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

FORM 10-Q

(Mark One**)**

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

For the quarterly period ended August 31, 2019
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.)

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

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Shares, $0.10 Par Value Per Share	**HELE**	**The NASDAQ Stock Market, LLC**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ 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. ☐

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.

As of October 4, 2019 there were 25,163,993 shares of common stock of the registrant, $0.10 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except shares and par value)	August 31, 2019	February 28, 2019
Assets		
Assets, current:		
Cash and cash equivalents	**$ 17,031**	$ 11,871
Receivables - principally trade, less allowances of $1,350 and $2,032	**310,377**	280,280
Inventory	**370,915**	302,339
Prepaid expenses and other current assets	**13,048**	10,369
Total assets, current	**711,371**	604,859
Property and equipment, net of accumulated depreciation of $130,059 and $123,744	**131,164**	130,338
Goodwill	**602,320**	602,320
Other intangible assets, net of accumulated amortization of $189,771 and $181,463	**283,186**	291,526
Operating lease assets	**34,429**	—
Deferred tax assets, net	**12,398**	7,991
Other assets, net of accumulated amortization of $2,161 and $2,115	**1,085**	12,501
Total assets	**$ 1,775,953**	$ 1,649,535
Liabilities and Stockholders' Equity		
Liabilities, current:		
Accounts payable, principally trade	**$ 166,684**	$ 143,560
Accrued expenses and other current liabilities	**149,271**	165,160
Income taxes payable	**18**	1,427
Long-term debt, current maturities	**1,884**	1,884
Total liabilities, current	**317,857**	312,031
Long-term debt, excluding current maturities	**299,309**	318,900
Lease liabilities, non-current	**42,470**	—
Deferred tax liabilities, net	**8,323**	5,748
Other liabilities, non-current	**20,619**	16,219
Total liabilities	**688,578**	652,898
Commitments and contingencies		
Stockholders' equity:		
Cumulative preferred stock, non-voting, $1.00 par. Authorized 2,000,000 shares; none issued	**—**	—
Common stock, $0.10 par. Authorized 50,000,000 shares; 25,130,204 and 24,946,046 shares issued and outstanding	**2,513**	2,495
Additional paid in capital	**256,995**	246,585
Accumulated other comprehensive income (loss)	**(4,755)**	1,191
Retained earnings	**832,622**	746,366
Total stockholders' equity	**1,087,375**	996,637
Total liabilities and stockholders' equity	**$ 1,775,953**	$ 1,649,535

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

(in thousands, except per share data)	Three Months Ended August 31, 2019	Three Months Ended August 31, 2018	Six Months Ended August 31, 2019	Six Months Ended August 31, 2018
Sales revenue, net	**$ 413,995**	$ 393,548	**$ 790,330**	$ 748,227
Cost of goods sold	**235,844**	238,375	**458,452**	446,496
Gross profit	**178,151**	155,173	**331,878**	301,731
Selling, general and administrative expense ("SG&A")	**123,201**	103,654	**229,102**	205,160
Restructuring charges	**430**	859	**1,049**	2,584
Operating income	**54,520**	50,660	**101,727**	93,987
Non-operating income, net	**89**	85	**221**	160
Interest expense	**(3,216)**	(2,755)	**(6,524)**	(5,442)
Income before income tax	**51,393**	47,990	**95,424**	88,705
Income tax expense	**5,298**	3,973	**8,635**	6,515
Income from continuing operations	**46,095**	44,017	**86,789**	82,190
Loss from discontinued operations, net of tax	**—**	—	**—**	(381)
Net income	**$ 46,095**	$ 44,017	**$ 86,789**	$ 81,809
Earnings (loss) per share - basic:				
Continuing operations	**$ 1.84**	$ 1.67	**$ 3.46**	$ 3.11
Discontinued operations	**—**	—	**—**	(0.01)
Total earnings per share - basic	**$ 1.84**	$ 1.67	**$ 3.46**	$ 3.09
Earnings (loss) per share - diluted:				
Continuing operations	**$ 1.83**	$ 1.66	**$ 3.44**	$ 3.09
Discontinued operations	**—**	—	**—**	(0.01)
Total earnings per share - diluted	**$ 1.83**	$ 1.66	**$ 3.44**	$ 3.07
Weighted average shares of common stock used in computing earnings per share:				
Basic	**25,116**	26,359	**25,068**	26,467
Diluted	**25,245**	26,557	**25,245**	26,612

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Net income	**$ 46,095**	$ 44,017	**$ 86,789**	$ 81,809
Other comprehensive income (loss), net of tax:				
Cash flow hedge activity - interest rate swaps	**(3,168)**	101	**(7,161)**	205
Cash flow hedge activity - foreign currency contracts	**424**	478	**1,215**	3,811
Total other comprehensive income (loss), net of tax	**(2,744)**	579	**(5,946)**	4,016
Comprehensive income	**$ 43,351**	$ 44,596	**$ 80,843**	$ 85,825

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity

(in thousands, including shares)	Common Stock Shares	Common Stock Par Value	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balances at May 31, 2018	26,317	$ 2,629	$ 233,783	$ 4,068	$ 783,217	$ 1,023,697
Income from continuing operations	—	—	—	—	44,017	44,017
Loss from discontinued operations	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	579	—	579
Exercise of stock options	67	7	3,452	—	—	3,459
Net issuance and settlement of restricted stock	3	—	—	—	—	—
Issuance of common stock related to stock purchase plan	—	—	—	—	—	—
Common stock repurchased and retired	(7)	—	(292)	—	(400)	(692)
Share-based compensation	—	—	4,689	—	—	4,689
Cumulative effect of accounting change	—	(1)	1	—	(9)	(9)
Balances at August 31, 2018	26,380	$ 2,635	$ 241,633	$ 4,647	$ 826,825	$ 1,075,740
Balances at February 28, 2018	26,576	$ 2,658	$ 230,676	$ 631	$ 780,494	$ 1,014,459
Income from continuing operations	—	—	—	—	82,190	82,190
Loss from discontinued operations	—	—	—	—	(381)	(381)
Other comprehensive income (loss), net of tax	—	—	—	4,016	—	4,016
Exercise of stock options	111	11	5,504	—	—	5,515
Net issuance and settlement of restricted stock	140	14	(14)	—	—	—
Issuance of common stock related to stock purchase plan	17	2	1,333	—	—	1,335
Common stock repurchased and retired	(464)	(46)	(6,877)	—	(35,317)	(42,240)
Share-based compensation	—	—	11,013	—	—	11,013
Cumulative effect of accounting change	—	(4)	(2)	—	(161)	(167)
Balances at August 31, 2018	26,380	$ 2,635	$ 241,633	$ 4,647	$ 826,825	$ 1,075,740
Balances at May 31, 2019	25,101	$ 2,510	$ 249,079	$ (2,011)	$ 786,601	$ 1,036,179
Income from continuing operations	—	—	—	—	46,095	46,095
Other comprehensive income (loss), net of tax	—	—	—	(2,744)	—	(2,744)
Exercise of stock options	27	2	1,805	—	—	1,807
Net issuance and settlement of restricted stock	5	1	(1)	—	—	—
Issuance of common stock related to stock purchase plan	—	—	—	—	—	—
Common stock repurchased and retired	(3)	—	(269)	—	(74)	(343)
Share-based compensation	—	—	6,381	—	—	6,381
Balances at August 31, 2019	25,130	$ 2,513	$ 256,995	$ (4,755)	$ 832,622	$ 1,087,375
Balances at February 28, 2019	24,946	$ 2,495	$ 246,585	$ 1,191	$ 746,366	$ 996,637
Income from continuing operations	—	—	—	—	86,789	86,789
Other comprehensive income (loss), net of tax	—	—	—	(5,946)	—	(5,946)
Exercise of stock options	62	6	3,627	—	—	3,633
Net issuance and settlement of restricted stock	178	18	(18)	—	—	—
Issuance of common stock related to stock purchase plan	15	1	1,407	—	—	1,408
Common stock repurchased and retired	(71)	(7)	(8,591)	—	(533)	(9,131)
Share-based compensation	—	—	13,985	—	—	13,985
Balances at August 31, 2019	25,130	$ 2,513	$ 256,995	$ (4,755)	$ 832,622	$ 1,087,375

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)	Six Months Ended August 31, 2019	Six Months Ended August 31, 2018
Cash provided by operating activities:		
Net income	**$ 86,789**	$ 81,809
Less: Loss from discontinued operations	**—**	(381)
Income from continuing operations	**86,789**	82,190
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	**16,116**	15,295
Amortization of financing costs	**509**	507
Non-cash operating lease asset amortization	**1,022**	—
Provision for doubtful receivables	**313**	597
Non-cash share-based compensation	**13,985**	11,013
(Gain) loss on the sale or disposal of property and equipment	**(13)**	49
Deferred income taxes and tax credits	**4**	5,650
Changes in operating capital, net of effects of acquisition of businesses:		
Receivables	**(30,410)**	(38,647)
Inventories	**(68,576)**	(33,317)
Prepaid expenses and other current assets	**(2,333)**	(5,169)
Other assets and liabilities, net	**22,284**	(906)
Accounts payable	**23,124**	21,867
Accrued expenses and other current liabilities	**(20,418)**	(21,529)
Accrued income taxes	**(4,185)**	(289)
Net cash provided by operating activities - continuing operations	**38,211**	37,311
Net cash used by operating activities - discontinued operations	**—**	(381)
Net cash provided by operating activities	**38,211**	36,930
Cash used by investing activities:		
Capital and intangible asset expenditures	**(8,861)**	(13,061)
Proceeds from the sale of property and equipment	**—**	—
Net cash used by investing activities - continuing operations	**(8,861)**	(13,061)
Net cash used by investing activities - discontinued operations	**—**	—
Net cash used by investing activities	**(8,861)**	(13,061)
Cash used by financing activities:		
Proceeds from line of credit	**283,400**	292,300
Repayment of line of credit	**(301,600)**	(279,700)
Repayment of long-term debt	**(1,900)**	(1,900)
Proceeds from share issuances under share-based compensation plans	**5,041**	6,848
Payments for repurchases of common stock	**(9,131)**	(42,240)
Net cash used by financing activities - continuing operations	**(24,190)**	(24,692)
Net cash used by financing activities - discontinued operations	**—**	—
Net cash used by financing activities	**(24,190)**	(24,692)
Net increase (decrease) in cash and cash equivalents	**5,160**	(823)
Cash and cash equivalents, beginning balance	**11,871**	20,738
Cash and cash equivalents, ending balance	**17,031**	19,915
Less: Cash and cash equivalents of discontinued operations, ending balance	**—**	—
Cash and cash equivalents of continuing operations, ending balance	**$ 17,031**	$ 19,915
Supplemental non-cash items not included above resulting from the adoption of ASC 842		
Initial recognition of operating lease asset	**$ (37,082)**	$ —
Initial recognition of lease liabilities	**47,223**	—
Accrued expenses and other current liabilities	**(2,873)**	—
Other assets and liabilities, net	**(7,311)**	—
Prepaid expenses and other current assets	**43**	—

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
August 31, 2019

Note 1 - Basis of Presentation and Related Information

The accompanying condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly our consolidated financial position as of August 31, 2019 and February 28, 2019, 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, 2019, and our other reports on file with the Securities and Exchange Commission ("SEC").

When used in these notes, unless otherwise indicated or the context suggests otherwise, references to "the Company", "our Company", "Helen of Troy", "we", "us", or "our" refer to Helen of Troy Limited and its subsidiaries. We refer to our common shares, par value $0.10 per share, as "common stock." References to the "FASB" refer to the Financial Accounting Standards Board. References to "GAAP" refer to United States ("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. We have three segments: Housewares, Health & Home, and Beauty. Our Housewares segment provides a broad range of innovative consumer products for the home. Product offerings include food preparation tools and storage containers; cleaning, bath and garden tools and accessories; infant and toddler care products; and insulated beverage, food containers and coolers. The Health & Home segment focuses on health care devices such as thermometers, humidifiers, blood pressure monitors, and heating pads; water filtration systems; and small home appliances such as portable heaters, fans, air purifiers, and insect control devices. Our Beauty segment products include electric hair care, beauty care and wellness appliances; grooming tools and accessories; and liquid-, solid- and powder-based personal care and grooming products.

On December 20, 2017, we completed the divestiture of the Nutritional Supplements segment through the sale of Healthy Directions LLC and its subsidiaries to Direct Digital, LLC. The results of the Nutritional Supplements operations have been reported as discontinued operations for all periods presented in the consolidated financial statements. For more information, see Note 5 to these condensed consolidated financial statements. All other notes present results from continuing operations.

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

Our condensed consolidated financial statements are prepared in U.S. Dollars. All intercompany accounts and transactions are eliminated in consolidation.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Actual results may differ materially from those estimates.

