HELEN OF TROY LTD
Form 10-Q
January 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 30, 2017

or

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

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

Commission file number: 001-14669

HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

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

(915) 225-8000

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company

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.

Yes No

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

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

Class	Outstanding at January 4, 2018
Common Shares, $0.10 par value, per share	26,968,072 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, 2017	February 28, 2017
Assets		
Assets, current:		
Cash and cash equivalents	$ 21,157	$ 23,087
Receivables - principally trade, less allowances of $9,624 and $5,656	302,390	229,928
Inventory	285,594	289,122
Prepaid expenses and other current assets	13,505	11,699
Income taxes receivable	-	2,242
Total assets, current	622,646	556,078
Property and equipment, net of accumulated depreciation of $118,485 and $106,561	132,989	134,935
Goodwill	602,320	698,929
Other intangible assets, net of accumulated amortization of $184,937 and $165,388	369,201	419,489
Deferred tax assets, net	44,590	1,955
Other assets, net of accumulated amortization of $1,999 and $1,930	3,149	1,710
Total assets	$ 1,774,895	$ 1,813,096
Liabilities and Stockholders' Equity		
Liabilities, current:		
Accounts payable, principally trade	$ 109,196	$ 111,763
Accrued expenses and other current liabilities	174,532	153,200
Income taxes payable	54,538	-
Long-term debt, current maturities	20,860	24,404
Total liabilities, current	359,126	289,367
Long-term debt, excluding current maturities	405,331	461,211
Deferred tax liabilities, net	8,153	20,091
Other liabilities, noncurrent	17,875	21,661
Total liabilities	790,485	792,330
Commitments and contingencies		
Stockholders' equity:		

Cumulative preferred stock, non-voting, $1.00 par. Authorized 2,000,000 shares; none issued	-	-
Common stock, $0.10 par. Authorized 50,000,000 shares; 26,960,863 and 27,028,665 shares issued and outstanding	2,696	2,703
Additional paid in capital	228,143	218,760
Accumulated other comprehensive income (loss)	(1,338)	1,173
Retained earnings	754,909	798,130
Total stockholders' equity	984,410	1,020,766
Total liabilities and stockholders' equity	$ 1,774,895	$ 1,813,096

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Operations (Unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
(in thousands, except per share data)	2017	2016	2017	2016
Sales revenue, net	$ 453,045	$ 444,414	$ 1,191,112	$ 1,160,522
Cost of goods sold	251,271	250,199	664,956	650,912
Gross profit	201,774	194,215	526,156	509,610
Selling, general and administrative expense ("SG&A")	133,894	130,896	387,332	378,506
Asset impairment charges	82,227	-	136,297	7,400
Restructuring charges	1,283	-	1,283	-
Operating income (loss)	(15,630)	63,319	1,244	123,704
Nonoperating income, net	34	106	281	343
Interest expense	(3,619)	(3,625)	(11,327)	(11,142)
Income (loss) before income taxes	(19,215)	59,800	(9,802)	112,905
Income tax expense (benefit):				
Current	46,625	4,928	60,188	16,625
Deferred	(35,404)	(2,740)	(54,355)	(8,713)
Net income (loss)	$ (30,436)	$ 57,612	$ (15,635)	$ 104,993
Earnings (loss) per share:				
Basic	$ (1.12)	$ 2.10	$ (0.58)	$ 3.79
Diluted	$ (1.12)	$ 2.07	$ (0.58)	$ 3.74
Weighted average shares of common stock used in computing net earnings per share:				
Basic	27,113	27,484	27,140	27,700
Diluted	27,113	27,802	27,140	28,058

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended November 30,					
	2017			2016		
(in thousands)	Before Tax	Tax (Expense) Benefit	Net of Tax	Before Tax	Tax (Expense) Benefit	Net of Tax
Income (loss)	$ (19,215)	$ (11,221)	$ (30,436)	$ 59,800	$ (2,188)	$ 57,612
Cash flow hedge activity - interest rate swaps						
Changes in fair market value	753	(290)	463	-	-	-
Subtotal	753	(290)	463	-	-	-
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	2,928	(725)	2,203	2,049	(370)	1,679
Settlements reclassified to income	(1,328)	271	(1,057)	(522)	73	(449)
Subtotal	1,600	(454)	1,146	1,527	(297)	1,230
Total other comprehensive income	2,353	(744)	1,609	1,527	(297)	1,230
Comprehensive income (loss)	$ (16,862)	$ (11,965)	$ (28,827)	$ 61,327	$ (2,485)	$ 58,842

	Nine Months Ended November 30,					
	2017			2016		
(in thousands)	Before Tax	Tax (Expense) Benefit	Net of Tax	Before Tax	Tax (Expense) Benefit	Net of Tax
Income (loss)	$ (9,802)	$ (5,833)	$ (15,635)	$ 112,905	$ (7,912)	$ 104,993
Cash flow hedge activity - interest rate swaps						
Changes in fair market value	753	(290)	463	-	-	-
Subtotal	753	(290)	463	-	-	-
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	(1,275)	75	(1,200)	2,319	(412)	1,907
Settlements reclassified to income	(2,208)	434	(1,774)	(505)	20	(485)
Subtotal	(3,483)	509	(2,974)	1,814	(392)	1,422
Total other comprehensive income (loss)	(2,730)	219	(2,511)	1,814	(392)	1,422
Comprehensive income (loss)	$ (12,532)	$ (5,614)	$ (18,146)	$ 114,719	$ (8,304)	$ 106,415

