
February 2020	$	16,720

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Note 10 ***Acquisitions***

On June 30, 2014, we completed the acquisition of Healthy Directions, LLC and its subsidiaries (Healthy Directions), a leader in the premium branded vitamin, mineral and supplement market for a total cash purchase price of $195.94 million. The purchase price was funded from borrowings under the Credit Agreement, as described below, and cash on hand. The sellers were certain funds controlled by American Securities, LLC and ACI Capital Co., LLC. Significant assets acquired include inventory, property and equipment, customer relationships, brand assets, and goodwill. Acquisition-related expenses incurred through November 30, 2014 are approximately $3.61 million ($2.31 million after tax). Healthy Directions reports its operations as the Nutritional Supplements segment.

The following schedule presents the acquisition date fair value of the net assets of Healthy Directions. These balances are preliminary and may be subject to additional adjustment.

HEALTHY DIRECTIONS - NET ASSETS RECORDED UPON ACQUISITION AT JUNE 30, 2014
(in thousands)

Assets:		
Receivables	$	257
Inventory		6,226
Prepaid expenses and other current assets		1,875
Property and equipment		5,962
Goodwill		95,308
Brand assets - indefinite		65,500
Customer relationships - definite		43,800
Subtotal - assets		218,928
Liabilities:		
Accounts payable		6,479
Accrued expenses		13,964
Other long-term liabilities		2,542
Subtotal - liabilities		22,985
Net assets recorded	$	195,943

The fair values of the intangible assets acquired were estimated by applying income and market approaches. These fair value measurements were based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements. Key assumptions included various discount rates based upon a 14.6 percent weighted average cost of capital, a royalty rate of 5 percent used in the determination of brand assets and a customer attrition rate of 14 percent per year used in the determination of customer relationship values. The goodwill recognized is expected to be deductible for income tax purposes.

The impact of the Healthy Directions acquisition on the Company s consolidated condensed statements of income from the acquisition date through the three- and five-month periods ended November 30, 2014 is as follows:

HEALTHY DIRECTIONS - IMPACT ON CONSOLIDATED CONDENSED STATEMENT OF INCOME
June 30, 2014 (Acquisition Date) through November 30, 2014
(in thousands, except earnings per share data)

	November 30, 2014	
	Three Months Ended	Five Months Ended
Sales revenue, net	$ 38,462	$ 63,096
Net income	3,091	3,156
Earnings per share:		
Basic	$ 0.11	$ 0.11
Diluted	$ 0.11	$ 0.11

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Net income for the five months ended November 30, 2014 includes after tax acquisition-related expenses of $2.31 million.

The following supplemental pro forma information presents the Company s financial results as if the Healthy Directions 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, 2013. Accordingly, this information is not intended to be indicative of future results.

HEALTHY DIRECTIONS - PRO FORMA IMPACT ON CONSOLIDATED CONDENSED STATEMENTS OF INCOME

As if the Acquisition had been completed at the beginning of March 1, 2013

(in thousands, except earnings per share data)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2014	2013	**2014**	2013
Sales revenue, net	**$ 435,674**	**$ 417,042**	**$ 1,120,519**	**$ 1,115,313**
Net income	**55,377**	**38,318**	**94,064**	**77,660**
Earnings per share:				
Basic	**$ 1.95**	**$ 1.20**	**$ 3.29**	**$ 2.43**
Diluted	**$ 1.92**	**$ 1.18**	**$ 3.24**	**$ 2.40**

Note 11 ***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 $570 million as of November 30, 2014. The commitment under the Credit Agreement terminates on December 30, 2015. Borrowings accrue interest under one of two alternative methods 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 fees 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 November 30, 2014, the outstanding revolving loan principal balance was $440 million and there were $0.77 million of open letters of credit outstanding against the Credit Agreement. For the fiscal quarter and year-to-date ended November 30, 2014, borrowings under the Credit Agreement incurred interest charges at rates ranging from 1.90 to 4.38 percent for both periods. For the fiscal quarter and year-to-date ended November 30, 2013, borrowings under the Credit Agreement incurred interest charges at rates ranging from 1.17 to 3.25 percent and 1.17 to 3.63 percent, respectively. As of November 30, 2014, the amount available for borrowings under the Credit Agreement was $129.23 million.