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

Note 2 – New Accounting Pronouncements

Except for the changes discussed below, there have been no changes in the information provided in our Form 10-K for the fiscal year ended February 28, 2019.

Adopted in Fiscal 2020

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new guidance requires the recognition of lease liabilities, representing future minimum lease payments, on a discounted basis, and corresponding right-of-use assets on a balance sheet for most leases, along with requirements for enhanced disclosures to give financial statement users the ability to assess the amount, timing and uncertainty of cash flows arising from leasing arrangements. In July 2018, the FASB issued guidance which permits application of the new guidance at the beginning of the year of adoption, recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, in addition to the method of applying the new guidance retrospectively to each prior reporting period presented. We adopted the standard in the first quarter of fiscal 2020 using the transition method introduced by ASU 2018-11, which does not require revisions to comparative periods. We elected to implement the transition package of practical expedients permitted within the new standard, which included (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases. Adoption of the new standard resulted in the recording of initial lease assets and lease liabilities of approximately $37.1 million and $47.2 million, respectively, as of March 1, 2019. The difference between the lease assets and lease liabilities primarily relates to deferred rent and unamortized lease incentives recorded in accordance with the previous lease guidance. The new standard did not materially impact our condensed consolidated statements of income or cash flows (see Note 4).

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. In April 2019, the FASB issued ASU 2019-04, which provides clarifications and minor improvements related to Topic 815. Adoption of this guidance in the first quarter of fiscal 2020 did not have a material impact on our consolidated financial statements.

Note 3 – Revenue Recognition

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

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

We measure revenue as the amount of consideration for which we expect to be entitled, in exchange for transferring goods. Certain customers may receive cash incentives such as customer discounts (including volume or trade discounts), advertising discounts and other customer-related programs which are accounted for as variable consideration. In some cases, we apply judgment, such as contractual rates and historical payment trends, when estimating variable consideration. In accordance with the guidance, most variable consideration is classified as a reduction to net sales.

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

Note 4 – Leases

Adoption of the new lease standard resulted in the recording of lease assets and lease liabilities of approximately $37.1 million and $47.2 million, respectively, as of March 1, 2019. The difference between the lease assets and lease liabilities primarily relates to unamortized lease incentives and deferred rent recorded in accordance with the previous lease guidance. The new standard did not materially impact our consolidated statements of income or cash flows.

The Company primarily has leases for office space, which are classified as operating leases. Operating leases are included in operating lease assets, accrued expenses and other current liabilities, and lease liabilities, non-current in our consolidated balance sheets. Operating lease assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at commencement date. As most of our lease contracts do not provide an explicit interest rate, we use an estimated secured incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

We include options to extend or terminate the lease in the lease term for accounting considerations, when it is reasonably certain that we will exercise that option. Our leases have remaining lease terms of 1 to 14 years. Lease expense for lease payments is recognized on a straight-line basis over the lease term in a manner similar to previous accounting guidance. We do not recognize leases with an initial term of twelve months or less on the balance sheet and instead recognize the related lease payments as expense in the condensed consolidated statements of income on a straight-line basis over the lease term. We account for lease and non-lease components as a single lease component for all asset classes. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Under the new guidance, operating lease expense recognized in the condensed consolidated statements of income during the three and six month periods ended August 31, 2019 was $1.7 million and $3.3 million, respectively. Short-term lease expense is excluded from this amount and is not material. The non-cash component of lease expense is included as an adjustment to reconcile income from continuing operations to net cash provided by operating activities in the condensed consolidated statements of cash flows.

A summary of supplemental lease information is as follows:

		August 31, 2019
Weighted average remaining lease term (years)		11.1
Weighted average discount rate		6.09%
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	2,112

A summary of our estimated lease payments, imputed interest and liabilities are as follows:

(in thousands)		
Fiscal 2020 (balance for remainder of fiscal year)	$	2,470
Fiscal 2021		6,082
Fiscal 2022		5,959
Fiscal 2023		5,601
Fiscal 2024		5,102
Thereafter		40,132
Total future lease payments		65,346
Less: imputed interest		(19,721)
Present value of lease liability	$	45,625

		August 31, 2019
Lease liabilities, current (1)	$	3,155
Lease liabilities, non-current		42,470
Total lease liability	$	45,625

(1) Included as part of "Accrued expenses and other current liabilities" on the condensed consolidated balance sheet.

Note 5 – Discontinued Operations

In December 2017, we completed the divestiture of the Nutritional Supplements segment through the sale of Healthy Directions LLC and its subsidiaries ("Healthy Directions") to Direct Digital, LLC. The purchase price from the sale was comprised of $46.0 million in cash, which was paid at closing, and a supplemental payment with a target value of $25.0 million, payable on or before August 1, 2019. During fiscal 2019, the final amount of the supplemental payment was adjusted to $10.8 million based on a settlement with respect to the calculation of the performance of Healthy Directions through February 28, 2018. The adjustment resulted in a corresponding pre-tax charge of $5.8 million ($4.4 million after tax) to discontinued operations. The supplemental payment of $10.8 million was received during the second quarter of fiscal 2020. Also, during fiscal 2019, we recorded additional net charges of $1.5 million ($1.3 million after tax) to discontinued operations, resulting from the resolution of certain contingencies. In conjunction with the sale of the business, we provided certain transition services that ceased during the second quarter of fiscal 2020.

Note 6 – Supplemental Balance Sheet Information

PROPERTY AND EQUIPMENT

(in thousands)	Estimated Useful Lives (Years)	August 31, 2019	February 28, 2019
Land	-	$ **12,644**	$ 12,644
Building and improvements	3 - 40	**113,619**	113,820
Computer, software, furniture and other equipment	3 - 15	**86,699**	84,711
Tools, molds and other production equipment	3 - 7	**37,000**	36,378
Construction in progress	-	**11,261**	6,529
Property and equipment, gross		**261,223**	254,082
Less accumulated depreciation		**(130,059)**	(123,744)
Property and equipment, net		$ **131,164**	$ 130,338

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

(in thousands)	August 31, 2019	February 28, 2019
Accrued compensation, benefits and payroll taxes	$ **29,159**	$ 36,782
Accrued sales discounts and allowances	**28,924**	28,655
Accrued sales returns	**21,359**	23,316
Accrued advertising	**28,060**	26,549
Other	**41,769**	49,858
Total accrued expenses and other current liabilities	$ **149,271**	$ 165,160

Note 7 – Goodwill and Intangible Assets

We perform annual impairment tests each fiscal year during the fourth quarter and interim impairment tests, if and when necessary. For the three and six month periods ended August 31, 2019 and 2018, we did not record any impairment charges.

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

(in thousands)	August 31, 2019 Gross Carrying Amount	August 31, 2019 Cumulative Goodwill Impairments	August 31, 2019 Accumulated Amortization	August 31, 2019 Net Book Value	February 28, 2019 Gross Carrying Amount	February 28, 2019 Cumulative Goodwill Impairments	February 28, 2019 Accumulated Amortization	February 28, 2019 Net Book Value
Housewares:								
Goodwill	**$ 282,056**	**$ —**	**$ —**	**$ 282,056**	$ 282,056	$ —	$ —	$ 282,056
Trademarks - indefinite	**134,200**	**—**	**—**	**134,200**	134,200	—	—	134,200
Other intangibles - finite	**41,328**	**—**	**(20,066)**	**21,262**	41,417	—	(19,398)	22,019
Subtotal	**457,584**	**—**	**(20,066)**	**437,518**	457,673	—	(19,398)	438,275
Health & Home:								
Goodwill	**284,913**	**—**	**—**	**284,913**	284,913	—	—	284,913
Trademarks - indefinite	**54,000**	**—**	**—**	**54,000**	54,000	—	—	54,000
Licenses - finite	**17,050**	**—**	**(15,577)**	**1,473**	17,050	—	(15,402)	1,648
Licenses - indefinite	**7,400**	**—**	**—**	**7,400**	7,400	—	—	7,400
Other intangibles - finite	**118,024**	**—**	**(93,373)**	**24,651**	117,967	—	(87,953)	30,014
Subtotal	**481,387**	**—**	**(108,950)**	**372,437**	481,330	—	(103,355)	377,975
Beauty:								
Goodwill	**81,841**	**(46,490)**	**—**	**35,351**	81,841	(46,490)	—	35,351
Trademarks - indefinite	**—**	**—**	**—**	**—**	30,407	—	—	30,407
Trademarks - finite	**30,557**	**—**	**(1,956)**	**28,601**	150	—	(102)	48
Licenses - indefinite	**10,300**	**—**	**—**	**10,300**	10,300	—	—	10,300
Licenses - finite	**13,696**	**—**	**(12,641)**	**1,055**	13,696	—	(12,482)	1,214
Other intangibles - finite	**46,402**	**—**	**(46,158)**	**244**	46,402	—	(46,126)	276
Subtotal	**182,796**	**(46,490)**	**(60,755)**	**75,551**	182,796	(46,490)	(58,710)	77,596
Total	**$1,121,767**	**$ (46,490)**	**$ (189,771)**	**$ 885,506**	$1,121,799	$ (46,490)	$ (181,463)	$ 893,846

After discontinuing the formal sale process and revising the strategic initiatives for our Personal Care business during the first quarter of fiscal year 2020, we changed trademarks related to the business with a net book value of $30.4 million from indefinite lived to finite lived assets. The amortization of these trademarks is now included in amortization expense for the six months ended August 31, 2019, and these assets are expected to be fully amortized by the end of fiscal year 2027.

The following table summarizes the amortization expense attributable to intangible assets recorded in SG&A in the condensed consolidated statements of income for the periods shown below, as well as our estimated amortization expense for fiscal 2020 through 2025:

Aggregate Amortization Expense **For the three months ended *(in thousands)***	
August 31, 2019	$ 4,463
August 31, 2018	3,402

Aggregate Amortization Expense **For the six months ended *(in thousands)***	
August 31, 2019	$ 8,339
August 31, 2018	7,522

Estimated Amortization Expense *(in thousands)*	
Fiscal 2020	$ 17,691
Fiscal 2021	16,135
Fiscal 2022	9,037
Fiscal 2023	8,847
Fiscal 2024	8,441
Fiscal 2025	6,977

Note 8 – Share-Based Compensation Plans

We have equity awards outstanding under several share-based compensation plans. During the three and six months ended August 31, 2019, we had the following share-based compensation activity:

- We issued 1,048 and 2,304 shares to non-employee Board members with a total grant date fair value of $0.1 and $0.2 million, respectively, and share prices of $134.21 and $121.99, respectively.

- We granted time-vested restricted stock units ("RSUs") that may be settled for 8 and 3,279 shares of common stock, respectively. The RSU grants have a weighted average grant price of $150.86 and $111.51 per share, respectively. For the three months ended August 31, 2019, the total award fair value was insignificant. For the six months ended August 31, 2019, the total award fair value at date of grant was $0.4 million.

- We granted time-vested restricted stock awards ("RSAs") that may be vested for 4,920 and 45,772 shares of common stock, respectively. The RSA grants have a weighted average grant price of $138.86 and $113.98 per share, respectively, for a total award fair value at date of grant of $0.7 million and $5.2 million, respectively.

- There were no grants of performance-based stock units ("PSUs") during the three months ended August 31, 2019. For the six months ended August 31, 2019, we granted PSUs that may be settled for 6,088 shares of common stock. The PSU grants have a weighted average grant price of $110.85 per share for a total award fair value at date of grant of $0.7 million.

- There were no grants of performance-based restricted stock awards ("PSAs") during the three months ended August 31, 2019. For the six months ended August 31, 2019, we granted PSAs that are targeted to be vested for 122,402 shares of common stock. The PSA grants have a weighted average grant price of $110.85 per share for a total award fair value at date of grant of $13.6 million.

- RSUs for 3,489 and 66,329 shares vested and settled, respectively, with a total fair value at settlement of $0.5 and $7.6 million and a weighted average share price of $146.26 and $114.58, respectively.

- There were no PSUs shares vested and settled during the three months ended August 31, 2019. For the six months ended August 31, 2019, there were 108,572 shares vested and settled with a total fair value at settlement of $14.7 million, and a weighted average share price of $135.85.

- RSAs for 928 shares vested and settled with a total fair value at settlement of $0.1 million and a weighted average share price of $150.86 during the three and six month periods ended August 31, 2019.

- Employees exercised stock options to purchase 26,368 and 61,765 shares of common stock, respectively.

- There were no purchases of common stock under the employee stock purchase plan during the three months ended August 31, 2019. For the six months ended August 31, 2019, employees purchased 14,790 shares of common stock under the employee stock purchase plan at an average price of $95.29 per share.