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)

	Nine Months Ended November 30,	
(in thousands)	2017	2016
Cash provided by operating activities:		
Net income (loss)	$ (15,635)	$ 104,993
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	32,362	33,323
Amortization of financing costs	976	876
Provision for doubtful receivables	2,076	1,489
Non-cash share-based compensation	11,130	11,661
Non-cash intangible asset impairment charges	136,297	7,400
Gain (loss) on the sale or disposal of property and equipment	(10)	167
Deferred income taxes and tax credits	(54,355)	(8,769)
Changes in operating capital, net of effects of acquisition of businesses:		
Receivables	(74,538)	(66,005)
Inventories	3,528	7,001
Prepaid expenses and other current assets	(2,850)	(2,134)
Other assets and liabilities, net	(1,532)	(3,772)
Accounts payable	(2,532)	29,004
Accrued expenses and other current liabilities	19,075	22,410
Accrued income taxes	53,637	1,496
Net cash provided by operating activities	107,629	139,140
Cash used in investing activities:		
Capital and intangible asset expenditures	(19,854)	(14,989)
Proceeds from the sale of property and equipment	13	32
Payments to acquire businesses, net of cash acquired	-	(209,258)
Net cash used in investing activities	(19,841)	(224,215)
Cash used in financing activities:		
Proceeds from line of credit	389,500	328,600
Repayment of line of credit	(444,200)	(380,600)
Repayment of long-term debt	(5,700)	(3,800)
Payment of financing costs	-	(89)
Proceeds from share issuances under share-based compensation plans	6,670	7,451
Payment of tax obligations resulting from cashless share award settlements	(6,830)	(507)
Payments for repurchases of common stock	(29,158)	(75,000)
Net cash used in financing activities	(89,718)	(123,945)
Net decrease in cash and cash equivalents	(1,930)	(209,020)
Cash and cash equivalents, beginning balance	23,087	225,800
Cash and cash equivalents, ending balance	$ 21,157	$ 16,780

See accompanying notes to consolidated condensed financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

NOVEMBER 30, 2017

Note 1 - Basis of Presentation and Related Information

In this quarterly report on Form 10-Q and the accompanying consolidated condensed financial statements and notes thereto, 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. 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 November 30, 2017, we had four segments: Housewares, Health & Home, Nutritional Supplements, and Beauty. Our Housewares segment provides a broad range of innovative consumer products for the home. Product offerings include food preparation tools and 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. The Nutritional Supplements segment is a leading provider of premium branded vitamins, minerals and supplements, topical skin products and other health products sold directly to consumers, which was divested on December 20, 2017 (see Note 17 to these consolidated condensed financial statements). 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.

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, 2017 and February 28, 2017, 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, 2017, and our other reports on file with the Securities and Exchange Commission (the “SEC”).

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 condensed financial statements and accompanying notes. Actual results may differ materially from those estimates.

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

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We have reclassified, combined or separately disclosed certain amounts in the prior years' consolidated condensed financial statements and accompanying footnotes to conform to the current year's presentation.

Note 2 – New Accounting Pronouncements

Not Yet Adopted

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 February 1, 2019. We are currently evaluating the effect this new accounting guidance may have on our consolidated financial position, results of operations and cash flows.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting. 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. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. We do not expect the adoption of ASU 2017-09 to have a material effect on our consolidated financial position, results of operations and cash flows.

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

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 will require lessees to recognize on their balance sheets "right-of-use assets" and corresponding lease liabilities, measured on a discounted basis over the lease term. Virtually all leases will be subject to this treatment except leases that meet the definition of a "short-term lease." For expense recognition, the dual model requiring leases to be classified as either operating or finance leases has been retained from the prior standard. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. Classification will use criteria very similar to those applied in current lease accounting, but without explicit bright lines. The new lease guidance will essentially eliminate off-balance sheet financing. The guidance is effective for us in fiscal 2020. The new standard must be adopted using a modified retrospective transition and requires the new guidance to be applied at the beginning of the earliest comparative period presented. We are currently evaluating the effect this new accounting guidance may have on our consolidated financial position, results of operations and cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, issued as a new Topic, ASC Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to

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customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We plan to adopt the new standard on March 1, 2018. If changes in policy or practice are required, we can adopt either retrospectively or as a cumulative effect adjustment as of the date of adoption. We continue to make progress in our assessment and implementation of the new standard. Our implementation approach has included a survey of revenue recognition policies and practices across each of our global reporting units, and a detailed study of the various types of commercial arrangements that we have with our customers to assess conformance of our current accounting practices with the new standard. While our completion of this assessment is ongoing, based on progress to date, we expect the new standard to primarily impact qualitative disclosure rather than materially effecting our accounting policies or practices. This is because our revenue is primarily generated from the sale of non-customized finished product to customers. Such sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. The accounting for these transactions is largely not impacted by the new standard.

Unless otherwise discussed above, 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.

Adopted

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 new guidance in the first quarter of fiscal 2018, applying it on a prospective basis. The application of this guidance has not had a material impact on our financial position, results of operations or cash flows.