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A summary of our long-term debt is as follows:

LONG-TERM DEBT

(dollars in thousands)

	Original Date Borrowed	Interest Rates	Matures	November 30, 2014		February 28, 2014	
$37.61 million unsecured loan with the Mississippi Business Finance Corporation (MBFC Loan), interest is set and payable quarterly at a Base Rate, plus a margin of up to 1.125%, or applicable LIBOR plus a margin of up to 2.125%, as determined by the interest rate elected. Loan subject to holder s call on or after March 1, 2018. Loan can be prepaid without penalty. (1)	03/13	**2.28%**	03/23	**$**	**35,707**	$	37,607
$75 million unsecured floating interest rate Senior Notes. Interest set and payable quarterly at three month LIBOR plus 90 basis points. Principal was due and paid on June 30, 2014. (2)	06/04	**6.01%**	06/14		-		75,000
$100 million unsecured Senior Notes payable at a fixed interest rate of 3.90%. Interest payable semi-annually. Annual principal payments of $20 million began in January 2014. Prepayment of notes are subject to a make whole premium.	01/11	**3.90%**	01/18		**80,000**		80,000
Total long-term debt					**115,707**		192,607
Less current maturities of long-term debt					**(21,900)**		(96,900)
Long-term debt, excluding current maturities				**$**	**93,807**	$	95,707

(1) A $1.90 million principal payment was made on March 1, 2014. The remaining loan balance is payable as follows: $1.90 million on March 1 in each of 2015, 2018, 2019, 2020, 2021, and 2022; $3.80 million on March 1, 2016; $5.70 million on March 1, 2017; and $14.81 million on March 1, 2023. Any remaining outstanding principal and interest is due upon maturity on March 1, 2023.

(2) Floating interest rates were hedged with an interest rate swap to effectively fix interest rates while the Senior Notes were outstanding. Additional information regarding the swap is provided in Note 14 to these consolidated condensed financial statements.

The fair market value of the fixed rate debt at November 30, 2014, computed using a discounted cash flow analysis was $82.67 million compared to the $80 million book value and represents a Level 2 liability. Our other long-term debt has floating interest rates, and its book value approximates its fair value at November 30, 2014.

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, including, among other things, covenants restricting or limiting the Company, 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.

As of November 30, 2014, our debt agreements effectively limited our ability to incur more than $149.11 million of additional debt from all sources, including the Credit Agreement. We were in compliance with the terms of these agreements as of November 30, 2014.

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Note 12 - ***Income Taxes***

Income tax expense for the fiscal quarter and year-to-date ended November 30, 2014 was 9.2 and 10.7 percent of income before income taxes, respectively, compared to 20.0 and 19.0 percent, respectively, for the same periods last year. The year-over-year comparison of our effective tax rates was primarily impacted by shifts in the mix of taxable income in our various tax jurisdictions. In the fiscal quarter ended November 30, 2014, the Company also recorded a $0.85 million tax benefit associated with a net reduction in the valuation allowance for net operating loss carryforwards and a $0.52 million tax benefit resulting from the finalization of certain tax returns. In addition, during the fiscal quarter ended August 31, 2014, the Company recorded a tax benefit of $2.07 million related to the resolution of an uncertain tax position with a foreign tax authority, resulting in a lower effective tax rate for the fiscal year-to-date ended November 30, 2014 when compared to the same period last year. The gain from the amendment of the license agreement with Honeywell International Inc. described in Note 9 also decreased our effective tax rate by 1.2 and 0.8 percentage points for the fiscal quarter and year-to-date ended November 30, 2014, respectively. Our effective tax rates were unfavorably impacted by asset impairment charges of $9.00 million for the fiscal quarter ended May 31, 2014, and $12.05 million for the fiscal quarter ended May 31, 2013, for which the related tax benefits were $0.86 and $0.02 million, respectively.

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Note 13 - ***Fair Value***

The fair value hierarchy of our financial assets and liabilities carried at fair value and measured on a recurring basis is as follows:

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Description		**Fair Values at November 30, 2014**		**Quoted Prices in Active Markets for Identical Assets (Level 1)**		**Significant Other Observable Market Inputs (Level 2)**
Assets:						
Money market accounts	**$**	**370**	**$**	**370**	**$**	**-**
Foreign currency contracts		**162**		**-**		**162**
Total assets	**$**	**532**	**$**	**370**	**$**	**162**
Liabilities:						
Long-term debt - fixed rate (1)	**$**	**82,674**	**$**	**-**	**$**	**82,674**
Long-term debt - floating rate		**35,707**		**-**		**35,707**
Total liabilities	**$**	**118,381**	**$**	**-**	**$**	**118,381**

Description		**Fair Values at February 28, 2014**		**Quoted Prices in Active Markets for Identical Assets (Level 1)**		**Significant Other Observable Market Inputs (Level 2)**
Assets:						
Money market accounts	$	1,549	$	1,549	$	-
Foreign currency contracts		-		-		-
Total assets	$	1,549	$	1,549	$	-
Liabilities:						
Long-term debt - fixed rate (1)	$	83,951	$	-	$	83,951
Long-term debt - floating rate		112,607		-		112,607
Interest rate swaps and foreign currency contracts		1,596		-		1,596
Total liabilities	$	198,154	$	-	$	198,154

(1) Debt values are reported at estimated fair value in these tables, but are recorded in the accompanying consolidated condensed balance sheets at the undiscounted value of remaining principal payments due.