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

	Three Months Ended August 31,	
(in thousands, except per share data)	**2019**	**2018**
Stock options	**$ 35**	$ 219
Directors stock compensation	**141**	123
Performance based and other stock awards	**6,205**	4,347
Employee stock purchase plan	**—**	—
Share-based compensation expense	**6,381**	4,689
Less income tax benefits	**(514)**	(341)
Share-based compensation expense, net of income tax benefits	**$ 5,867**	$ 4,348
Impact of share-based compensation on earnings per share from continuing operations:		
Basic	**$ 0.23**	$ 0.16
Diluted	**$ 0.23**	$ 0.16

	Six Months Ended August 31,	
(in thousands, except per share data)	**2019**	**2018**
Stock options	**$ 151**	$ 527
Directors stock compensation	**281**	246
Performance based and other stock awards	**13,228**	9,918
Employee stock purchase plan	**325**	322
Share-based compensation expense	**13,985**	11,013
Less income tax benefits	**(1,091)**	(611)
Share-based compensation expense, net of income tax benefits	**$ 12,894**	$ 10,402
Impact of share-based compensation on earnings per share from continuing operations:		
Basic	**$ 0.51**	$ 0.39
Diluted	**$ 0.51**	$ 0.39

Note 9 – Repurchase of Helen of Troy Common Stock

On May 20, 2019, we announced that our Board of Directors had authorized the repurchase of up to $400 million of our outstanding common stock. The authorization is effective May 8, 2019 for a period of three years and replaced Helen of Troy's previous repurchase authorization, of which approximately $107.4 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 August 31, 2019, our repurchase authorization allowed for the purchase of $394.0 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 equity holder can be paid for by having the equity 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:

(in thousands, except share and per share data)	Three Months Ended August 31, 2019	Three Months Ended August 31, 2018	Six Months Ended August 31, 2019	Six Months Ended August 31, 2018
Common stock repurchased on the open market:				
Number of shares	**—**	—	**—**	407,025
Aggregate value of shares	**$ —**	$ —	**$ —**	$ 37,067
Average price per share	**$ —**	$ —	**$ —**	$ 91.07
Common stock received in connection with share-based compensation:				
Number of shares	**2,354**	7,477	**70,558**	57,072
Aggregate value of shares	**$ 344**	$ 692	**$ 9,131**	$ 5,173
Average price per share	**$ 145.96**	$ 92.55	**$ 129.42**	$ 90.65

Note 10 – Restructuring Plan

In October 2017, we announced that we had approved a restructuring plan (referred to as “Project Refuel”). Project Refuel includes a reduction-in-force and the elimination of certain contracts and operating expenses. We are targeting total annualized profit improvements of approximately $8.0 to $10.0 million over the duration of the plan. We estimate the plan will be completed during fiscal 2020, and expect to incur total restructuring charges of approximately $7.0 million over the duration of the plan. Restructuring provisions are determined based on estimates prepared at the time the restructuring actions are approved by management and are revised periodically.

For the three and six month periods ended August 31, 2019, we incurred $0.4 million and $1.0 million, respectively, of pre-tax restructuring charges related primarily to employee severance and termination benefits and lease termination costs. Since implementing Project Refuel, we have incurred $6.4 million of pre-tax restructuring costs related to employee severance and termination benefits and contract termination costs as of August 31, 2019. During the three and six month periods ended August 31, 2019, we made total cash restructuring payments of $0.9 million and $1.5 million, respectively. Since implementing Project Refuel, we have made total cash restructuring payments of $5.8 million. We had a remaining liability of $0.7 million as of August 31, 2019.

Note 11 – Commitments and Contingencies

Legal Matters – On May 31, 2018, we settled a patent infringement dispute related to two forehead thermometer models sold by our subsidiary, Kaz USA, Inc., in the United States and made a settlement payment of $15.0 million, which was accrued in prior periods along with related legal fees and other costs.

We are involved in various other 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.

Lease Commitments – The implementation of the new lease guidance (ASC 842) using the effective date method requires the disclosure of our lease commitments from our latest annual report on Form 10-K for the interim periods during the first year of adoption (see Note 4). The lease commitments as of February 28, 2019 were as follows:

	Fiscal Years Ended the Last Day of February:						
		2020	2021	2022	2023	2024	After
(in thousands)	Total	1 year	2 years	3 years	4 years	5 years	5 years
Operating leases	$ 69,482	$ 5,171	$ 6,678	$ 6,411	$ 5,743	$ 5,078	$ 40,401

The minimum rental payments for operating leases presented above were determined in accordance with the previous lease guidance (ASC 840). Note 4 presents a summary of our estimated lease payments, imputed interest and liabilities as of August 31, 2019, in accordance with the new lease guidance (ASC 842).

Note 12 – 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 $1.0 billion as of August 31, 2019. The commitment under the Credit Agreement terminates on December 7, 2021. Borrowings accrue interest under one of two alternative methods (based upon a base rate of LIBOR) as described in the Credit Agreement. With each borrowing against our credit line, we can elect the interest rate method based on our funding needs at the time. We also incur loan commitment 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 August 31, 2019, the outstanding revolving loan principal balance was $283.0 million (excluding prepaid financing fees) and the face amount of outstanding letters of credit was $9.0 million. For the three and six month periods ended August 31, 2019, borrowings under the Credit Agreement incurred interest charges at rates ranging from 3.1% to 5.5%. For the three and six month periods ended August 31, 2018, borrowings under the Credit Agreement incurred interest charges at rates ranging from 2.9% to 5.0% and 2.8% to 5.0%, respectively. As of August 31, 2019, the amount available for borrowings under the Credit Agreement was $708.0 million. Covenants in our debt agreements limit the amount of total indebtedness we can incur. As of August 31, 2019, these covenants effectively limited our ability to incur more than $609.0 million of additional debt from all sources, including our Credit Agreement, or $708.0 million in the event a qualified acquisition is consummated. The following table summarizes our long-term debt as of the end of the periods shown:

(in thousands)	Original Date Borrowed	Interest Rates	Matures	August 31, 2019	February 28, 2019
Mississippi Business Finance Corporation Loan (the "MBFC Loan") (1)	03/13	Floating	03/23	**$ 20,443**	$ 22,335
Credit Agreement (2)	01/15	Floating	12/21	**280,750**	298,449
Total long-term debt				**301,193**	320,784
Less current maturities of long-term debt				**(1,884)**	(1,884)
Long-term debt, excluding current maturities				**$ 299,309**	$ 318,900

(1) The MBFC Loan is unsecured with an original balance of $37.6 million and incurs floating interest based on applicable LIBOR plus a margin of up to 2.0%, or a Base Rate plus a margin of up to 1.0%, as determined by the interest rate elected and the Leverage Ratio. The loan is subject to holder's call on or after March 1, 2018. The loan can be prepaid without penalty. The remaining principal balance is payable as follows: $1.9 million annually on March 1, 2020 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) Floating interest rates are hedged with interest rate swaps to effectively fix interest rates on $225 million of the outstanding principal balance under the Credit Agreement. Notes 13 and 14 to these condensed consolidated financial statements provide additional information regarding the interest rate swaps.

At August 31, 2019 and February 28, 2019, our long-term debt has floating interest rates, and its book value approximates its fair value.

All of our debt is unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. Our debt agreements require the maintenance of certain financial covenants, including a maximum leverage ratio and a minimum interest coverage ratio (as each of these terms is defined in the agreements). Our debt agreements also contain other customary covenants. We were in compliance with the terms of these agreements as of August 31, 2019.

Note 13 – 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:

(in thousands)	**Fair Values at August 31, 2019 (Level 2) (1)**
Assets:	
Money market accounts	**$ 1,232**
Interest rate swaps	**—**
Foreign currency contracts	**3,482**
Total assets	**$ 4,714**
Liabilities:	
Floating rate debt	**$ 301,193**
Interest rate swaps	**9,152**
Foreign currency contracts	**—**
Total liabilities	**$ 310,345**

(in thousands)		Fair Values at February 28, 2019 (Level 2) (1)
Assets:		
Money market accounts	$	915
Interest rate swaps		512
Foreign currency contracts		1,692
Total assets	$	3,119
Liabilities:		
Floating rate debt	$	320,784
Interest rate swaps		339
Foreign currency contracts		563
Total liabilities	$	321,686

(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.

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

We use derivatives for hedging purposes and our derivatives are primarily interest rate swaps, foreign currency contracts and cross-currency debt swaps. See Notes 12 and 14 to these condensed consolidated financial statements for more information on our hedging activities.

We classify our floating rate debt as a Level 2 item because the estimation of the fair market value 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 book value of the floating rate debt 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 7 to these condensed consolidated financial statements contains additional information related to intangible asset impairments.

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 the three and six month periods ended August 31, 2019, approximately 14% and 13% of our net sales revenue was in foreign currencies, respectively. During the three and six month periods ended August 31, 2018, approximately 11% and 13% of our net sales revenue was in foreign currencies, respectively. These sales were primarily denominated in Euros, British Pounds, Canadian Dollars, and Mexican Pesos. We make most of our inventory purchases from the Far East and primarily use the U.S. Dollar for such purchases.

In our condensed consolidated statements of income, exchange gains and losses resulting from the remeasurement of foreign taxes receivable, taxes payable, deferred tax assets, and deferred tax liabilities are recognized in their respective income tax lines, and all other foreign exchange gains and losses are recognized in SG&A. During the three and six month periods ended August 31, 2019, we recorded net foreign exchange gains from remeasurement, including the impact of currency hedges and the cross-currency debt swaps, of $0.8 million and $1.6 million, respectively, in SG&A. We recorded net foreign exchange gains from remeasurement, including the impact of foreign currency hedges and cross currency debt swaps of $0.5 million and losses of $1.2 million in SG&A during the three and six month periods ended August 31, 2018, respectively.

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

Interest Rate Risk - Interest on our outstanding debt as of August 31, 2019 is based on floating interest rates. If short-term interest rates increase, we will incur higher interest expense on any future outstanding balances of floating rate debt. Floating interest rates are hedged with interest rate swaps to effectively fix interest rates on $225.0 million of the outstanding principal balance under the Credit Agreement, which totaled $283.0 million (excluding prepaid finance fees) as of August 31, 2019.

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

(in thousands)	August 31, 2019						
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**
Zero-cost dollar - Euro	Cash flow	**02/2021**	**€ 16,000**	**$ 207**	**$ 31**	**$ —**	**$ —**
Foreign currency contracts - sell Euro	Cash flow	**12/2020**	**€ 12,750**	**661**	**89**	**—**	**—**
Foreign currency contracts - sell Canadian Dollars	Cash flow	**01/2021**	**$ 14,250**	**125**	**8**	**—**	**—**
Zero-cost dollar - Pound	Cash flow	**02/2021**	**£ 10,250**	**237**	**49**	**—**	**—**
Foreign currency contracts - sell Pound	Cash flow	**02/2021**	**£ 13,500**	**1,086**	**195**	**—**	**—**
Foreign currency contracts - sell Mexican Pesos	Cash flow	**02/2020**	**$ 40,000**	**13**	**—**	**—**	**—**
Foreign currency contracts - Sell Australian Dollars	Cash flow	**10/2019**	**$ 2,000**	**46**	**—**	**—**	**—**
Interest rate swaps	Cash flow	**01/2024**	**$ 225,000**	**—**	**—**	**2,513**	**6,639**
Subtotal				**2,375**	**372**	**2,513**	**6,639**
Derivatives not designated under hedge accounting							
Foreign currency contracts - cross-currency debt swaps - Euro	(1)	**04/2020**	**€ 5,280**	**431**	**—**	**—**	**—**
Foreign currency contracts - cross-currency debt swaps - Pound	(1)	**04/2020**	**£ 6,395**	**304**	**—**	**—**	**—**
Subtotal				**735**	**—**	**—**	**—**
Total fair value				**$ 3,110**	**$ 372**	**$ 2,513**	**$ 6,639**

(in thousands)				February 28, 2019			
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**
Zero-cost dollar - Euro	Cash flow	02/2020	€ 9,500	$ 11	$ —	$ —	$ —
Foreign currency contracts - sell Euro	Cash flow	01/2020	€ 29,000	1,047	—	—	—
Foreign currency contracts - sell Canadian Dollars	Cash flow	02/2020	$ 16,000	168	—	—	—
Zero-cost dollar - Pound	Cash flow	05/2020	£ 4,500	—	—	200	—
Foreign currency contracts - sell Pound	Cash flow	05/2020	£ 19,500	248	—	—	13
Foreign currency contracts - sell Mexican Pesos	Cash flow	09/2019	$ 30,000	—	—	58	—
Interest rate swaps	Cash flow	01/2024	$ 225,000	512	—	—	339
Subtotal				1,986	—	258	352
Derivatives not designated under hedge accounting							
Foreign currency contracts - cross-currency debt swaps - Euro	(1)	04/2020	€ 5,280	—	218	—	—
Foreign currency contracts - cross-currency debt swaps - Pound	(1)	04/2020	£ 6,395	—	—	—	292
Subtotal				—	218	—	292
Total fair value				$ 1,986	$ 218	$ 258	$ 644

(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.