Note 3 – Supplemental Balance Sheet Information

PROPERTY AND EQUIPMENT

(in thousands)	Estimated Useful Lives (Years)	November 30, 2017	February 28, 2017
Land	-	$ 12,800	$ 12,800
Building and improvements	3 - 40	109,108	109,026
Computer, furniture and other equipment	3 - 15	89,838	81,122
Tools, molds and other production equipment	1 - 10	33,792	31,157
Construction in progress	-	5,936	7,391
Property and equipment, gross		251,474	241,496
Less accumulated depreciation		(118,485)	(106,561)
Property and equipment, net		$ 132,989	$ 134,935

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ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

(in thousands)	November 30, 2017	February 28, 2017
Accrued compensation, benefits and payroll taxes	$ 31,311	$ 34,917
Accrued sales returns, discounts and allowances	32,050	27,377
Accrued warranty returns	23,653	21,766
Accrued advertising	30,134	23,747
Accrued legal fees and settlements	17,282	16,908
Accrued royalties	10,599	9,553
Accrued property, sales and other taxes	9,509	6,564
Accrued freight and duty	5,480	3,454
Accrued product liability	2,224	2,141
Derivative liabilities, current	2,305	47
Liability for uncertain tax positions	1,024	-
Other	8,961	6,726
Total accrued expenses and other current liabilities	$ 174,532	$ 153,200

OTHER LIABILITIES, NONCURRENT

(in thousands)	November 30, 2017	February 28, 2017
Deferred compensation liability	$ 5,988	$ 6,560
Liability for uncertain tax positions	3,467	6,611
Other liabilities	8,420	8,490
Total other liabilities, noncurrent	$ 17,875	$ 21,661

Note 4 – Acquisitions

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. Acquisition-related expenses, incurred during fiscal 2016, were approximately $0.7 million (before and after tax).

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 all 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 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.

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The following schedule presents the net assets of Hydro Flask recorded at the acquisition date, excluding cash acquired:

HYDRO FLASK - NET ASSETS RECORDED UPON ACQUISITION AT MARCH 18, 2016

(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.

Note 5 – Goodwill and Intangible Assets

Impairment Testing in Fiscal 2018

Nutritional Supplements

During the third quarter of fiscal 2018, we continued to evaluate strategic alternatives for our Nutritional Supplements segment, including a transaction to divest the business. Over the short-term, certain of these alternatives may have a disproportionate impact on our income relative to the cost savings or generate other charges or losses.

During the third quarter of fiscal 2018, we received new information regarding the potential fair value of our Nutritional Supplements segment that we concluded should be considered when determining if impairments of our long-lived assets, including goodwill, had occurred. Consequently, we performed interim impairment testing. As a result of our testing, we recorded pre-tax non-cash asset impairment charges totaling $82.2 million, consisting of $70.6 million to the segment’s goodwill and $11.6 million to the segment’s indefinite-lived brand assets.

During the second quarter of fiscal 2018, we performed additional impairment testing for our Nutritional Supplements segment due to a revised financial projection. As a result of our testing, we recorded pre-tax non-cash asset

impairment charges totaling $18.1 million to the segment's indefinite-lived brand assets.

During the first quarter of fiscal 2018, we received information regarding the potential fair value of our Nutritional Supplements segment that we concluded should be considered when determining if impairments of our long-lived assets, including goodwill, had occurred. Consequently, we performed

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interim impairment testing. As a result of our testing, we recorded pre-tax non-cash asset impairment charges totaling $32.0 million, consisting of $6.0 million to the segment's indefinite-lived brand assets and $26.0 million to the segment's goodwill.

Beauty

In our Beauty segment, we performed interim impairment testing in the first quarter of fiscal 2018 for a certain brand due to a revised financial projection. As a result of our testing, we recorded a pre-tax non-cash asset impairment charge of $4.0 million.

The fair values used in our impairment tests were determined using a weighted average of various valuation methods including estimated future discounted cash flows and other market 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. For example, if we determine that a divestiture is a probable outcome of our strategic reviews, we may need to perform additional impairment tests that may include future offer values. We are unable to project the amount of any expense, charge or loss that may be incurred in future periods.

Impairment Testing in Fiscal 2017

Our annual impairment testing for goodwill and indefinite-lived intangible assets had historically occurred in the first quarter of our fiscal year. In December 2016, we elected to change our annual impairment testing to the fourth quarter of our fiscal year. Accordingly, for fiscal 2017 we completed impairment tests during the first and fourth fiscal quarters. As a result of our testing of indefinite-lived trademarks in the fourth quarter, we recorded non-cash asset impairment charges of $5.0 million ($3.2 million after tax). As a result of our testing of indefinite-lived trademarks in the first quarter, we recorded non-cash asset impairment charges of $7.4 million ($5.1 million after tax). The charges in both quarters were related to certain brand assets and trademarks in our Beauty and Nutritional Supplements segments, which were written down to their estimated fair values, determined on the basis of our estimated future discounted cash flows using the relief from royalty valuation method. The fair values used for our impairment testing in fiscal 2017 were estimated using a weighted average approach, which heavily weighted a valuation derived from a discounted cash flow model based on the Company's estimates of future cash flows and based on management's intentions with respect to the business.