The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the short maturity of these items. Money market accounts are included in cash and cash equivalents in the accompanying consolidated condensed balance sheets and are classified as Level 1 items.

We classify our fixed and floating rate debt as Level 2 liabilities because the estimation of the fair market value of these financial liabilities requires the use of discount rates based upon current market rates of interest for debt with comparable remaining terms. Such comparable rates are significant other observable market inputs. The fair market value of the fixed rate debt was computed using a discounted cash flow analysis and discount rates of 1.76 percent at November 30, 2014 and 1.75 percent at February 28, 2014. All other long-term debt has floating interest rates, and its book value approximates its fair value as of the reporting date.

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We use derivatives for hedging purposes. As of November 30, 2014, our derivatives consist of foreign currency contracts. We determine the fair value of our derivative instruments based on Level 2 inputs in the fair value hierarchy. See Notes 7, 8, 11, and 14 for more information on our hedging activities.

The Company s other non-financial assets include goodwill and other intangible assets, which we classify as Level 3 assets. These assets are measured at fair value on a non-recurring basis as part of the Company s impairment assessments and as circumstances require. As discussed in Note 9, in connection with our annual impairment testing during the fiscal quarter ended May 31, 2014, we recorded a non-cash asset impairment charge of $9.00 million ($8.16 million after tax). The charge related to certain trademarks in our Personal Care segment, which were written down to their estimated fair value, determined on the basis of future discounted cash flows using the relief from royalty valuation method.

Note 14 ***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. During both the fiscal quarter and year-to-date periods ended November 30, 2014, approximately 15 percent of our net sales revenue was in foreign currencies. During the fiscal quarter and year-to-date periods ended November 30, 2013, approximately 16 and 15 percent, respectively, of our net sales revenue was in foreign currencies. These sales were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, Australian Dollars, Peruvian Soles, and Venezuelan Bolivars. We make most of our inventory purchases from the Far East and use the U.S. Dollar for such purchases. In our consolidated condensed 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 from remeasurement are recognized in SG&A. For the fiscal quarter and year-to-date periods ended November 30, 2014, we recorded net foreign exchange gains (losses), including the impact of currency hedges, of ($2.21) and ($3.34) million, respectively, in SG&A and $0.18 and $0.28 million, respectively, in income tax expense. For the fiscal quarter and year-to-date periods ended November 30, 2013, we recorded net foreign exchange gains (losses), including the impact of currency hedges, of $0.17 and ($0.33) million, respectively, in SG&A and ($0.19) and ($0.17) million, respectively, in income tax expense.

We have historically hedged against certain foreign currency exchange rate risk by using a series of forward contracts designated as cash flow hedges to protect against the foreign currency exchange risk inherent in our forecasted transactions denominated in currencies other than the U.S. Dollar. We do not enter into any forward exchange contracts or similar instruments for trading or other speculative purposes.

Venezuelan Bolivar Currency Exchange Uncertainties **-** In February 2013, the Venezuelan government devalued its currency from 4.30 to 6.30 Bolivars per U.S. Dollar for all goods and services. In March 2013, the Venezuelan government announced an additional complementary auction-based exchange rate mechanism known as SICAD 1. SICAD 1 was made available to certain companies that operate in designated industry sectors. At November 30, 2014, the SICAD 1 rate was 12 Bolivars to the U.S. Dollar. In early 2014, the Venezuelan government created a National Center of Foreign Commerce (CENCOEX) to control the multiple currency exchange rate mechanisms that may be available for a company to exchange funds. CENCOEX was granted the authority to determine the sectors that will be allowed to buy U.S. dollars in SICAD auctions, and subsequently introduced a more accessible market-based, SICAD 2 daily auction exchange market. At November 30, 2014, the SICAD 2 rate was approximately 50 Bolivars to the U.S. Dollar.