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

	Three Months Ended August 31,							
	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)	**2019**	**2018**	**Location**	**2019**	**2018**	**Location**	**2019**	**2018**
Currency contracts - cash flow hedges	**$ (482)**	$ (51)	SG&A	**$ (992)**	$ (610)		**$ —**	$ —
Interest rate swaps - cash flow hedges	**(4,126)**	137	Interest expense	**—**	—	Interest expense	**77**	136
Cross-currency debt swaps - principal	—	—		—	—	SG&A	**344**	243
Cross-currency debt swaps - interest	—	—		—	—	Interest Expense	**—**	—
Total	**$ (4,608)**	$ 86		**$ (992)**	$ (610)		**$ 421**	**$ 379**

	Six Months Ended August 31,							
	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)	**2019**	**2018**	**Location**	**2019**	**2018**	**Location**	**2019**	**2018**
Currency contracts - cash flow hedges	**$ (668)**	$ 4,525	SG&A	**$(2,210)**	$ 77		**$ —**	$ —
Interest rate swaps - cash flow hedges	**(9,326)**	76	Interest expense	**—**	—	Interest expense	**231**	211
Cross-currency debt swaps - principal	—	—		—	—	SG&A	**808**	666
Cross-currency debt swaps - interest	—	—		—	—	Interest expense	**74**	74
Total	**$ (9,994)**	$ 4,601		**$(2,210)**	$ 77		**$ 1,113**	**$ 951**

We expect pre-tax losses of $0.1 million associated with foreign currency contracts and interest rate swaps currently reported in accumulated other comprehensive income, to be reclassified into income over the next twelve months. The amount ultimately realized, however, will differ as exchange rates 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 non-performance. 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 – Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes in accumulated other comprehensive income (loss) by component and related tax effects for periods shown:

(in thousands)	Interest Rate Swaps	Foreign Currency Contracts	Total
Balance at February 28, 2018	$ 1,705	$ (1,074)	$ 631
Other comprehensive income (loss) before reclassification	76	4,525	4,601
Amounts reclassified out of accumulated other comprehensive income	—	(77)	(77)
Tax effects	129	(637)	(508)
Other comprehensive income (loss)	205	3,811	4,016
Balance at August 31, 2018	$ 1,910	$ 2,737	$ 4,647
Balance at February 28, 2019	**$ 132**	**$ 1,059**	**$ 1,191**
Other comprehensive income (loss) before reclassification	**(9,326)**	**(668)**	**(9,994)**
Amounts reclassified out of accumulated other comprehensive income	**—**	**2,210**	**2,210**
Tax effects	**2,165**	**(327)**	**1,838**
Other comprehensive income (loss)	**(7,161)**	**1,215**	**(5,946)**
Balance at August 31, 2019	**$ (7,029)**	**$ 2,274**	**$ (4,755)**

See Notes 12, 13 and 14 to these condensed consolidated financial statements for additional information regarding our hedging activities.

Note 16 – Segment Information

The following tables present segment information included in continuing operations for the periods shown:

	Three Months Ended August 31, 2019			
(in thousands)	Housewares	Health & Home	Beauty	Total
Sales revenue, net	**$ 167,864**	**$ 158,790**	**$ 87,341**	**$ 413,995**
Restructuring charges	**2**	**—**	**428**	**430**
Operating income	**35,698**	**12,408**	**6,414**	**54,520**
Capital and intangible asset expenditures	**3,215**	**1,518**	**410**	**5,143**
Depreciation and amortization	**1,416**	**4,269**	**2,664**	**8,349**

	Three Months Ended August 31, 2018			
(in thousands)	Housewares	Health & Home	Beauty	Total
Sales revenue, net	$ 137,498	$ 175,783	$ 80,267	$ 393,548
Restructuring charges	—	—	859	859
Operating income	28,329	13,631	8,700	50,660
Capital and intangible asset expenditures	5,642	2,466	771	8,879
Depreciation and amortization	1,522	4,229	1,562	7,313

(in thousands)	Six Months Ended August 31, 2019 Housewares	Health & Home	Beauty	Total
Sales revenue, net	$ 312,806	$ 313,733	$ 163,791	$ 790,330
Restructuring charges	90	—	959	1,049
Operating income	66,898	27,464	7,365	101,727
Capital and intangible asset expenditures	6,082	2,198	581	8,861
Depreciation and amortization	3,029	8,582	4,505	16,116

(in thousands)	Six Months Ended August 31, 2018 Housewares	Health & Home	Beauty	Total
Sales revenue, net	$ 254,801	$ 339,214	$ 154,212	$ 748,227
Restructuring charges	760	358	1,466	2,584
Operating income	50,512	33,288	10,187	93,987
Capital and intangible asset expenditures	7,296	4,655	1,110	13,061
Depreciation and amortization	3,006	8,377	3,912	15,295

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 is directly associated with the segment, plus shared service and corporate overhead expenses that are allocable to the segment. We do not allocate non-operating income and expense, including interest or income taxes, to operating segments.

Note 17 – Income Taxes

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

For interim periods, our income tax expense and resulting effective tax rate are based upon an estimated annual effective tax rate adjusted for the effects of items required to be treated as discrete to the period, including changes in tax laws, changes in estimated exposures for uncertain tax positions and other items.

For the three months ended August 31, 2019, income tax expense as a percentage of income before income tax was 10.3% compared to 8.3% for the same period last year. The year-over-year increase in the effective tax rate is primarily due to shifts in the mix of taxable income in our various tax jurisdictions and increases in certain statutory tax rates.

For the six months ended August 31, 2019, income tax expense as a percentage of income before income tax was 9.0%, which included $0.8 million of tax benefits from share-based compensation settlements, $1.7 million of expense from the remeasurement of deferred taxes due to tax rate changes, and a $2.8 million benefit from the resolution of an uncertain tax position. Income tax expense as a percentage of income before income tax was 7.3% for the same period last year, which included $0.5 million tax benefits from share-based compensation settlements and a $0.8 million benefit from the lapse of the statute of limitations related to an uncertain tax position. The year-over-year increase in the effective tax rate is primarily due to shifts in the mix of taxable income in our various tax jurisdictions and increases in certain statutory tax rates.

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

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

Note 18 – Earnings per Share

We compute basic earnings per share using the weighted average number of shares of common stock outstanding during the period. We compute diluted earnings per share using the weighted average number of shares of common stock outstanding plus the effect of dilutive securities. Dilutive securities at any given point in time may consist of outstanding options to purchase common stock and issued and contingently issuable unvested RSUs, PSUs, RSAs, PSAs and other stock based awards. See Note 8 to these condensed consolidated financial statements for more information regarding stock-based awards. Anti-dilutive securities are not included in the computation of diluted earnings per share under the treasury stock method.

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

	Three Months Ended August 31,		Six Months Ended August 31,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Weighted average shares outstanding, basic	**25,116**	26,359	**25,068**	26,467
Incremental shares from share-based compensation arrangements	**129**	198	**177**	145
Weighted average shares outstanding, diluted	**25,245**	26,557	**25,245**	26,612
Antidilutive securities	**166**	194	**259**	352

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") 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 for the fiscal year ended February 28, 2019 ("Form 10-K") and its other filings with the Securities and Exchange Commission (the "SEC"). This discussion should be read in conjunction with our condensed consolidated financial statements included under Part I, Item 1. of this report. When used in the MD&A, 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. Throughout MD&A, we refer to our Leadership Brands, which are brands that have number-one and number-two positions in their respective categories and consist of the OXO, Honeywell, Braun, PUR, Hydro Flask, Vicks, and Hot Tools brands.

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

These measures are discussed further and reconciled to their applicable GAAP based measures contained in this MD&A beginning on page 36.

OVERVIEW

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

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

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

In December 2017, we completed the divestiture of the Nutritional Supplements segment through the sale of Healthy Directions LLC and its subsidiaries ("Healthy Directions") to Direct Digital, LLC. The purchase price from the sale was comprised of $46.0 million in cash, which was paid at closing, and a supplemental payment with a target value of $25.0 million, payable on or before August 1, 2019. The final amount of the supplemental payment was adjusted based on a settlement with respect to the calculation of the performance of Healthy Directions through February 28, 2018. During fiscal 2019, we reduced the estimated value of the supplemental payment to $10.8 million and recorded a corresponding pre-tax charge of $5.8 million ($4.4 million after tax) to discontinued operations. The supplemental payment of $10.8 million was received during the second quarter of fiscal 2020. Also, during fiscal 2019, we recorded an additional charge of $1.5 million ($1.3 million after tax) to discontinued operations, resulting from the resolution of certain contingencies. In conjunction with the sale of the business, we provided certain transition services that ceased during the second quarter of fiscal 2020. Following the sale, we no longer consolidate our former Nutritional Supplements segment's operating results. Unless otherwise indicated, all results presented are from continuing operations.

In fiscal 2018, we announced that we had approved a restructuring plan (“Project Refuel”). Project Refuel includes a reduction-in-force and the elimination of certain contracts and operating expenses. We are targeting total annualized profit improvements of approximately $8.0 to $10.0 million over the duration of the plan. We estimate the plan will be completed during fiscal 2020, and expect to incur total restructuring charges of approximately $7.0 million over the duration of the plan. Since implementing Project Refuel, we have incurred $6.4 million of pre-tax restructuring costs related to employee severance and termination benefits and contract termination costs as of August 31, 2019. For additional information regarding Project Refuel, see Note 10 to the accompanying condensed consolidated financial statements.

Significant Trends Impacting the Business

Impact of Tariffs

During fiscal years 2019 and 2020, the Office of the U.S. Trade Representative (“USTR”) has imposed additional tariffs on products imported from China. We purchase a high concentration of our products from unaffiliated manufacturers located in China. This concentration exposes us to risks associated with doing business globally, including changes in tariffs.

The tariff increases that have been implemented by the USTR began to impact our cost of goods sold in the third quarter of fiscal 2019 and will continue to do so as new tariff increases go into effect. We expect to mitigate the impact of these tariffs primarily through pricing actions and product cost reductions in our supply chain. Although our pricing actions are intended to offset the gross profit dollar impact of tariff increases, there are no assurances that the pricing actions will not reduce retail consumption or customer orders in the short-term. Furthermore, the USTR has proposed additional tariff increases that have yet to take effect.

Potential Impact of Brexit and Offshore Receipts in Respect of Intangible Property Tax

The potential exit of the United Kingdom (the "U.K.") from European Union ("E.U.") membership (commonly referred to as "Brexit") could cause disruptions to and create uncertainty surrounding our business, including affecting our relationships with our existing and future customers, suppliers and employees, which could have an adverse effect on our business, financial results and operations. Negotiations are ongoing to determine the future terms of the U.K.’s relationship with the E.U., including the terms of trade between the U.K. and the E.U. The effects of Brexit will depend on any agreements the U.K. makes to retain access to E.U. markets either during a transitional period or more permanently. These measures could potentially disrupt the markets we serve and the tax jurisdictions in which we operate, adversely change tax benefits or liabilities in these or other jurisdictions, and cause us to lose customers, suppliers, and employees. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate.

The U.K.’s Offshore Receipts in respect of Intangible Property (ORIP) rules were introduced by the Finance Act 2019 and came into effect on April 6, 2019. Under the ORIP rules, where intangible property (IP) is held in offshore companies, in a territory with which the U.K. does not have a full double taxation arrangement and the IP is used directly or indirectly to enable, facilitate or promote U.K. sales, income derived from that IP could be subject to a U.K. gross receipts tax at 20% of the gross amounts. Based on currently available information, the Company intends to treat this tax as a transactional tax included in operating expenses. Certain aspects of this legislation and its implementation remain unclear at this time and we expect that additional regulations or guidance may be issued and the accounting treatment of the new tax may be clarified.

While we do not believe the ORIP tax will have a material adverse impact on our consolidated operating results, we do believe that it could be material to the profitability of our EMEA operating unit. As a result, the ORIP tax could cause us to evaluate different strategic choices with respect to our EMEA operating unit, including a rationalization of the product portfolio sold in the U.K. or an exit from the market, which could adversely impact our net sales revenue.

Foreign Currency Exchange Rate Fluctuations

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

For the three months ended August 31, 2019, changes in foreign currency exchange rates had an unfavorable impact on consolidated U.S. Dollar reported net sales revenue of approximately $1.9 million, or 0.5%, compared to the unfavorable impact of $0.3 million, or 0.1% for the same period last year. For the six months ended August 31, 2019, changes in foreign currency exchange rates had an unfavorable impact on consolidated U.S. dollar reported net sales revenue of approximately $4.5 million, or 0.6%, compared to the favorable impact of $3.2 million, or 0.5% for the same period last year.