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The following table summarizes the carrying amounts and associated accumulated amortization for all intangible assets by operating segment as of the end of the periods shown:

GOODWILL AND INTANGIBLE ASSETS

	November 30, 2017				February 28, 2017			
(in thousands)	Gross Carrying Amount	Cumulative Goodwill Impairments	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Cumulative Goodwill Impairments	Accumulated Amortization	Net Valu
Housewares:								
Goodwill	$ 282,056	$ -	$ -	$ 282,056	$ 282,056	$ -	$ -	$ 28
Trademarks - indefinite	134,200	-	-	134,200	134,200	-	-	13
Other intangibles - finite	40,751	-	(17,074)	23,677	40,393	-	(15,476)	24
Total Housewares	457,007	-	(17,074)	439,933	456,649	-	(15,476)	44
Health & Home:								
Goodwill	284,913	-	-	284,913	284,913	-	-	28
Trademarks - indefinite	54,000	-	-	54,000	54,000	-	-	54
Licenses - finite	15,300	-	(15,300)	-	15,300	-	(15,300)	-
Licenses - indefinite	7,400	-	-	7,400	7,400	-	-	7,
Other intangibles - finite	117,473	-	(74,400)	43,073	116,982	-	(66,027)	50
Total Health & Home	479,086	-	(89,700)	389,386	478,595	-	(81,327)	39
Nutritional Supplements:								
Goodwill	96,609	(96,609)	-	-	96,609	-	-	96
Brand assets - indefinite	20,432	-	-	20,432	56,020	-	-	56
Other intangibles - finite	52,180	-	(22,095)	30,085	44,180	-	(16,715)	27
Total Nutritional Supplements	169,221	(96,609)	(22,095)	50,517	196,809	-	(16,715)	18
Beauty:								
Goodwill	81,841	(46,490)	-	35,351	81,841	(46,490)	-	35

Trademarks - indefinite	41,854	-	-	41,854	45,854	-	-	4:
Trademarks - finite	150	-	(96)	54	150	-	(92)	5:
Licenses - indefinite	10,300	-	-	10,300	10,300	-	-	1(
Licenses - finite	13,696	-	(12,087)	1,609	13,696	-	(11,849)	1,
Other intangibles - finite	46,402	-	(43,885)	2,517	46,402	-	(39,929)	6,
Total Beauty	194,243	(46,490)	(56,068)	91,685	198,243	(46,490)	(51,870)	9(
Total goodwill and intangible assets	$ 1,299,557	$ (143,099)	$ (184,937)	$ 971,521	$ 1,330,296	$ (46,490)	$ (165,388)	$ 1,

The following table summarizes the amortization expense attributable to intangible assets recorded in SG&A in the consolidated condensed statements of operations for the periods shown below, as well as our estimated amortization expense for fiscal 2018 through 2023.

AMORTIZATION OF INTANGIBLE ASSETS

Aggregate Amortization Expense (in thousands)	
For the three months ended	
November 30, 2017	$ 6,430
November 30, 2016	7,199

Aggregate Amortization Expense (in thousands)	
For the nine months ended	
November 30, 2017	$ 19,578
November 30, 2016	21,625

Estimated Amortization Expense (in thousands)	
Fiscal 2018	$ 26,095
Fiscal 2019	20,604
Fiscal 2020	19,516
Fiscal 2021	16,926
Fiscal 2022	6,450
Fiscal 2023	4,280

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Note 6 – Share-Based Compensation Plans

We have equity awards outstanding under several share-based compensation plans. During the three- and nine-months ended November 30, 2017, we had the following share-based compensation activity:

- We issued 1,351 and 4,279 shares, respectively, to non-employee Board members with a total grant date fair value of $0.1 and $0.4 million, respectively, and average share prices of $90.80 and $94.26, respectively.
- We granted time-vested restricted stock units (“RSUs”) that may be settled for 5,437 and 78,352 shares, respectively, of common stock with average fair values at the grant dates of $93.75 and $89.22 per unit, respectively.
- We granted performance-based restricted stock units (“PSUs”) for 3,795 and 70,329 shares, respectively, of common stock with average fair values at the grant dates of $92.20 and $91.54 per unit, respectively.
- Employee RSUs for 1,115 and 35,250 shares vested and settled with a total fair value at settlement of $0.1 and $3.5 million and an average share price of $91.97 and $98.13, respectively.
- Employees exercised stock options to purchase 7,148 and 110,552 shares of common stock, respectively.

During the three months ended May 31, 2017, employee PSUs for 149,884 shares vested and settled with a total fair value at settlement of $14.3 million, and an average share price of $95.55.

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

SHARE-BASED COMPENSATION EXPENSE

	Three Months Ended November 30,		Nine Months Ended November 30,	
(in thousands, except per share data)	2017	2016	2017	2016
Stock options	$ 327	$ 629	$ 1,289	$ 2,036
Directors stock compensation	175	175	575	525
Performance based and other stock awards	4,202	2,151	9,141	8,998
Employee stock purchase plan	-	-	297	258
Share-based compensation expense	4,704	2,955	11,302	11,817
Less income tax benefits	(781)	(706)	(1,862)	(2,920)
Share-based compensation expense, net of income tax benefits	$ 3,923	$ 2,249	$ 9,440	$ 8,897
Earnings per share impact of share-based compensation expense:				
Basic	$ 0.14	$ 0.08	$ 0.35	$ 0.32
Diluted	$ 0.14	$ 0.08	$ 0.35	$ 0.32

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Note 7 – 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 new authorization is effective for a period of three years and replaced our existing repurchase authorization, of which approximately $82 million remained. 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 November 30, 2017, our repurchase authorization allowed for the purchase of $364.9 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 the Company a number of shares at fair value equal to the amounts due. Net exercises are treated as purchases and retirements of shares.