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Despite the recent announcements made by the Venezuelan government advocating further changes to the current system, there remains a significant degree of uncertainty as to which exchange markets might be available for particular types of transactions. To date, we have not gained access to U.S. Dollars in Venezuela through either SICAD 1 or SICAD 2 auctions, nor do we intend to. As of November 30, 2014, these auctions had not eliminated or changed the official rate of 6.30 Bolivars per U.S. Dollar.

Our business in Venezuela continues to be entirely self-funded with earnings from operations. We have no current need or intention to repatriate Venezuelan earnings and remain committed to the business for the long-term. Within Venezuela, we market primarily liquid-, solid- and powder-based personal care and grooming products, which are sourced almost entirely within the country. We do not have, nor do we foresee having, any need to access SICAD 1 or SICAD 2. Accordingly, we continue to utilize the official rate of 6.30 Bolivars per U.S. Dollar to re-measure our Venezuelan financial statements.

For both of the fiscal quarters ended November 30, 2014 and 2013, sales in Venezuela represented approximately 0.8 percent of the Company s consolidated net sales revenue. For the fiscal years-to-date ended November 30, 2014 and 2013, sales in Venezuela represented approximately 0.8 and 0.7 percent, respectively, of the Company s consolidated net sales revenue. At November 30, 2014, we had a U.S. Dollar based net investment in our Venezuelan business of $9.61 million, consisting almost entirely of working capital.

Developments within the Venezuelan economy, including any future governmental interventions, are beyond our ability to control or predict, and we cannot assess impacts, if any, such events may have on our Venezuelan business. We will continue to closely monitor the applicability and viability of the various exchange mechanisms. A future devaluation, if any, would result in additional charges against income, and these charges could be material.

Interest Rate Risk - Interest on our outstanding debt as of November 30, 2014 is both floating and fixed. Fixed rates are in place on $80 million of 3.90 percent Senior Notes due January 2018, while floating rates are in place on the balance of all other debt outstanding, which totaled $475.71 million as of November 30, 2014. If short-term interest rates increase, we will incur higher interest rates on any outstanding balances under our Credit Agreement and MBFC Loan.

At February 28, 2014, floating rate $75 million Senior Notes due June 2014 had been effectively converted to fixed rate debt using an interest rate swap (the swap). The swap converted the total aggregate notional principal from floating interest rate payments to fixed interest rate payments at 6.01 percent. Changes in the spread between the fixed rate payment side of the swap and the floating rate receipt side of the swap offset 100 percent of the change in any period of the underlying debt s floating rate payments. The swap was 100 percent effective. As of June 30, 2014, the swap ended concurrent with the repayment at maturity of $75 million of principal on the related Senior Notes.

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The fair values of our various derivative instruments are as follows:

FAIR VALUES OF DERIVATIVE INSTRUMENTS

(in thousands)

November 30, 2014								
Designated as hedging instruments	**Hedge Type**	**Final Settlement Date**		**Notional Amount**		**Prepaid Expenses and Other Current Assets**		**Accrued Expenses and Other Current Liabilities**
Foreign currency contracts - sell Pounds	Cash flow	**2/2015**	**£**	**1,500**	**$**	**162**	**$**	**-**

February 28, 2014								
Designated as hedging instruments	**Hedge Type**	**Final Settlement Date**		**Notional Amount**		**Prepaid Expenses and Other Current Assets**		**Accrued Expenses and Other Current Liabilities**
Foreign currency contracts - sell Euro	Cash flow	6/2014		2,850	$	-	$	89
Foreign currency contracts - sell Pounds	Cash flow	11/2014	£	4,250		-		280
Interest rate swap	Cash flow	6/2014	$	75,000		-		1,227
Total fair value					$	-	$	1,596

The pre-tax effect of derivative instruments for the periods covered in this quarterly report are as follows:

PRE-TAX EFFECT OF DERIVATIVE INSTRUMENTS

(in thousands)

	Three months ended November 30,								
	Gain / (Loss) Recognized in OCI (effective portion)				**Gain / (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income**				
	2014		2013		**Location**	**2014**		2013	
Currency contracts - cash flow hedges	**$**	**301**	$	(641)	SG&A	**$**	**201**	$	(78)
Interest rate swaps - cash flow hedges		**-**		(70)	Interest expense		**-**		(946)
Total	**$**	**301**	$	(711)		**$**	**201**	$	(1,024)

	Nine months ended November 30,								
	Gain / (Loss) Recognized in OCI (effective portion)					Gain / (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income			
	2014		2013		**Location**	**2014**		2013	
Currency contracts - cash flow hedges	**$**	**515**	$	(673)	SG&A	**$**	**(15)**	$	246
Interest rate swaps - cash flow hedges		**28**		(97)	Interest expense		**(1,199)**		(2,785)
Total	**$**	**543**	$	(770)		**$**	**(1,214)**	$	(2,539)

We expect net gains of $0.16 million associated with foreign currency contracts currently reported in accumulated other comprehensive income, to be reclassified into income over the next three months. The amount ultimately realized, however, will differ as exchange rates and interest rates change and the underlying contracts settle.