Consumer Spending and Changes in Shopping Preferences

Our business depends upon discretionary consumer demand for most of our products and primarily operates within mature and highly developed consumer markets. The principal driver of our operating performance is the strength of the U.S. retail economy. Approximately 80% of our net sales were from U.S. shipments for the three months ended August 31, 2019, compared to approximately 79% for the same period last year. For the six months ended August 31, 2019 and 2018, U.S. shipments were approximately 79% and 77% of our net sales, respectively.

Additionally, the shift in consumer shopping preferences to online or multichannel shopping experiences has changed the concentration of our sales. For the three and six month periods ended August 31, 2019, our net sales to retail customers fulfilling end-consumer online orders and online sales directly to consumers comprised approximately 24% and 23%, respectively, of our total consolidated net sales revenue, and grew approximately 25% and 26%, respectively, over the same periods last year.

For the three and six month periods ended August 31, 2018, our net sales to retail customers fulfilling end-consumer online orders and online sales directly to consumers comprised approximately 20% of our total consolidated net sales revenue, and grew approximately 34% and 38%, respectively, over the same periods last year.

With the continued growth in online sales across the retail landscape, many brick and mortar retailers are aggressively looking for ways to improve their customer delivery capabilities to be able to meet customer expectations. As a result, it will become increasingly important for us to leverage our distribution capabilities in order to meet the changing demands of our customers, as well as to increase our online capabilities to support our direct-to-consumer sales channels and online channel sales by our retail customers.

Variability of the Cough/Cold/Flu Season

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

RESULTS OF OPERATIONS

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

(in thousands)	Three Months Ended August 31, 2019	Three Months Ended August 31, 2018	$ Change	% Change	% of Sales Revenue, net 2019	% of Sales Revenue, net 2018
Sales revenue by segment, net						
Housewares	**$ 167,864**	$ 137,498	$ 30,366	22.1 %	**40.5 %**	34.9 %
Health & Home	**158,790**	175,783	(16,993)	(9.7)%	**38.4 %**	44.7 %
Beauty	**87,341**	80,267	7,074	8.8 %	**21.1 %**	20.4 %
Total sales revenue, net	**413,995**	393,548	20,447	5.2 %	**100.0 %**	100.0 %
Cost of goods sold	**235,844**	238,375	(2,531)	(1.1)%	**57.0 %**	60.6 %
Gross profit	**178,151**	155,173	22,978	14.8 %	**43.0 %**	39.4 %
Selling, general and administrative expense ("SG&A")	**123,201**	103,654	19,547	18.9 %	**29.8 %**	26.3 %
Restructuring charges	**430**	859	(429)	(49.9)%	**0.1 %**	0.2 %
Operating income	**54,520**	50,660	3,860	7.6 %	**13.2 %**	12.9 %
Non-operating income, net	**89**	85	4	4.7 %	**— %**	— %
Interest expense	**(3,216)**	(2,755)	(461)	16.7 %	**(0.8)%**	(0.7)%
Income before income tax	**51,393**	47,990	3,403	7.1 %	**12.4 %**	12.2 %
Income tax expense	**5,298**	3,973	1,325	33.4 %	**1.3 %**	1.0 %
Income from continuing operations	**46,095**	44,017	2,078	4.7 %	**11.1 %**	11.2 %
Loss from discontinued operations (1)	**—**	—	—	*	**— %**	— %
Net income	**$ 46,095**	$ 44,017	$ 2,078	4.7 %	**11.1 %**	11.2 %

(in thousands)	Six Months Ended August 31, 2019	Six Months Ended August 31, 2018	$ Change	% Change	% of Sales Revenue, net 2019	% of Sales Revenue, net 2018
Sales revenue by segment, net						
Housewares	**$ 312,806**	$ 254,801	$ 58,005	22.8 %	**39.6 %**	34.1 %
Health & Home	**313,733**	339,214	(25,481)	(7.5)%	**39.7 %**	45.3 %
Beauty	**163,791**	154,212	9,579	6.2 %	**20.7 %**	20.6 %
Total sales revenue, net	**790,330**	748,227	42,103	5.6 %	**100.0 %**	100.0 %
Cost of goods sold	**458,452**	446,496	11,956	2.7 %	**58.0 %**	59.7 %
Gross profit	**331,878**	301,731	30,147	10.0 %	**42.0 %**	40.3 %
SG&A	**229,102**	205,160	23,942	11.7 %	**29.0 %**	27.4 %
Restructuring charges	**1,049**	2,584	(1,535)	(59.4)%	**0.1 %**	0.3 %
Operating income	**101,727**	93,987	7,740	8.2 %	**12.9 %**	12.6 %
Non-operating income, net	**221**	160	61	38.1 %	**— %**	— %
Interest expense	**(6,524)**	(5,442)	(1,082)	19.9 %	**(0.8)%**	(0.7)%
Income before income tax	**95,424**	88,705	6,719	7.6 %	**12.1 %**	11.9 %
Income tax expense	**8,635**	6,515	2,120	32.5 %	**1.1 %**	0.9 %
Income from continuing operations	**86,789**	82,190	4,599	5.6 %	**11.0 %**	11.0 %
Loss from discontinued operations (1)	**—**	(381)	381	*	**— %**	(0.1)%
Net income	**$ 86,789**	$ 81,809	$ 4,980	6.1 %	**11.0 %**	10.9 %

(1) During fiscal 2018, we divested our Nutritional Supplements segment, which is reported as discontinued operations for all periods presented. For more information see Note 5 to the accompanying condensed consolidated financial statements.

* Calculation is not meaningful.

Second Quarter Fiscal 2020 Financial Results

- Consolidated net sales revenue increased 5.2%, or $20.4 million, to $414.0 million for the three months ended August 31, 2019, compared to $393.5 million for the same period last year.

- Consolidated operating income increased 7.6%, or $3.9 million, to $54.5 million for the three months ended August 31, 2019, compared to $50.7 million for the same period last year. Consolidated operating margin increased 0.3 percentage points to 13.2% of consolidated net sales revenue for the three months ended August 31, 2019, compared to 12.9% for the same period last year. The three months ended August 31, 2019 included pre-tax restructuring charges of $0.4 million compared to pre-tax restructuring charges of $0.9 million for the same period last year.

- Consolidated adjusted operating income increased 10.4%, or $6.2 million, to $65.8 million for the three months ended August 31, 2019, compared to $59.6 million for the same period last year. Consolidated adjusted operating margin increased 0.8 percentage points to 15.9% of consolidated net sales revenue for the three months ended August 31, 2019, compared to 15.1% for the same period last year.

- Income from continuing operations increased 4.7%, or $2.1 million, to $46.1 million for the three months ended August 31, 2019, compared to $44.0 million for the same period last year. Diluted earnings per share ("EPS") from continuing operations increased 10.2% to $1.83 for the three months ended August 31, 2019, compared to $1.66 for the same period last year.

- Adjusted income from continuing operations increased 7.6%, or $4.0 million, to $56.5 million for the three months ended August 31, 2019, compared to $52.5 million for the same period last year. Adjusted diluted EPS from continuing operations increased 13.1% to $2.24 for the three months ended August 31, 2019, compared to $1.98 for the same period last year.

- There were no results from discontinued operations for either the three months ended August 31, 2019 or 2018.

Year-To-Date Fiscal 2020 Financial Results

- Consolidated net sales revenue increased 5.6%, or $42.1 million, to $790.3 million for the six months ended August 31, 2019, compared to $748.2 million for the same period last year.

- Consolidated operating income increased 8.2%, or $7.7 million, to $101.7 million for the six months ended August 31, 2019, compared to $94.0 million for the same period last year. Consolidated operating margin increased 0.3 percentage points to 12.9% of consolidated net sales revenue for the six months ended August 31, 2019, compared to 12.6% for the same period last year. The six months ended August 31, 2019 included pre-tax restructuring charges of $1.0 million compared to pre-tax restructuring charges of $2.6 million for the same period last year.

- Consolidated adjusted operating income increased 8.7%, or $10.0 million, to $125.1 million for the six months ended August 31, 2019, compared to $115.1 million for the same period last year. Consolidated adjusted operating margin increased 0.4 percentage points to 15.8% of consolidated net sales revenue for the six months ended August 31, 2019, compared to 15.4% for the same period last year.

- Income from continuing operations increased 5.6%, or $4.6 million, to $86.8 million for the six months ended August 31, 2019, compared to $82.2 million for the same period last year. Diluted

EPS from continuing operations increased 11.3% to $3.44 for the six months ended August 31, 2019, compared to $3.09 for the same period last year.

- Adjusted income from continuing operations increased 6.2%, or $6.3 million, to $108.6 million for the six months ended August 31, 2019, compared to $102.3 million for the same period last year. Adjusted diluted EPS from continuing operations increased 11.7% to $4.30 for the six months ended August 31, 2019, compared to $3.85 for the same period last year.

- There were no results from discontinued operations for the six months ended August 31, 2019, compared to a loss of $0.4 million, or $0.01 per share, for the same period last year.

- Net income increased 6.1%, or $5.0 million, to $86.8 million for the six months ended August 31, 2019 compared to $81.8 million for the same period last year. Diluted EPS increased 12.1% to $3.44 for the six months ended August 31, 2019 compared to $3.07 for the same period last year.

Consolidated and Segment Net Sales

The following tables summarize the impact that core business, foreign exchange and acquisitions, as applicable, had on our net sales revenue by segment:

	Three Months Ended August 31,			
(in thousands)	**Housewares**	**Health & Home**	**Beauty**	**Total**
Fiscal 2019 sales revenue, net	$ 137,498	$ 175,783	$ 80,267	$ 393,548
Core business growth (decline)	30,837	(15,943)	7,494	22,388
Impact of foreign currency	(471)	(1,050)	(420)	(1,941)
Change in sales revenue, net	30,366	(16,993)	7,074	20,447
Fiscal 2020 sales revenue, net	$ 167,864	$ 158,790	$ 87,341	$ 413,995
Total net sales revenue growth (decline)	22.1 %	(9.7)%	8.8 %	5.2 %
Core business growth (decline)	22.4 %	(9.1)%	9.3 %	5.7 %
Impact of foreign currency	(0.3)%	(0.6)%	(0.5)%	(0.5)%

	Six Months Ended August 31,			
(in thousands)	**Housewares**	**Health & Home**	**Beauty**	**Total**
Fiscal 2019 sales revenue, net	$ 254,801	$ 339,214	$ 154,212	$ 748,227
Core business growth (decline)	58,767	(22,536)	10,334	46,565
Impact of foreign currency	(762)	(2,945)	(755)	(4,462)
Change in sales revenue, net	58,005	(25,481)	9,579	42,103
Fiscal 2020 sales revenue, net	$ 312,806	$ 313,733	$ 163,791	$ 790,330
Total net sales revenue growth (decline)	22.8 %	(7.5)%	6.2 %	5.6 %
Core business growth (decline)	23.1 %	(6.6)%	6.7 %	6.2 %
Impact of foreign currency	(0.3)%	(0.9)%	(0.5)%	(0.6)%

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

Leadership Brand and Other Net Sales

The following tables summarize our Leadership Brand and other net sales:

	Three Months Ended August 31,			
(in thousands)	2019	2018	$ Change	% Change
Leadership Brand sales revenue, net	$ 331,183	$ 319,045	$ 12,138	3.8%
All other sales revenue, net	82,812	74,503	8,309	11.2%
Total sales revenue, net	$ 413,995	$ 393,548	$ 20,447	5.2%

	Six Months Ended August 31,			
(in thousands)	2019	2018	$ Change	% Change
Leadership Brand sales revenue, net	$ 632,742	$ 599,804	$ 32,938	5.5%
All other sales revenue, net	157,588	148,423	9,165	6.2%
Total sales revenue, net	$ 790,330	$ 748,227	$ 42,103	5.6%

Consolidated Net Sales Revenue

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Consolidated net sales revenue increased $20.4 million, or 5.2%, to $414.0 million for the three months ended August 31, 2019, compared to $393.5 million for the same period last year. The growth was driven by a core business increase of $22.4 million, or 5.7%, primarily reflecting:

- an increase in brick and mortar sales in our Housewares segment;
- growth in consolidated online sales; and
- an increase in sales in the appliance category in the Beauty segment.

These factors were partially offset by:

- lower sales in our Health & Home segment;
- the unfavorable impact from foreign currency fluctuations of approximately $1.9 million, or 0.5%; and
- a decline in the personal care category within the Beauty segment.