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
(in thousands, except per share data)	2017	2016	2017	2016
Common stock repurchased on the open market or through tender offer:				
Number of shares	311,100	922,731	311,100	922,731
Aggregate value of shares	$ 29,158	$ 75,000	$ 29,158	$ 75,000
Average price per share	$ 93.72	$ 81.28	$ 93.72	$ 81.28
Common stock received in connection with share-based compensation:				
Number of shares	299	961	72,864	6,235
Aggregate value of shares	$ 27	$ 83	$ 7,000	$ 590
Average price per share	$ 91.94	$ 85.97	$ 96.07	$ 94.60

Note 8 – Restructuring Plan

On October 5, 2017, the Company announced that it had approved a restructuring plan (referred to as “Project Refuel”) intended to enhance the performance of the Beauty and Nutritional Supplements segments. Project Refuel includes a reduction-in-force and the elimination of certain contracts. Following the divestiture of the Nutritional Supplements segment, as discussed in Note 17 to these consolidated condensed financial statements, the Company is targeting total annualized profit improvements of approximately $8.0 million over the duration of the plan. The Company estimates the plan to be completed by the first quarter of fiscal 2020, and expects to incur total restructuring charges in the range of approximately $3.2 to $4.8 million over the same period. Restructuring provisions are determined based on estimates prepared at the time the restructuring actions are approved by management and are revised periodically.

Restructuring charges also include amounts recognized as incurred.

During the three- and nine-months ended November 30, 2017, the Company incurred $1.3 million of pre-tax restructuring costs, of which $1.2 million pertained to employee severance and termination benefits in its Beauty segment and $0.1 million pertained to contract termination costs in its Nutritional Supplements segment. There were no restructuring costs during the comparable three- and nine-months ended November 30, 2016. As of November 30, 2017, the Beauty segment had made cash

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restructuring payments of $0.5 million and had a remaining liability of $0.7 million, and the Nutritional Supplements segment had a remaining liability of $0.1 million.

Note 9 – Commitments and Contingencies

Thermometer Patent Litigation – In January 2016, a jury ruled against the Company in a case that involved claims by Exergen Corporation. The case involved the alleged patent infringement related to two forehead thermometer models sold by our subsidiary, Kaz USA, Inc., in the United States. As a result of the jury verdict, 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. The Company continues to vigorously pursue its appellate rights and defend against the underlying judgment.

Other Matters – We are involved in various other legal claims and proceedings in the normal course of operations, including from time to time inquiries and audits from various taxing authorities. We believe the outcome of these matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity, although the estimation of certain loss contingencies inherently involves some amount of uncertainty.

Product Warranties – Most of our products are under warranty against defects in material and workmanship for periods ranging from two to five years. We estimate our warranty accrual using our historical experience and believe that this is 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 shown:

ACCRUAL FOR WARRANTY RETURNS

	Three Months Ended November 30,		Nine Months Ended November 30,	
(in thousands)	2017	2016	2017	2016
Beginning balance	$ 22,094	$ 19,459	$ 21,766	$ 20,622
Additions to the accrual	14,473	14,858	40,655	43,052
Reductions of the accrual - payments and credits issued	(12,914)	(12,457)	(38,768)	(41,814)
Ending balance	$ 23,653	$ 21,860	$ 23,653	$ 21,860

Notes 3, 10, 11 and 12 to these consolidated condensed financial statements provide additional information regarding certain of our significant commitments and contingencies.

Note 10 – Long-Term Debt

We have a credit agreement (the “Credit Agreement”) with Bank of America, N.A., as administrative agent, and other lenders that provided for an unsecured total revolving commitment of $1 billion as of November 30, 2017. The commitment under the Credit Agreement terminates on December 7, 2021. 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, 2017, the outstanding revolving loan principal balance was $386.0 million and the face amount of outstanding letters of credit was $7.6 million. For the three- and nine-months ended November 30, 2017, borrowings under the Credit Agreement incurred interest charges at rates ranging from 2.5% to 4.5% and 2.3% to 4.8%, respectively. For the three- and nine-months ended November 30, 2016, borrowings under the Credit Agreement incurred interest charges

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at rates ranging from 2.0% to 4.3% and 1.9% to 4.3%, respectively. As of November 30, 2017, the amount available for borrowings under the Credit Agreement was $606.4 million. Covenants in our debt agreements limit the amount of total indebtedness we can incur. As of November 30, 2017, these covenants effectively limited our ability to incur more than $348.2 million of additional debt from all sources, including our Credit Agreement. The following table summarizes our long-term debt as of the end of the periods shown:

LONG-TERM DEBT

(dollars in thousands)	Original Date Borrowed	Interest Rates	Matures	November 30, 2017	February 28, 2017
Mississippi Business Finance Corporation Loan (the "MBFC Loan")(1)	03/13	Floating	03/23	$ 24,215	$ 29,903
Senior Notes(2)	01/11	3.9 %	01/18	19,976	19,763
Credit Agreement(3)	01/15	Floating	12/21	382,000	435,949
Total long-term debt				426,191	485,615
Less current maturities of long-term debt				(20,860)	(24,404)
Long-term debt, excluding current maturities				$ 405,331	$ 461,211

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(1) The MBFC Loan is unsecured with an original balance of $37.6 million and interest set and payable quarterly at a Base Rate, plus a margin of up to 1.0%, or applicable LIBOR plus a margin of up to 2.0%, 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 of the MBFC Loan is payable as follows: $1.9 million annually on March 1, 2018 through 2022; and $14.8 million on March 1, 2023. Any remaining outstanding principal and interest is due upon maturity on March 1, 2023.