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Counterparty Credit Risk - Financial instruments, including foreign currency contracts and interest rate swaps, expose us to counterparty credit risk for nonperformance. We manage our exposure to counterparty credit risk by only 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 losses is remote.

Note 15 ***Repurchase of Helen of Troy Common Stock***

As of November 30, 2014, we were authorized by our Board of Directors to purchase up to $265.43 million of common stock in the open market or through private transactions. On March 14, 2014, the Company completed a modified Dutch auction tender offer resulting in the repurchase of 3,693,816 shares of its outstanding common stock at a total cost of $247.83 million, including tender offer transaction-related costs. The Company also repurchased 408,327 shares of outstanding common stock on the open market at a total cost of $25.77 million during the fiscal quarter ended May 31, 2014.

Our current equity-based compensation plans include provisions that allow for the net exercise of stock options by all plan participants. In a net exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from the option holder can be paid for by having the option holder tender back to the Company a number of shares at fair value equal to the amounts due. These transactions are accounted for by the Company as a purchase and retirement of shares and are included in the table on the following page as common stock received in connection with share-based compensation.

During the fiscal quarter ended May 31, 2014, certain employees tendered 1,993 shares of common stock having a market value of $59.13 per share, or $0.12 million in the aggregate, and our former CEO tendered 68,086 shares of common stock having a market value of $67.10 per share, or $4.57 million in the aggregate, as payment for related federal tax obligations arising from the vesting and settlement of performance-based restricted stock units and restricted stock awards. During the fiscal quarter ended May 31, 2013, 9,898 shares of common stock having a market value of $35.55 per share, or $0.35 million in the aggregate, were withheld as payment for related federal tax obligations arising from the vesting and settlement of performance-based restricted stock awards.

For the fiscal quarters ended August 31 and November 30, 2014, we did not repurchase any shares of common stock. Additionally, no shares of common stock were tendered by our employees in net exercise transactions.

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

SHARE REPURCHASES

	Three months ended November 30,		Nine months ended November 30,	
	2014	2013	**2014**	2013

Common stock repurchased on the open market or through tender offer				
Number of shares	**-**	-	**4,102,143**	33,862
Aggregate market value of shares (in thousands)	**$ -**	$ -	**$ 273,599**	$ 1,311
Average price per share	**$ -**	$ -	**$ 66.70**	$ 38.71
Common stock received in connection with share-based compensation				
Number of shares	**-**	-	**70,079**	13,453
Aggregate market value of shares (in thousands)	**$ -**	$ -	**$ 4,686**	$ 490
Average price per share	**$ -**	$ -	**$ 66.87**	$ 36.44

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Note 16 ***Share-Based Compensation Plans***

We have share-based awards outstanding under several share-based compensation plans. During the fiscal quarter and year-to-date periods ended November 30, 2014, the Company had the following share-based compensation activity:

- We granted options to purchase 7,500 and 248,000 shares of common stock, respectively, to certain of our officers and employees. The fair values of these options were estimated using the Black-Scholes option pricing model to estimate fair values ranging from $19.02 to $26.05 for grants with terms of four and five years. The following assumptions were used for the grants: expected lives ranging from 4.05 to 4.35 years for grants with terms of four and five years; risk-free interest rates ranging from 1.22 to 1.49 percent; zero dividend yield; and expected volatilities ranging from 41.49 to 50.53 percent.

- We issued 2,107 and 7,363 restricted shares, respectively, to non-employee Board members with total grant date fair values of $0.12 and $0.44 million, respectively, and average share prices of $58.22 and $60.98, respectively.

- During the fiscal quarter ended May 31, 2014, performance stock units and restricted stock awards held by our former CEO covering 100,000 shares and 62,304 shares of common stock, respectively, vested and/or settled at a fair value of $67.10 per share. As payment for the related federal tax obligations arising from the settlement and vesting of these awards, 68,086 shares were withheld by the Company.

- Employees exercised stock options to purchase 22,292 and 121,711 shares of common stock, respectively.