Net sales from our Leadership Brands were $331.2 million for the three months ended August 31, 2019, compared to $319.0 million for the same period last year, representing growth of 3.8%.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Consolidated net sales revenue increased $42.1 million, or 5.6%, to $790.3 million for the six months ended August 31, 2019, compared to $748.2 million for the same period last year. The growth was driven by a core business increase of $46.6 million, or 6.2%, primarily reflecting:

- an increase in brick and mortar sales in our Housewares segment;
- growth in consolidated online sales; and
- an increase in sales in the appliance category in the Beauty segment.

These factors were partially offset by:

- lower domestic sales in our Health & Home segment;
- a decline in consolidated international sales;
- a decline in the personal care category within the Beauty segment; and
- the unfavorable impact from net foreign currency fluctuations of approximately $4.5 million, or 0.6%.

Net sales from our Leadership Brands were $632.7 million for the six months ended August 31, 2019, compared to $599.8 million for the same period last year, representing growth of 5.5%.

Segment Net Sales Revenue

Housewares

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Net sales revenue in the Housewares segment increased $30.4 million, or 22.1%, to $167.9 million for the three months ended August 31, 2019, compared to $137.5 million for the same period last year. Growth was driven by a core business increase of $30.8 million, or 22.4%, primarily due to:

- point of sale growth and incremental distribution with existing domestic brick and mortar customers;
- an increase in online sales;
- an increase in international sales; and
- new product introductions.

These factors were partially offset by the unfavorable impact of net foreign currency fluctuations of approximately $0.5 million, or 0.3%.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Net sales revenue in the Housewares segment increased $58.0 million, or 22.8%, to $312.8 million for the six months ended August 31, 2019, compared to $254.8 million for same period last year. Growth was primarily driven by a core business increase of $58.8 million, or 23.1%, due to:

- point of sale growth and incremental distribution with existing domestic brick and mortar customers;
- an increase in online sales; and
- new product introductions.

These factors were partially offset by the unfavorable impact of net foreign currency fluctuations of approximately $0.8 million, or 0.3%.

Health & Home

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Net sales revenue in the Health & Home segment decreased $17.0 million, or 9.7%, to $158.8 million for the three months ended August 31, 2019, compared to $175.8 million for the same period last year. The decline was primarily driven by a core business decline of $15.9 million, or 9.1% due to:

- lower domestic sales driven by the unfavorable comparative impact from the timing of seasonal shipments, less wildfire activity, and net distribution changes year-over-year; and
- lower international sales.

These factors were partially offset by revenue from new product introductions.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Net sales revenue in the Health & Home segment decreased $25.5 million, or 7.5%, to $313.7 million for the six months ended August 31, 2019, compared to $339.2 million for the same period last year. The decline was primarily driven by a core business decline of $22.5 million, or 6.6%, due to:

- lower domestic sales driven by the unfavorable comparative impacts of a strong cough/cold/flu season, less wildfire activity and net distribution changes year-over-year; and
- lower international sales.

These factors were partially offset by revenue from new product introductions.

Beauty

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Net sales revenue in the Beauty segment increased $7.1 million, or 8.8%, to $87.3 million for the three months ended August 31, 2019, compared to $80.3 million for the same period last year. The increase was driven by an increase in core business sales of $7.5 million, or 9.3%, primarily due to:

- increased demand and new product introductions in the appliance category;
- growth in the online channel; and
- an increase in international sales.

These factors were partially offset by a decrease in brick and mortar sales, a decline in the personal care category and the unfavorable impact of net foreign currency fluctuations of approximately $0.4 million, or 0.5%.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Net sales revenue in the Beauty segment increased $9.6 million, or 6.2%, to $163.8 million for the six months ended August 31, 2019, compared to $154.2 million for the same period last year. The growth was driven by a core business increase of $10.3 million, or 6.7%, primarily due to:

- increased sales from new product introductions in the appliance category;
- growth in the online channel; and
- an increase in international sales.

These factors were partially offset by a decline in brick and mortar sales, a decrease in the personal care category and the unfavorable impact of net foreign currency fluctuations of approximately $0.8 million, or 0.5%.

Consolidated Gross Profit Margin

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Consolidated gross profit margin for the three months ended August 31, 2019 increased 3.6 percentage points to 43.0%, compared to 39.4% for the same period last year. The increase in consolidated gross profit margin is primarily due to:

- a higher mix of Housewares revenue at a higher overall gross profit margin;
- tariff exclusion refunds received for certain duties expensed in the second half of fiscal 2019 and the first quarter of 2020; and
- a lower mix of shipments made on a direct import basis.

These factors were partially offset by the net margin dilutive impact from tariffs and related pricing actions, unfavorable foreign currency fluctuations, a lower mix of personal care sales and higher inbound freight expense.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Consolidated gross profit margin for the six months ended August 31, 2019 increased 1.7 percentage points to 42.0%, compared to 40.3% for the same period last year. The increase in consolidated gross profit margin is primarily due to:

- a higher mix of Housewares sales at a higher overall gross profit margin;
- tariff exclusion refunds received for certain duties expensed in the second half of fiscal 2019 and the first quarter of fiscal 2020; and
- a lower mix of shipments made on a direct import basis.

These factors were partially offset by the net margin dilutive impact from tariffs and related pricing actions, a lower mix of personal care sales, unfavorable foreign currency fluctuations and higher inbound freight expense.

Consolidated SG&A

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Consolidated SG&A ratio increased 3.5 percentage points to 29.8% for the three months ended August 31, 2019, compared to 26.3% for the same period last year. The increase in the consolidated SG&A ratio is primarily due to:

- higher annual incentive and share-based compensation expense related to short- and long-term performance;
- the unfavorable impact of a lower mix of shipments made on a direct import basis;
- higher outbound freight expense;
- higher advertising and new product development expense; and
- higher amortization expense.

These factors were partially offset by the impact from tariff related pricing actions taken with retail customers, the impact that higher overall sales had on net operating leverage, and the favorable impact from foreign currency exchange and forward contract settlements.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Consolidated SG&A ratio increased 1.6 percentage points to 29.0% for the six months ended August 31, 2019, compared to 27.4% for the same period last year. The increase in the consolidated SG&A ratio was primarily due to:

- higher annual incentive and share-based compensation expense related to short- and long-term performance;
- the unfavorable impact of a lower mix of shipments made on a direct import basis;
- higher outbound freight expense;
- higher advertising and new product development expense; and
- higher amortization expense.

These factors were partially offset by:

- the impact from tariff related pricing actions taken with retail customers;
- the impact that higher overall sales had on net operating leverage; and
- the favorable impact of foreign currency exchange and forward contract settlements.

Restructuring Charges

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
During the three months ended August 31, 2019, we incurred $0.4 million of pre-tax restructuring charges compared to $0.9 million for the same period last year. The charges related primarily to employee severance and termination benefits and contract termination costs.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019

During the six months ended August 31, 2019, we incurred $1.0 million of pre-tax restructuring charges compared to $2.6 million of pre-tax restructuring charges during the same period last year. The charges related primarily to employee severance and termination benefits and contract termination costs.

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

In order to provide a better understanding of the comparative impact of certain items on operating income, the tables that follow report the comparative before tax impact of restructuring charges, amortization of intangible assets, and non-cash share-based compensation, as applicable, on operating income and operating margin for each segment and in total for the periods covered below. Adjusted operating income and adjusted operating margin may be considered non-GAAP financial measures as contemplated by SEC Regulation G, Rule 100. For additional information regarding management's decision to present this non-GAAP financial information, see the introduction to this Item 2., "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Three Months Ended August 31, 2019							
(In thousands)	Housewares		Health & Home		Beauty		Total	
Operating income, as reported (GAAP)	**$35,698**	**21.3%**	**$12,408**	**7.8%**	**$ 6,414**	**7.3%**	**$ 54,520**	**13.2%**
Restructuring charges	**2**	**—%**	**—**	**—%**	**428**	**0.5%**	**430**	**0.1%**
Subtotal	**35,700**	**21.3%**	**12,408**	**7.8%**	**6,842**	**7.8%**	**54,950**	**13.3%**
Amortization of intangible assets	**179**	**0.1%**	**2,798**	**1.8%**	**1,486**	**1.7%**	**4,463**	**1.1%**
Non-cash share-based compensation	**1,769**	**1.1%**	**2,519**	**1.6%**	**2,093**	**2.4%**	**6,381**	**1.5%**
Adjusted operating income (non-GAAP)	**37,648**	**22.4%**	**17,725**	**11.2%**	**10,421**	**11.9%**	**65,794**	**15.9%**

	Three Months Ended August 31, 2018							
(In thousands)	Housewares		Health & Home		Beauty		Total	
Operating income, as reported (GAAP)	$28,329	20.6%	$13,631	7.8%	$ 8,700	10.8%	$ 50,660	12.9%
Restructuring charges	—	—%	—	—%	859	1.1%	859	0.2%
Subtotal	28,329	20.6%	13,631	7.8%	9,559	11.9%	51,519	13.1%
Amortization of intangible assets	511	0.4%	2,704	1.5%	186	0.2%	3,401	0.9%
Non-cash share-based compensation	1,994	1.5%	2,156	1.2%	539	0.7%	4,689	1.2%
Adjusted operating income (non-GAAP)	30,834	22.4%	18,491	10.5%	10,284	12.8%	59,609	15.1%

	Six Months Ended August 31, 2019							
(In thousands)	Housewares		Health & Home		Beauty		Total	
Operating income, as reported (GAAP)	**$66,898**	**21.4%**	**$27,464**	**8.8%**	**$ 7,365**	**4.5%**	**$ 101,727**	**12.9%**
Restructuring charges	**90**	**—%**	**—**	**—%**	**959**	**0.6%**	**1,049**	**0.1%**
Subtotal	**66,988**	**21.4%**	**27,464**	**8.8%**	**8,324**	**5.1%**	**102,776**	**13.0%**
Amortization of intangible assets	**697**	**0.2%**	**5,596**	**1.8%**	**2,046**	**1.2%**	**8,339**	**1.1%**
Non-cash share-based compensation	**4,343**	**1.4%**	**5,893**	**1.9%**	**3,749**	**2.3%**	**13,985**	**1.8%**
Adjusted operating income (non-GAAP)	**$72,028**	**23.0%**	**$38,953**	**12.4%**	**$14,119**	**8.6%**	**$ 125,100**	**15.8%**

	Six Months Ended August 31, 2018							
(In thousands)	Housewares		Health & Home		Beauty		Total	
Operating income, as reported (GAAP)	$50,512	19.8%	$33,288	9.8%	$10,187	6.6%	$ 93,987	12.6%
Restructuring charges	760	0.3%	358	0.1%	1,466	1.0%	2,584	0.3%
Subtotal	51,272	20.1%	33,646	9.9%	11,653	7.6%	96,571	12.9%
Amortization of intangible assets	985	0.4%	5,408	1.6%	1,129	0.7%	7,522	1.0%
Non-cash share-based compensation	3,980	1.6%	4,482	1.3%	2,551	1.7%	11,013	1.5%
Adjusted operating income (non-GAAP)	$56,237	22.1%	$43,536	12.8%	$15,333	9.9%	$ 115,106	15.4%

Consolidated Operating Income

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Consolidated operating income was $54.5 million, or 13.2% of net sales, compared to $50.7 million, or 12.9% of net sales, for the same period last year. The increase was driven by the following factors:
- tariff exclusion refunds received for certain duties expensed in the second half of fiscal 2019 and the first quarter of fiscal 2020;
- a higher mix of Housewares sales at a higher overall operating margin;
- the impact of favorable foreign currency exchange contracts and remeasurement on SG&A;
- the favorable impact that higher overall net sales had on operating expense leverage; and
- the net favorable comparative impact of pre-tax restructuring charges of $0.4 million.

These factors were partially offset by:
- higher annual incentive and share-based compensation expense related to short- and long-term performance;
- higher advertising and new product development expense;
- higher amortization expense;
- higher freight and distribution expense; and
- the impact of unfavorable foreign currency fluctuations on net sales and operating margin.

Consolidated adjusted operating income increased 10.4% to $65.8 million, or 15.9% of net sales, compared to $59.6 million, or 15.1% of net sales, in the same period last year.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Consolidated operating income was $101.7 million, or 12.9% of net sales, compared to $94.0 million, or 12.6% of net sales, for the same period last year. The increase was driven by the following factors:
- tariff exclusion refunds received for certain duties expensed in the second half of fiscal 2019 and the first quarter of fiscal 2020;
- a higher mix of Housewares sales at a higher overall operating margin;
- the impact of favorable foreign currency exchange contracts and remeasurement on SG&A;
- the favorable impact that higher overall net sales had on operating expense leverage; and
- the net favorable comparative impact of pre-tax restructuring charges of $1.5 million.