(2) $100 million unsecured Senior Notes at a fixed interest rate of 3.9% payable semi-annually. Annual principal payments of $20 million began in January 2014. Prepayment of the notes are subject to a "make whole" premium.

(3) Floating interest rates are hedged with and interest rate swap to effectively fix interest rates on $100 million of the outstanding principal balance under the Credit Agreement. Notes 11 and 12 to these consolidated condensed financial statements provide additional information regarding the interest rate swap.

The fair market value of the fixed rate debt at November 30, 2017, computed using a discounted cash flow analysis and comparable market rates was $20.0 million, approximately equal to the $20.0 million book value. Our other long-term debt has floating interest rates, and its book value approximates its fair value at November 30, 2017.

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 November 30, 2017.

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Note 11 – 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.

The following tables present the fair value of our financial assets and liabilities measured on a recurring basis as of the end of the periods shown:

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)	Fair Values at November 30, 2017 (Level 2)(1)
Assets:	
Money market accounts	$ 496
Interest rate swap and foreign currency contracts	1,023
Total assets	$ 1,519
Liabilities:	
Fixed rate debt(2)	$ 20,035
Floating rate debt	406,215
Foreign currency contracts	2,815
Total liabilities	$ 429,065

(in thousands)	Fair Values at February 28, 2017 (Level 2)(1)
Assets:	
Money market accounts	$ 2,711
Foreign currency contracts	2,167
Total assets	$ 4,878

Liabilities:		
Fixed rate debt(2)	$	20,105
Floating rate debt		465,852
Foreign currency contracts		47
Total liabilities	$	486,004

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

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

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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 2 items.

We use derivatives for hedging purposes and our derivatives are primarily interest rate swaps, foreign currency contracts and cross-currency debt swaps. See Notes 3, 12 and 13 to these consolidated condensed financial statements for more information on our hedging activities.

We classify our fixed and floating rate debt as Level 2 items because the estimation of the fair market value of these financial assets requires the use of a discount rate based upon current market rates of interest for obligations with comparable remaining terms. Such comparable rates are considered 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 0.3% at November 30, 2017 and 1.8% at February 28, 2017. All other long-term 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 5 to these consolidated condensed financial statements contains additional information regarding impairment testing and related intangible asset impairments.

Note 12 – 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 three- and nine-months ended November 30, 2017 and 2016, approximately 12% of our net sales revenue was in foreign currencies. 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 condensed statements of operations, 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 of the balance sheet are recognized in SG&A.

For the three- and nine-months ended November 30, 2017, we recorded net foreign exchange gains (losses) from remeasurement, including the impact of foreign currency hedges and cross-currency debt swaps, of $(2.2) and $(1.5) million, respectively, in SG&A, and $(0.1) and $(0.7) million, respectively, in income tax expense. For the three- and nine-months ended November 30, 2016, we recorded net foreign exchange gains (losses) from remeasurement, including the impact of foreign currency hedges and cross-currency debt swaps, of $(0.1) and $(0.6) million, respectively, in SG&A, and $(0.2) million and $(0.1) million, respectively, in income tax expense.

We hedge against certain foreign currency exchange rate risk by using a series of forward contracts designated as cash flow hedges and mark-to-market derivatives to manage 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.

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Interest Rate Risk - Interest on our outstanding debt as of November 30, 2017 is both floating and fixed. Fixed rates are in place on $20 million of Senior Notes at 3.9% and floating rates are in place on the balance of all other debt outstanding, which totaled $410.3 million as of November 30, 2017. If short-term interest rates increase, we will incur higher interest rates on any future outstanding balances of floating rate debt.

Borrowings under the Credit Agreement accrue interest (at the Company's election) based on either a base rate, plus a margin of up to 1.00%, or the applicable LIBOR plus a margin of up to 2.00%, in each case, as determined by the Company's leverage ratio, calculated pursuant to the Company's Credit Agreement. During September 2017, the Company effectively converted $100 million of the outstanding principal balance under the Credit Agreement to fixed rate debt using an interest rate swap. The swap converted the total aggregate notional principal from floating LIBOR interest rate payments to fixed interest rate payments at rates ranging from approximately 1.5% to 2.1% for annual periods through December 2021, as compared to the one-month LIBOR rate of approximately 1.4% as of November 30, 2017. 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. Therefore, the swap is considered 100 percent effective.