- Employees purchased 13,848 shares of common stock for $0.69 million through our employee stock purchase plan during the nine months ended November 30, 2014. There was no activity in the quarter ended November 30, 2014.

- Directors exercised stock options to purchase -0- and 20,000 shares, respectively.

We recorded the following share-based compensation expense in SG&A for the periods covered below:

SHARE-BASED PAYMENT EXPENSE

(in thousands, except per share data)

	Three months ended November 30,		Nine months ended November 30,	
	2014	2013	**2014**	2013
Stock options	**$ 869**	$ 589	**$ 2,483**	$ 1,791
Directors stock compensation	**175**	151	**641**	438
Performance-based and other stock awards	**336**	1,708	**1,441**	6,944
Employee stock purchase plan	**-**	-	**167**	158
Share-based payment expense	**1,380**	2,448	**4,732**	9,331
Less income tax benefits	**(141)**	(466)	**(514)**	(1,877)
Share-based payment expense, net of income tax benefits	**$ 1,239**	$ 1,982	**$ 4,218**	$ 7,454
Earnings per share impact of share-based payment expense:				
Basic	**$ 0.04**	$ 0.06	**$ 0.15**	$ 0.23
Diluted	**$ 0.04**	$ 0.06	**$ 0.15**	$ 0.23

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion (MD&A) contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially due to a number of factors, including those discussed in Part I, Item 3. Quantitative and Qualitative Disclosures about Market Risk and Information Regarding Forward-Looking Statements in this report and Risk Factors in the Company s most recent annual report on Form 10-K and its other filings with the Securities and Exchange Commission (the SEC). This discussion should be read in conjunction with our consolidated condensed financial statements included under Part I, Item 1. of this report.

Throughout MD&A, we refer to certain measures used by management to evaluate financial performance. We also may refer to a number of financial measures that are not defined under GAAP, but have corresponding GAAP-based measures. Where non-GAAP measures appear, we provide tables reconciling these to their corresponding GAAP-based measures and make reference to a discussion of their use. We believe these measures provide investors with important information that is useful in understanding our business results and trends. Please see Explanation of Certain Terms and Measures Used in MD&A beginning on page 45 for more information on the use and calculation of certain GAAP-based and non-GAAP financial measures.

OVERVIEW

We operate our business under four segments: Housewares, Healthcare / Home Environment, Nutritional Supplements, and Personal Care. The Housewares segment reports the operations of OXO, whose product offerings include food preparation tools, gadgets and storage containers, cleaning, organization, and baby and toddler care products. The Healthcare / Home Environment segment sells products in the following categories: 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. Because our Nutritional Supplements segment was formed with the June 30, 2014 acquisition of Healthy Directions, the accompanying consolidated condensed financial statements include five months of operating results for fiscal year 2015. Healthy Directions is a leading provider of premium vitamins, minerals and supplements, as well as other health products sold directly to consumers. Our Personal Care segment offers products in three categories: electric hair care, beauty care and wellness appliances; grooming tools and hair accessories; and liquid-, solid- and powder-based personal care and grooming products.

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

Our core business is seasonal due to different calendar events, holidays and weather patterns; however, the overall sales pattern for our Nutritional Supplements segment is not highly seasonal. Historically, our highest sales volume and operating income occur in our third fiscal quarter ending November 30th.

Our business depends upon discretionary consumer demand for most of our products and primarily operates within mature and highly developed consumer markets. The principal driver of our operating performance is the strength of the U.S. retail economy, as approximately 77 percent of our fiscal year 2014 net sales revenue was from U.S. shipments. Domestically, we believe that consumers are becoming more relaxed with their discretionary spending due to lower gasoline prices, continued low interest rates and improving employment activity, contributing to higher net sales revenue during the fiscal quarter ended November 30, 2014, as compared to the same period last year. Seasonal cough/cold/flu patterns also influence sales in this quarter for the Healthcare / Home Environment segment. In the United States, the season historically runs from November

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through March with peak activity in January-March, but there can be substantial activity as early as November and December. Early indications from the U.S. Center for Disease Control (the CDC) suggest the current season flu incidence trend is slightly ahead of the prior year through mid-December. The prior year flu season was slightly below historical averages. Many of our new product launches in thermometry have demonstrated early point-of-sale strength in proportion to the CDC reported trends.

During the third fiscal quarter, international sales were dampened by the strengthening of the U.S. Dollar against most currencies, in particular the British Pound, Euro, Canadian Dollar, and Mexican Peso. For these currencies, purchasing power against the U.S. Dollar dropped approximately 5, 5, 3, and 4 percent, respectively, at the end of the third fiscal quarter compared to the end of the second fiscal quarter.