These factors were partially offset by:
- higher annual incentive and share-based compensation expense related to short- and long-term performance;
- higher advertising and new product development expense;
- higher amortization expense;
- higher freight and distribution expense; and
- the impact of unfavorable foreign currency fluctuations on net sales and operating margin.

Consolidated adjusted operating income increased 8.7% to $125.1 million, or 15.8% of net sales, compared to $115.1 million, or 15.4% of net sales, for the same period last year.

Housewares

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Housewares operating income was $35.7 million, or 21.3% of segment net sales, compared to $28.3 million, or 20.6% of segment net sales, for the same period last year. The 0.7 percentage point increase in segment operating margin is primarily due to:

- the margin impact of a more favorable product and channel mix; and
- the impact that higher sales had on operating leverage.

These factors were partially offset by:

- higher annual incentive and share-based compensation expense related to short- and long-term performance;
- higher new product development expense; and
- higher freight and distribution center expense to support increased volume and integration activity.

Adjusted operating income increased 22.1% to $37.6 million, or 22.4% of segment net sales, compared to $30.8 million, or 22.4% of segment net sales, in the same period last year.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Housewares operating income was $66.9 million, or 21.4% of segment net sales, for the six months ended August 31, 2019, compared to $50.5 million, or 19.8% of segment net sales, in the same period last year. The 1.6 percentage point increase in segment operating margin is primarily due to:

- the margin impact of a more favorable product and channel mix;
- the impact that higher sales had on operating leverage; and
- the net favorable comparative impact of pre-tax restructuring charges of $0.7 million.

These factors were partially offset by:

- higher annual incentive and share-based compensation expense related to short- and long-term performance;
- higher advertising and new product development expense; and
- higher freight and distribution center expense to support increased volume and integration activity.

Adjusted operating income increased 28.1% to $72.0 million, or 23.0% of segment net sales, compared to $56.2 million, or 22.1% of segment net sales, in the same period last year.

Health & Home

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Health & Home operating income was $12.4 million, or 7.8% of segment net sales, compared to $13.6 million, or 7.8% of segment net sales in the same period last year. Segment operating margin was flat compared to the prior year period primarily due to the following unfavorable impacts:

- higher media advertising expense;
- unfavorable operating leverage from the decline in sales;
- higher share-based compensation expense;
- the margin impact of a less favorable channel mix; and
- the impact of unfavorable foreign currency exchange fluctuations on net sales and operating margin.

These factors were offset by tariff exclusion refunds received for certain duties expensed in the second half of fiscal 2019 and the first quarter of fiscal 2020 and the impact of favorable foreign currency exchange contracts and remeasurement on SG&A.

Adjusted operating income decreased 4.1% to $17.7 million, or 11.2% of segment net sales, compared to $18.5 million, or 10.5% of segment net sales, in the same period last year.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Health & Home operating income was $27.5 million, or 8.8% of segment net sales, compared to $33.3 million, or 9.8% of segment net sales, in the same period last year. The 1.0 percentage point decrease in segment operating margin is primarily due to:

- the impact of unfavorable foreign currency fluctuations on net sales and operating margin;
- higher media advertising expense;
- unfavorable operating leverage from the decline in sales; and
- the margin impact of a less favorable channel mix.

These factors were partially offset by tariff exclusion refunds received for certain duties expensed in the second half of fiscal 2019 and first quarter of fiscal 2020, lower product claim liability expense and the impact of favorable foreign currency contracts and remeasurement on SG&A.

Adjusted operating income decreased 10.5% to $39.0 million, or 12.4% of segment net sales, compared to $43.5 million, or 12.8% of segment net sales, in the same period last year.

Beauty

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019
Beauty operating income was $6.4 million, or 7.3% of segment net sales, compared to $8.7 million, or 10.8% of segment net sales, in the same period last year. The 3.5 percentage point decrease in segment operating margin is primarily due to:

- the impact of higher freight expense to meet strong demand in the appliance category;
- higher annual incentive and share-based compensation expense related to short- and long-term performance;
- higher amortization expense;
- the margin impact of a less favorable product and channel mix; and
- the impact of unfavorable foreign currency fluctuations on net sales and operating margin.

These factors were partially offset by lower advertising expense and the net favorable comparative impact of pre-tax restructuring charges of $0.4 million.

Adjusted operating income increased 1.3% to $10.4 million, or 11.9% of segment net sales, compared to $10.3 million, or 12.8% of segment net sales, in the same period last year.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019
Beauty operating income was $7.4 million, or 4.5% of segment net sales, compared to operating income of $10.2 million, or 6.6% of segment net sales, in the same period last year. The 2.1 percentage point decrease in segment operating margin is primarily due to:

- the impact of higher freight expense to meet strong demand in the appliance category;
- higher annual incentive and share-based compensation expense related to short- and long-term performance;
- the impact of unfavorable foreign currency fluctuations on net sales and operating margin;
- higher amortization expense; and
- the margin impact of a less favorable product and channel mix.

These factors were partially offset by lower advertising expense and the net favorable comparative impact of pre-tax restructuring charges of $0.5 million.

Adjusted operating income decreased 7.9% to $14.1 million, or 8.6% of segment net sales, compared to $15.3 million, or 9.9% of segment net sales, in the same period last year.

Interest Expense

Interest expense was $3.2 million for the three months ended August 31, 2019, compared to $2.8 million in the same period last year. Interest expense was $6.5 million for the six months ended August 31, 2019 compared to $5.4 million in the same period last year. The increase in interest expense was primarily due to higher average levels of debt outstanding and higher average interest rates compared to the same periods last year.

Income Tax Expense

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

For the three months ended August 31, 2019, income tax expense as a percentage of income before income tax was 10.3% compared to 8.3% for the same period last year. The year-over-year increase in the effective tax rate is primarily due to shifts in the mix of taxable income in our various tax jurisdictions and increases in certain statutory tax rates.

For the six months ended August 31, 2019, income tax expense as a percentage of income before income tax was 9.0%, which included $0.8 million of tax benefits from share-based compensation settlements, $1.7 million of expense from the remeasurement of deferred taxes due to tax rate changes, and a $2.8 million benefit from the resolution of an uncertain tax position. Income tax expense as a percentage of income before income tax was 7.3% for the same period last year, which included $0.5 million tax benefits from share-based compensation settlements and a $0.8 million benefit from the lapse of the statute of limitations related to an uncertain tax position. The year-over-year increase in the effective tax rate is primarily due to shifts in the mix of taxable income in our various tax jurisdictions and increases in certain statutory tax rates.

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

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

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

In order to provide a better understanding of the impact of certain items on our income and EPS from continuing operations, the analysis that follows reports the comparative after tax impact of restructuring charges, amortization of intangible assets, and non-cash share-based compensation, as applicable, on income from continuing operations, and diluted EPS from continuing operations for the periods covered below. For additional information regarding management's decision to present this non-GAAP financial information, see the introduction to this Item 2., "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Three Months Ended August 31, 2019					
	Income From Continuing Operations			Diluted EPS From Continuing Operations		
(in thousands, except per share data)	**Before Tax**	**Tax**	**Net of Tax**	**Before Tax**	**Tax**	**Net of Tax**
As reported (GAAP)	**$ 51,393**	**$ 5,298**	**$ 46,095**	**$ 2.04**	**$ 0.21**	**$ 1.83**
Restructuring charges	**430**	**66**	**364**	**0.02**	**—**	**0.01**
Subtotal	**51,823**	**5,364**	**46,459**	**2.05**	**0.21**	**1.84**
Amortization of intangible assets	**4,463**	**248**	**4,215**	**0.18**	**0.01**	**0.17**
Non-cash share-based compensation	**6,381**	**515**	**5,866**	**0.25**	**0.02**	**0.23**
Adjusted (non-GAAP)	**$ 62,667**	**$ 6,127**	**$ 56,540**	**$ 2.48**	**$ 0.24**	**$ 2.24**
Weighted average shares of common stock used in computing diluted EPS						**25,245**

	Three Months Ended August 31, 2018					
	Income From Continuing Operations			Diluted EPS From Continuing Operations		
(in thousands, except per share data)	**Before Tax**	**Tax**	**Net of Tax**	**Before Tax**	**Tax**	**Net of Tax**
As reported (GAAP)	$ 47,990	$ 3,973	$ 44,017	$ 1.81	$ 0.15	$ 1.66
Restructuring charges	859	41	818	0.03	—	0.03
Subtotal	48,849	4,014	44,835	1.84	0.15	1.69
Amortization of intangible assets	3,402	56	3,346	0.13	—	0.13
Non-cash share-based compensation	4,689	337	4,352	0.18	0.01	0.16
Adjusted (non-GAAP)	$ 56,940	$ 4,407	$ 52,533	$ 2.14	$ 0.17	$ 1.98
Weighted average shares of common stock used in computing diluted EPS						26,557

(in thousands, except per share data)	Six Months Ended August 31, 2019 — Income From Continuing Operations: Before Tax	Tax	Net of Tax	Diluted EPS From Continuing Operations: Before Tax	Tax	Net of Tax
As reported (GAAP)	**$ 95,424**	**$ 8,635**	**$ 86,789**	**$ 3.78**	**$ 0.34**	**$ 3.44**
Restructuring charges	**1,049**	**68**	**981**	**0.04**	**—**	**0.04**
Subtotal	**96,473**	**8,703**	**87,770**	**3.82**	**0.34**	**3.48**
Amortization of intangible assets	**8,339**	**369**	**7,970**	**0.33**	**0.01**	**0.32**
Non-cash share-based compensation	**13,985**	**1,091**	**12,894**	**0.55**	**0.04**	**0.51**
Adjusted (non-GAAP)	**$ 118,797**	**$ 10,163**	**$ 108,634**	**$ 4.71**	**$ 0.40**	**$ 4.30**
Weighted average shares of common stock used in computing diluted EPS						**25,245**

(in thousands, except per share data)	Six Months Ended August 31, 2018 — Income From Continuing Operations: Before Tax	Tax	Net of Tax	Diluted EPS From Continuing Operations: Before Tax	Tax	Net of Tax
As reported (GAAP)	$ 88,705	$ 6,515	$ 82,190	$ 3.33	$ 0.24	$ 3.09
Restructuring charges	2,584	183	2,401	0.10	0.01	0.09
Subtotal	91,289	6,698	84,591	3.43	0.25	3.18
Amortization of intangible assets	7,522	190	7,332	0.28	0.01	0.28
Non-cash share-based compensation	11,013	606	10,407	0.41	0.02	0.39
Adjusted (non-GAAP)	$ 109,824	$ 7,494	$ 102,330	$ 4.13	$ 0.28	$ 3.85
Weighted average shares of common stock used in computing diluted EPS						26,612

Comparison of Second Quarter Fiscal 2020 to Second Quarter Fiscal 2019

Income from continuing operations was $46.1 million for the three months ended August 31, 2019 compared to $44.0 million for the same period last year. Diluted EPS from continuing operations was $1.83 for the three months ended August 31, 2019 compared to $1.66 for the same period last year. Diluted EPS increased primarily due to higher operating income from our Housewares segment and the impact of lower weighted average diluted shares outstanding compared to the same period last year. This was partially offset by lower operating income from our Health & Home and Beauty segments, higher interest expense and higher income tax expense.

Adjusted income from continuing operations increased $4.0 million, or 7.6%, to $56.5 million for the three months ended August 31, 2019 compared to $52.5 million the same period last year. Adjusted diluted EPS from continuing operations increased 13.1% to $2.24 for the three months ended August 31, 2019 compared to $1.98 for the same period last year.

Comparison of First Six Months of Fiscal 2020 to First Six Months of Fiscal 2019

Income from continuing operations was $86.8 million for the six months ended August 31, 2019 compared to $82.2 million for the same period last year. Diluted EPS from continuing operations was $3.44 for the six months ended August 31, 2019 compared to $3.09 for the same period last year. Diluted EPS increased primarily due to the impact of higher operating income in our Housewares segment and lower weighted average diluted shares outstanding compared to the same period last year. This was partially offset by lower operating income from our Health & Home and Beauty segments, higher interest expense and higher income tax expense.

Adjusted income from continuing operations increased $6.3 million, or 6.2%, to $108.6 million for the six months ended August 31, 2019 compared to $102.3 million the same period last year. Adjusted diluted EPS from continuing operations increased 11.7% to $4.30 for the six months ended August 31, 2019 compared to $3.85 for the same period last year.