The following table summarizes the fair values of our derivative instruments as of the end of the periods shown:

FAIR VALUES OF DERIVATIVE INSTRUMENTS

	November 30, 2017						
(in thousands)		Final Settlement	Notional	Prepaid Expenses and Other Current	Other	Accrued Expenses and Other Current	Other Liabilities,
Derivatives designated as hedging instruments	Hedge Type	Date	Amount	Assets	Assets	Liabilities	Non-current
Foreign currency contracts - sell Euro	Cash flow	12/2018	€ 32,250	$ -	$ 2	$ 1,381	$ -
Foreign currency contracts - sell Canadian Dollars	Cash flow	12/2018	$ 27,750	252	16	-	-
Foreign currency contracts - sell Pounds	Cash flow	01/2019	£ 20,400	-	-	765	32
Foreign currency contracts - sell Mexican Pesos	Cash flow	05/2018	$ 45,000	-	-	159	-
Interest rate swap	Cash flow	12/2021	$ 100,000	134	619	-	-
Subtotal				386	637	2,305	32
Derivatives not designated under hedge accounting							
Foreign currency contracts - cross-currency debt	(1)	4/2020	$ 5,280	-	-	-	65

swaps - Euro							
Foreign currency contracts - cross-currency debt swaps - Pound	(1)	4/2020	$ 6,395	-	-	-	413
Subtotal				-	-	-	478
Total fair value				$ 386	$ 637	$ 2,305	$ 510

	February 28, 2017						
Derivatives designated as hedging instruments	Hedge Type	Final Settlement Date	Notional Amount	Prepaid Expenses and Other Current Assets	Other Assets	Accrued Expenses and Other Current Liabilities	Other Liabilities, Non-current
Foreign currency contracts - sell Euro	Cash flow	2/2018	€ 27,500	$ 727	$ -	$ -	$ -
Foreign currency contracts - sell Canadian Dollars	Cash flow	6/2018	$ 26,000	155	32	-	-
Foreign currency contracts - sell Pounds	Cash flow	2/2018	£ 13,500	548	-	-	-
Foreign currency contracts - sell Mexican Pesos	Cash flow	2/2018	$ 59,600	-	-	47	-
Subtotal				1,430	32	47	-
Derivatives not designated under hedge accounting							
Foreign currency contracts - cross-currency debt swap - Euro	(1)	1/2018	$ 10,000	705	-	-	-
Total fair value				$ 2,135	$ 32	$ 47	$ -

(1) 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.

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The following table summarizes the pre-tax effect of derivative instruments for the periods shown:

PRE-TAX EFFECT OF DERIVATIVE INSTRUMENTS

	Three Months Ended November 30,							
	Gain (Loss) Recognized in OCI (effective portion)		Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income			Gain (Loss) Recognized As Income		
(in thousands)	2017	2016	Location	2017	2016	Location	2017	2016
Currency contracts - cash flow hedges	$ 2,928	$ 2,049	SG&A	$ 1,328	$ 522		$ -	$ -
Interest rate swaps - cash flow hedges	753	-	Interest expense	-	-	Interest expense	(48)	-
Cross-currency debt swaps - principal	-	-		-	-	SG&A	(419)	493
Cross-currency debt swaps - interest	-	-		-	-	Interest Expense	74	-
Total	$ 3,681	$ 2,049		$ 1,328	$ 522		$ (393)	$ 493

	Nine Months Ended November 30,							
	Gain (Loss) Recognized in OCI (effective portion)		Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income			Gain (Loss) Recognized As Income		
(in thousands)	2017	2016	Location	2017	2016	Location	2017	2016
Currency contracts - cash flow hedges	$ (1,275)	$ 2,319	SG&A	$ 2,208	$ 505		$ -	$ -
Interest rate swaps - cash flow hedges	753	-	Interest expense	-	-	Interest expense	(48)	-
Cross-currency debt swaps - principal	-	-		-	-	SG&A	(1,183)	528
Cross-currency debt swaps - interest	-	-		-	-	Interest Expense	74	35
Total	$ (522)	$ 2,319		$ 2,208	$ 505		$ (1,157)	$ 563

We expect pre-tax net losses of $2.1 million associated with foreign currency contracts 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 vary and the underlying contracts settle.

Counterparty Credit Risk - Financial instruments, including foreign currency contracts and cross currency debt 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 13 – Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component and related tax effects for the fiscal 2018 year-to-date are as follows:

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

	Unrealized Holding Gains (Losses) on Cash Flow Hedges		
(in thousands)	Interest Rate Swaps(1)	Foreign Currency Contracts(2)	Total
Balance at February 28, 2017	$ -	$ 1,173	$ 1,173
Other comprehensive income (loss) before reclassification	753	(1,275)	(522)
Amounts reclassified out of accumulated other comprehensive income (loss)	-	(2,208)	(2,208)
Tax effects	(290)	509	219
Other comprehensive income (loss)	463	(2,974)	(2,511)
Balance at November 30, 2017	$ 463	$ (1,801)	$ (1,338)

(1) Includes net deferred tax benefits of $0.3 million at November 30, 2017.

(2) Balances at November 30, 2017 and February 28, 2017 include net deferred tax benefit (expense) of $0.3 and $(0.2) million, respectively.