We believe that the growth in the internet as a sales channel continues to erode market share in the traditional brick and mortar channels. For the fiscal quarter and year-to-date periods ended November 30, 2014, sales to our internet-based customers grew approximately 46 and 40 percent, respectively, compared with the same periods last year and comprised approximately 10 and 9 percent, respectively, of our total consolidated net sales revenue for the third fiscal quarter and nine months ended November 30, 2014. We believe it will become increasingly important to leverage our domestic distribution capabilities to meet the logistical challenge of higher frequency, smaller order size shipments. We also believe the acquisition of Healthy Directions has brought additional internet and direct-to-consumer expertise to our Company, which we hope will provide us with future operational scale to further develop the internet channel across all our product lines.

Significant Recent Developments

- On October 24, 2014, we amended the terms of our trademark licensing agreement with Honeywell International Inc. to relinquish the rights to market Honeywell branded portable air purifiers after December 31, 2015 in twelve selected developing countries, including China. In exchange for the amendment, we received a one-time cash payment of $7 million ($6.98 million after tax), which was recorded as a gain in SG&A. For the fiscal quarter and year-to-date ended November 30, 2014, sales into the relinquished countries accounted for approximately 1.1 and 1.0 percent, respectively, of the Healthcare / Home Environment segment s total net sales. For the fiscal quarter and year-to-date ended November 30, 2013, sales into the relinquished countries accounted for approximately 0.4 and 0.5 percent, respectively, of the Healthcare / Home Environment segment s total net sales. We plan to market portable air purifiers in the relinquished markets under non-Honeywell branded trademarks and retained the rights to market Honeywell portable air purifiers in all other countries subject to the previous agreement, including the United States, Canada and all European countries. For categories such as portable fans, portable heaters and portable humidifiers, we remain the Honeywell global licensee under the same material terms as our previous agreement.

- Initial shipments of a new line of cookware were made by the Cookware Company (TCC) during the third quarter of fiscal year 2015 under a licensing agreement with OXO to bring to market high quality cookware under the OXO Good Grips brand name. Under the arrangement, TCC has collaborated with OXO to develop three initial collections using an innovative new smart shapes concept built with premium materials consisting of two lines of hard anodized aluminum cookware and one line of stainless steel cookware. These are being marketed by TCC into OXO s normal channels of distribution. While we do not expect meaningful royalty income in fiscal year 2015, the agreement allows entry into a new category, enhances brand recognition, and is expected to complement future adjacent product category extension.

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Financial Performance Highlights for the Third Fiscal Quarter and Nine Months Ended November 30, 2014

Consolidated net sales revenue for the third fiscal quarter and first nine months of fiscal year 2015 increased $54.94 and $62.77 million, or 14.4 and 6.2 percent, to $435.67 and $1,067.40 million, respectively, compared to $380.73 and $1,004.63 million, respectively, for the same periods last year. Net sales revenue in our Housewares segment increased $11.21 million for the third fiscal quarter, or 15.0 percent, and increased $13.91 million for the first nine months, or 6.7 percent, compared to the same periods last year. Net sales revenue in our Healthcare / Home Environment segment increased $11.24 million for the third fiscal quarter, or 6.8 percent, and increased $21.30 million for the first nine months, or 5.0 percent, compared to the same periods last year. For the third fiscal quarter and the first five months of operations included in the nine months ended November 30, 2014, the Nutritional Supplements segment contributed net sales revenue of $38.46 and $63.10 million, respectively. Net sales revenue in our Personal Care segment decreased $5.97 million for the third fiscal quarter, or 4.3 percent, and decreased $35.54 million for the first nine months, or 9.6 percent, compared to the same periods last year.

In addition to our net sales revenue performance discussed above, key results for the third fiscal quarter and first nine months of fiscal year 2015 include the following:

- Consolidated gross profit margin as a percentage of net sales revenue for the third fiscal quarter increased 2.8 percentage points to 41.6 percent compared to 38.8 percent for the same period last year. Consolidated gross profit margin as a percentage of net sales revenue for the first nine months increased 1.8 percentage points to 40.7 percent compared to 38.9 percent for the same period last year.

- SG&A as a percentage of net sales revenue increased 0.9 percentage points to 26.7 percent for the third fiscal quarter compared to 25.8 percent for the same period last year. The SG&A ratio increased 1.6 percentage points to 29.3 percent for the first nine months compared to 27.7 percent for the same period last year.