Financial Condition, Liquidity and Capital Resources

Selected measures of our liquidity and capital resources are shown for the periods below :

	Six Months Ended August 31,	
	2019	**2018**
Accounts Receivable Turnover (Days) (1)	**68.4**	65.4
Inventory Turnover (Times) (1)	**2.9**	3.3
Working Capital *(in thousands)*	**$ 393,514**	$ 338,360
Current Ratio	**2.2:1**	2.1:1
Ending Debt to Ending Equity Ratio	**27.7%**	28.0%
Return on Average Equity (1)	**17.1%**	14.5%

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

We rely principally on cash flows from operations and borrowings under our credit facility to finance our operations, acquisitions, and capital expenditures. We believe our cash flows from operations and availability under our credit facility are sufficient to meet our working capital and capital expenditure needs.

Operating Activities

Operating activities from continuing operations provided net cash of $38.2 million for the six months ended August 31, 2019 compared to $37.3 million for the same period last year. The increase was primarily driven by an increase in income from continuing operations, higher non-cash expense, the collection of a $10.8 million supplemental payment during the second quarter of fiscal 2020 related to the divestiture of our former Nutritional Supplements segment, and the comparative impact of a $15.0 million dispute settlement payment made in the same period last year. These factors were offset by an increase in cash used for inventory, due in part to additional inventory to meet strong demand in retail appliances, as well as for risk management as we progress with supplier consolidation, complete and optimize a distribution center integration and support increased growth in volume.

Investing Activities

During the six months ended August 31, 2019, we invested in capital and intangible asset expenditures of $8.9 million compared to $13.1 million for the same period last year.

Financing Activities

Financing activities from continuing operations used $24.2 million of cash during the six months ended August 31, 2019, compared to $24.7 million for the same period last year. A reduction in repurchases of common stock was offset by higher net repayments on our line of credit for the first six months of fiscal 2020 compared to the same period last year.

Credit and Other Debt Agreements

Credit Agreement

We have a credit agreement (the "Credit Agreement") with Bank of America, N.A., as administrative agent, and other lenders that provides for an unsecured total revolving commitment of $1.0 billion as of August 31, 2019. The commitment under the Credit Agreement terminates on December 7, 2021. Borrowings accrue interest under one of two alternative methods (based on a base rate or LIBOR) as described in the Credit Agreement. With each borrowing against our credit line, we can elect the interest rate method based on our funding needs at the time. We also incur loan commitment and letter of credit fees under the Credit Agreement. Outstanding letters of credit reduce the borrowing availability under the Credit Agreement on a dollar-for-dollar basis. As of August 31, 2019, the outstanding revolving loan principal balance was $283.0 million (excluding prepaid financing fees) and the balance of outstanding letters of credit was $9.0 million. As of August 31, 2019, the amount available for borrowings under the Credit Agreement was $708.0 million. Covenants in our debt agreements limit the amount of total indebtedness we can incur. As of August 31, 2019, these covenants effectively limited our ability to incur more than $609.0 million of additional debt from all sources, including our Credit Agreement, or $708.0 million in the event a qualified acquisition is consummated.

Other Debt Agreements

We have an aggregate principal balance of $20.5 million (excluding prepaid financing fees) under a loan agreement with the Mississippi Business Finance Corporation (the "MBFC Loan") as of August 31, 2019. The borrowings were used to fund construction of our Olive Branch, Mississippi distribution facility. The remaining loan balance is payable as follows: $1.9 million annually on March 1, 2020 through 2022; and 14.8 million on March 1, 2023. Any remaining outstanding principal and interest is due upon maturity on March 1, 2023.

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

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

Applicable Financial Covenant	Credit Agreement and MBFC Loan
Interest Coverage Ratio	EBIT (1) ÷ Interest Expense (1) Minimum Required: 3.00 to 1.00
Maximum Leverage Ratio	Total Current and Long Term Debt (2) ÷ EBITDA (1) + Pro Forma Effect of Acquisitions Maximum Currently Allowed: 3.50 to 1.00 (3)

Key Definitions:

EBIT:	Earnings Before Non-Cash Charges, Interest Expense and Taxes
EBITDA:	EBIT + Depreciation and Amortization Expense + Share-based Compensation
Pro Forma Effect of Acquisitions:	For any acquisition, pre-acquisition EBITDA of the acquired business is included so that the EBITDA of the acquired business included in the computation equals its twelve month trailing total.

Notes:

(1) Computed using totals for the latest reported four consecutive fiscal quarters.
(2) Computed using the ending balances as of the latest reported fiscal quarter.
(3) In the event a qualified acquisition is consummated, the maximum leverage ratio is 4.25 to 1.00.

Contractual Obligations

There have been no material changes from the information provided in our latest annual report on Form 10-K. Additional information regarding contractual obligations can be found in Notes 11 and 12 to the accompanying condensed consolidated financial statements.

Off-Balance Sheet Arrangements

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

Current and Future Capital Needs

Based on our current financial condition and current operations, we believe that cash flows from operations and available financing sources will continue to provide sufficient capital resources to fund our foreseeable short- and long-term liquidity requirements. We expect our capital needs to stem primarily from the need to purchase sufficient levels of inventory and to carry normal levels of accounts receivable on our balance sheet. In addition, we continue to evaluate acquisition opportunities on a regular basis. We may finance acquisition activity with available cash, the issuance of shares of common stock, additional debt, or other sources of financing, depending upon the size and nature of any such transaction and the status of the capital markets at the time of such acquisition. We may also elect to repurchase additional shares of common stock under our Board authorization, subject to limitations contained in our debt agreements and based upon our assessment of a number of factors, including share price, trading volume and general market conditions, working capital requirements, general business conditions, financial conditions, any applicable contractual limitations, and other factors, including alternative investment opportunities. We may finance share repurchases with available cash, additional debt or other sources of financing. For additional information, see Part II, Item 5., “Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities” in our latest annual report on form 10-K and Part II, Item 2. "Unregistered Sales of Equity Securities and Use of Proceeds" in this report. As of August 31, 2019, the amount of cash and cash equivalents held by our foreign subsidiaries was $19.3 million, of which, an immaterial amount was held in foreign countries where the funds may not be readily convertible into other currencies.

New Accounting Guidance

For information on recently adopted and issued accounting pronouncements, see Note 2 to the accompanying condensed consolidated financial statements.

Information Regarding Forward-Looking Statements

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

Such risks are not limited to, but may include:

- our ability to deliver products to our customers in a timely manner and according to their fulfillment standards;
- the costs of complying with the business demands and requirements of large sophisticated customers;
- our relationships with key customers and licensors;
- our dependence on the strength of retail economies and vulnerabilities to any prolonged economic downturn;
- our dependence on sales to several large customers and the risks associated with any loss or substantial decline in sales to top customers;
- expectations regarding Project Refuel and any other proposed restructuring;
- expectations regarding recent and future acquisitions or divestitures, including our ability to realize anticipated cost savings, synergies and other benefits along with our ability to effectively integrate acquired businesses or separate divested businesses;
- circumstances which may contribute to future impairment of goodwill, intangible or other long-lived assets;
- the retention and recruitment of key personnel;
- foreign currency exchange rate fluctuations;
- risks associated with weather conditions, the duration and severity of the cold and flu season and other related factors;
- our dependence on foreign sources of supply and foreign manufacturing, and associated operational risks including, but not limited to, long lead times, consistent local labor availability and capacity, and timely availability of sufficient shipping carrier capacity;
- the impact of changing costs of raw materials, labor and energy on cost of goods sold and certain operating expenses;
- the risks associated with significant tariffs or other restrictions on imports from China or any retaliatory trade measures taken by China;
- the geographic concentration and peak season capacity of certain U.S. distribution facilities increases our exposure to significant shipping disruptions and added shipping and storage costs;
- our projections of product demand, sales and net income are highly subjective in nature and future sales and net income could vary in a material amount from such projections;
- the risks associated with the use of trademarks licensed from and to third parties;

- our ability to develop and introduce a continuing stream of new products to meet changing consumer preferences;
- trade barriers, exchange controls, expropriations, and other risks associated with U.S. and foreign operations;
- the risks to our liquidity as a result of changes to capital market conditions and other constraints or events that impose constraints on our cash resources and ability to operate our business;
- the costs, complexity and challenges of upgrading and managing our global information systems;
- the risks associated with cybersecurity and information security breaches;
- the risks associated with global legal developments regarding privacy and data security could result in changes to our business practices, penalties, increased cost of operations, or otherwise harm our business;
- the risks associated with product recalls, product liability, other claims, and related litigation against us;
- the risks associated with accounting for tax positions, tax audits and related disputes with taxing authorities;
- the risks of potential changes in laws in the U.S. or abroad, including tax laws, regulations or treaties, employment and health insurance laws and regulations, laws relating to environmental policy, personal data, financial regulation, transportation policy and infrastructure policy along with the costs and complexities of compliance with such laws; and
- our ability to continue to avoid classification as a controlled foreign corporation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the information provided in the section entitled “Quantitative and Qualitative Disclosures about Market Risk” in our Form 10-K. Additional information regarding risk management activities can be found in Notes 12, 13 and 14 to the accompanying condensed consolidated financial statements.

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Our management, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), maintains disclosure controls and procedures as defined in Rules 13a-15(e) under the Exchange Act that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, including our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended August 31, 2019. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective at a reasonable level of assurance as of August 31, 2019, the end of the period covered by this quarterly report on Form 10-Q.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

In connection with the evaluation described above, we identified no change in our internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act that occurred during our fiscal quarter ended August 31, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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.

ITEM 1A. RISK FACTORS

The ownership of our common stock involves a number of risks and uncertainties. When evaluating the Company and our business before making an investment decision regarding our securities, potential investors should carefully consider the risk factors and uncertainties described in Part 1, Item 1A. "Risk Factors" of our annual report on Form 10-K for the fiscal year ended February 28, 2019. Since the filing of our annual report on Form 10-K, there have been no material changes in our risk factors from those disclosed therein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On May 8, 2019, our Board of Directors authorized the repurchase of up to $400 million of our outstanding common stock. The authorization is effective until May 2022 and replaced our former repurchase authorization, of which $107.4 million was outstanding at the time the new authorization was approved. These repurchases may include open market purchases, privately negotiated transactions, block trades, accelerated stock repurchase transactions, or any combination of such methods. The number of shares purchased and the timing of the purchases will depend on a number of factors, including share price, trading volume and general market conditions, working capital requirements, general business conditions, financial conditions, any applicable contractual limitations, and other factors, including alternative investment opportunities. See Note 9 to the accompanying condensed consolidated financial statements for additional information.

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

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

Period	Total Number of Shares Purchased (1)(3)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) (2)
June 1 to June 30, 2019	251	$ 131.60	251	$ 394,325
July 1 to July 31, 2019	1,970	142.11	1,970	394,045
August 1 to August 31, 2019	133	147.32	133	394,015
Total	2,354	$ 145.96	2,354	

(1) The number of shares above includes shares of common stock acquired from employees who tendered shares to: i) satisfy the tax withholding on equity awards as part of our long-term incentive plans or ii) satisfy the exercise price on stock option exercises. For the three months ended August 31, 2019, 2,354 shares were acquired at a weighted average per share price of $145.96.

(2) Reflects the remaining dollar value of shares that could be purchased under our current stock repurchase authorization through the expiration or termination of the plan. For additional information, see Note 9 to the accompanying condensed consolidated financial statements.

ITEM 6. EXHIBITS

(a) Exhibits

10.1+	Severance Agreement among Helen of Troy Nevada Corporation, a Nevada Corporation, Helen of Troy Limited, a Bermuda Company, and Brian L. Grass, effective June 17, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 21, 2019).
31.1*	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Joint certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended August 31, 2019, formatted in Inline eXtensible Business Reporting Language ("iXBRL"): (i) Condensed Consolidated Balance Sheet, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows and (vi) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page, formatted iXBRL and contained in Exhibit 101.

* Filed herewith.

** Furnished herewith.

\+ Management contracts or compensatory plans or arrangements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	HELEN OF TROY LIMITED
	(Registrant)
Date: October 10, 2019	/s/ Julien R. Mininberg
	Julien R. Mininberg
	Chief Executive Officer, Director and Principal Executive Officer
Date: October 10, 2019	/s/ Brian L. Grass
	Brian L. Grass
	Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer

EXHIBIT 31.1

CERTIFICATION

I, Julien R. Mininberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended August 31, 2019 of Helen of Troy Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 10, 2019

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

EXHIBIT 31.2

CERTIFICATION

I, Brian L. Grass, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended August 31, 2019 of Helen of Troy Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 10, 2019

/s/ Brian L. Grass

Brian L. Grass
Chief Financial Officer, Principal Financial
Officer and Principal Accounting Officer

EXHIBIT 32

CERTIFICATION

In connection with the quarterly report of Helen of Troy Limited (the “Company”) on Form 10-Q for the fiscal quarter ended August 31, 2019, as filed with the Securities and Exchange Commission (the “Report”), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned, the Chief Executive Officer and Chief Financial Officer of the Company, hereby certifies that to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 10, 2019

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

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

This certification is not deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.