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Note 14 – Segment Information

The following tables present segment information for the periods shown:

THREE MONTHS ENDED

(in thousands) November 30, 2017	Housewares	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 128,017	$ 190,975	$ 29,336	$ 104,717	$ 453,045
Asset impairment charges	-	-	82,227	-	82,227
Restructuring charges	-	-	118	1,165	1,283
Operating income (loss)	29,982	27,897	(83,521)	10,012	(15,630)
Capital and intangible asset expenditures	565	171	1,802	502	3,040
Depreciation and amortization	1,444	4,232	2,374	2,710	10,760

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

NINE MONTHS ENDED

(in thousands) November 30, 2017	Housewares(1)	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 341,165	$ 489,102	$ 92,212	$ 268,633	$ 1,191,112
Asset impairment charges	-	-	132,297	4,000	136,297
Restructuring charges	-	-	118	1,165	1,283
Operating income (loss)	71,601	$ 50,187	$ (138,413)	$ 17,869	1,244
Capital and intangible asset expenditures	1,166	1,381	14,561	2,746	19,854
Depreciation and amortization	4,290	12,553	7,223	8,296	32,362

November 30, 2016	Housewares(1)	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 315,302	$ 470,650	$ 101,215	$ 273,355	$ 1,160,522
Asset impairment charges	-	-	5,000	2,400	7,400
Restructuring charges	-	-	-	-	-
Operating income (loss)	68,956	39,156	(6,581)	22,173	123,704
Capital and intangible asset expenditures	3,938	3,526	3,665	3,860	14,989
Depreciation and amortization	4,200	15,738	6,242	7,143	33,323

(1) The nine months ended November 30, 2017 includes a full nine months of operating results for Hydro Flask compared to eight and one-half months for the nine months ended November 30, 2016.

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

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Note 15 – Income Taxes

Due to the Company's organization in Bermuda and the ownership structure of its foreign subsidiaries, many of which are not owned directly or indirectly by a U.S. parent company, an immaterial amount of 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.

For the three months ended November 30, 2017, income tax expense as a percentage of pre-tax loss was (58.4)%, compared to expense of 3.7% for the same period last year, primarily due to the recognition of tax benefits from impairment charges over the course of the year in relation to pre-tax income, as opposed to the periods in which the charges were incurred.

For the nine months ended November 30, 2017, income tax expense as a percentage of pre-tax loss was (59.5)% compared to expense of 7.0% for the same period last year, primarily due to the recognition of tax benefits from impairment charges over the course of the year in relation to pre-tax income as opposed to the periods in which the charges were incurred. As a result, the expected tax benefit from impairment charges of $52.8 million will be recognized entirely in the fourth quarter of fiscal 2018 relative to pre-tax income. Income taxes for the nine months ended November 30, 2017 also included:

- $2.6 million in excess tax benefits from share-based compensation settlements and exercises; and
- $2.8 million of tax benefits related to the resolution of uncertain tax positions.

Income taxes for the nine months ended November 30, 2016 included tax benefits of $1.4 million related the resolution of uncertain tax positions, $1.6 million in excess tax benefits from share-based compensation settlements and exercises, and $1.2 million in tax benefits due to the finalization of certain tax returns.

Note 16 – 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 restricted share units ("RSUs") and performance-based restricted share units ("PSUs"). Due to the net loss for the three and nine months ended November 30, 2017, 154,255 and 164,017 incremental shares from share-based compensation arrangements were excluded from the computation of diluted weighted average shares outstanding, respectively, because their effect would be anti-dilutive. Options for common stock are excluded from the computation of diluted earnings per share if their effect is antidilutive. See Note 6 to these consolidated condensed financial statements for more information regarding share-based compensation awards.

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The following table presents our basic and diluted shares for the periods shown:

WEIGHTED AVERAGE DILUTED SECURITIES

	Three Months Ended November 30,		Nine Months Ended November 30,	
(in thousands)	2017	2016	2017	2016
Weighted average shares outstanding, basic	27,113	27,484	27,140	27,700
Incremental shares from share-based compensation arrangements	-	318	-	358
Weighted average shares outstanding, diluted	27,113	27,802	27,140	28,058
Dilutive securities, stock options	222	325	236	401
Dilutive securities, unvested or unsettled stock awards	82	163	100	163
Antidilutive securities	354	149	344	142

Note 17 – Subsequent Events

Divestiture of the Nutritional Supplements Segment

On December 20, 2017, the Company completed the sale of Healthy Directions LLC and its subsidiaries to Direct Digital, LLC. The purchase price from the sale is comprised of $46 million in cash, paid at closing, and a supplemental payment with a target value of $25 million, payable on or before August 1, 2019. The final amount of the supplemental payment may be adjusted up or down based on the performance of Healthy Directions through February 28, 2018. The final purchase price is also subject to a customary working capital adjustment. The transaction is not reflected in our consolidated condensed financial statements as of and for the period ended November 30, 2017.

Tax Reform

The Tax Cuts and Jobs Act was signed into law in December 2017, which represents significant U.S. federal tax reform legislation that includes a permanent reduction to the U.S. federal corporate income tax rate. The permanent reduction to the federal corporate income tax rate will have the effect of a one-time impact to the value of our deferred tax assets and liabilities. Additionally, we expect that the tax reform legislation will subject certain of our cumulative foreign earnings and profits to U.S. income taxes through a deemed repatriation. We are reviewing the recently enacted tax reform’s effects on our deferred tax assets and the taxation of certain foreign earnings and profits, and we expect to recognize the impact in the fourth quarter of fiscal 2018.