- For the third fiscal quarter, operating income increased $15.65 million, or 31.7 percent, to $65.04 million compared to $49.39 million for the same period last year. For the first nine months, operating income increased $12.40 million, or 12.3 percent, to $112.77 million compared to $100.37 million for the same period last year. Operating income for the first nine months includes a non-cash asset impairment charge of $9.00 million compared to $12.05 million for the same period last year.

- For the third fiscal quarter, net income increased $17.85 million, or 47.6 percent, to $55.38 million compared to $37.52 million for the same period last year. For the first nine months, net income increased $15.38 million, or 20.4 percent, to $90.61 million compared to $75.23 million for the same period last year.

- For the third fiscal quarter, diluted EPS was $1.92 compared to $1.16 for the same period last year. For the first nine months, diluted EPS was $3.12 compared to $2.33 for the same period last year.

- For the third fiscal quarter, adjusted income (excluding non-cash asset impairment charges, acquisition-related expenses, amortization of intangible assets, and non-cash share-based compensation, as applicable) increased $17.91 million, or 40.1 percent, to $62.56 million compared to $44.65 million for the same period last year. For the first nine months, adjusted income increased $11.68 million, or 10.6 percent, to $121.87 million compared to $110.19 million for the same period last year.

- For the third fiscal quarter, adjusted diluted EPS (excluding non-cash asset impairment charges, acquisition-related expenses, amortization of intangible assets, and non-cash share-based compensation, as applicable) was $2.17 compared to $1.37 for the same period last year. For the first nine months, adjusted diluted EPS was $4.19 compared to $3.41 for the same period last year.

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- As previously discussed under Significant Recent Developments , SG&A, operating income, net income and adjusted income for the third quarter and first nine months include a $7 million gain ($6.98 million after tax) from the amendment of a trademark license agreement with Honeywell International Inc. This gain had a $0.24 impact on diluted EPS and adjusted diluted EPS. There was no comparable gain or income in the same periods last year.

The effects of the Healthy Directions acquisition on net sales revenue are discussed on pages 29 and 34. Adjusted income and adjusted diluted EPS are non-GAAP financial measures as contemplated by SEC Regulation G, Rule 100. These measures are discussed further, and reconciled to their applicable GAAP-based measures, on pages 33, 38 and 39.

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RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our selected operating data, in U.S. Dollars, as a year-over-year percentage change and as a percentage of net sales revenue. We will refer to this table in the discussion of results of operations which follows:

SELECTED OPERATING DATA

(dollars in thousands)

	Three Months Ended November 30,				% of Sales Revenue, net	
	2014 (1)	2013	**$ Change**	**% Change**	**2014 (1)**	2013
Sales revenue by segment, net						
Housewares	**$ 85,984**	$ 74,776	$ 11,208	15.0%	**19.7%**	19.6%
Healthcare / Home Environment	**176,994**	165,752	11,242	6.8%	**40.6%**	43.5%
Nutritional Supplements	**38,462**	-	38,462	*	**8.8%**	0.0%
Personal Care	**134,234**	140,202	(5,968)	-4.3%	**30.8%**	36.8%
Total sales revenue, net	**435,674**	380,730	54,944	14.4%	**100.0%**	100.0%
Cost of goods sold	**254,263**	233,029	21,234	9.1%	**58.4%**	61.2%
Gross profit	**181,411**	147,701	33,710	22.8%	**41.6%**	38.8%
Selling, general and administrative expense	**116,368**	98,308	18,060	18.4%	**26.7%**	25.8%
Asset impairment charges	**-**	-	-	0.0%	**0.0%**	0.0%
Operating income	**65,043**	49,393	15,650	31.7%	**14.9%**	13.0%
Nonoperating income (expense), net	**87**	13	74	*	**0.0%**	0.0%
Interest expense	**(4,173)**	(2,513)	(1,660)	66.1%	**-1.0%**	-0.7%
Total other income (expense)	**(4,086)**	(2,500)	(1,586)	63.4%	**-0.9%**	-0.7%
Income before income taxes	**60,957**	46,893	14,064	30.0%	**14.0%**	12.3%
Income tax expense	**5,580**	9,369	(3,789)	-40.4%	**1.3%**	2.5%
Net income	**$ 55,377**	$ 37,524	$ 17,853	47.6%	**12.7%**	9.9%

	Nine Months Ended November 30,				% of Sales Revenue, net	
	2014 (2)	2013	**$ Change**	**% Change**	**2014 (2)**	2013