

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 November 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___ to ___
Commission File Number: 001-14669



HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction
of incorporation or organization)

74-2692550

(I.R.S. Employer
Identification No.)

**Clarendon House
2 Church Street
Hamilton, Bermuda**

(Address of principal executive offices)

**1 Helen of Troy Plaza
El Paso, Texas 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(s)	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 ☒

Non-accelerated filer ☐

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 January 2, 2025, there were 22,855,739 common shares, \$0.10 par value per share, outstanding.

HELEN OF TROY LIMITED AND SUBSIDIARIES
FORM 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

<i>(in thousands, except shares and par value)</i>	November 30, 2024	February 29, 2024
Assets		
Assets, current:		
Cash and cash equivalents	\$ 40,804	\$ 18,501
Receivables, less allowances of \$6,707 and \$7,481	456,170	394,536
Inventory	450,740	395,995
Prepaid expenses and other current assets	36,215	27,012
Income taxes receivable	12,379	7,874
Total assets, current	996,308	843,918
Property and equipment, net of accumulated depreciation of \$192,865 and \$169,021	329,849	336,646
Goodwill	1,066,730	1,066,730
Other intangible assets, net of accumulated amortization of \$200,488 and \$186,882	524,105	536,696
Operating lease assets	36,031	35,962
Deferred tax assets, net	3,259	3,662
Other assets	16,849	15,008
Total assets	\$ 2,973,131	\$ 2,838,622
Liabilities and Stockholders' Equity		
Liabilities, current:		
Accounts payable	\$ 315,353	\$ 245,349
Accrued expenses and other current liabilities	182,759	181,391
Income taxes payable	11,066	17,821
Long-term debt, current maturities	8,594	6,250
Total liabilities, current	517,772	450,811
Long-term debt, excluding current maturities	725,297	659,421
Lease liabilities, non-current	40,867	37,262
Deferred tax liabilities, net	49,535	41,253
Other liabilities, non-current	11,484	12,433
Total liabilities	1,344,955	1,201,180
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; 22,853,038 and 23,751,258 shares issued and outstanding	2,285	2,375
Additional paid in capital	361,796	348,739
Accumulated other comprehensive income	3,243	2,099
Retained earnings	1,260,852	1,284,229
Total stockholders' equity	1,628,176	1,637,442
Total liabilities and stockholders' equity	\$ 2,973,131	\$ 2,838,622

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

<i>(in thousands, except per share data)</i>	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Sales revenue, net	\$ 530,706	\$ 549,614	\$ 1,421,774	\$ 1,515,849
Cost of goods sold	271,378	285,833	743,297	806,784
Gross profit	259,328	263,781	678,477	709,065
Selling, general and administrative expense ("SG&A")	180,692	152,964	530,865	499,790
Restructuring charges	3,518	3,890	6,879	14,862
Operating income	75,118	106,927	140,733	194,413
Non-operating income, net	198	180	468	465
Interest expense	12,164	12,859	37,923	40,565
Income before income tax	63,152	94,248	103,278	154,313
Income tax expense	13,536	18,350	30,444	28,453
Net income	<u>\$ 49,616</u>	<u>\$ 75,898</u>	<u>\$ 72,834</u>	<u>\$ 125,860</u>
Earnings per share ("EPS"):				
Basic	\$ 2.17	\$ 3.20	\$ 3.16	\$ 5.27
Diluted	2.17	3.19	3.15	5.25
Weighted average shares used in computing EPS:				
Basic	22,853	23,743	23,064	23,903
Diluted	22,882	23,813	23,118	23,996

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

<i>(in thousands)</i>	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Net income	\$ 49,616	\$ 75,898	\$ 72,834	\$ 125,860
Other comprehensive income (loss), net of tax:				
Cash flow hedge activity - interest rate swaps	1,934	(1,686)	(587)	(2,010)
Cash flow hedge activity - foreign currency contracts	2,824	58	1,731	(879)
Total other comprehensive income (loss), net of tax	4,758	(1,628)	1,144	(2,889)
Comprehensive income	<u>\$ 54,374</u>	<u>\$ 74,270</u>	<u>\$ 73,978</u>	<u>\$ 122,971</u>

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

<i>(in thousands, including shares)</i>	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Par Value				
Balances at February 29, 2024	23,751	\$ 2,375	\$ 348,739	\$ 2,099	\$ 1,284,229	\$ 1,637,442
Net income	—	—	—	—	6,204	6,204
Other comprehensive income, net of tax	—	—	—	698	—	698
Exercise of stock options	6	1	351	—	—	352
Issuance and settlement of restricted stock	71	7	(7)	—	—	—
Issuance of common stock related to stock purchase plan	19	2	2,004	—	—	2,006
Common stock repurchased and retired	(1,037)	(104)	(6,720)	—	(96,211)	(103,035)
Share-based compensation	—	—	5,833	—	—	5,833
Balances at May 31, 2024	22,810	\$ 2,281	\$ 350,200	\$ 2,797	\$ 1,194,222	\$ 1,549,500
Net income	—	—	—	—	17,014	17,014
Other comprehensive loss, net of tax	—	—	—	(4,312)	—	(4,312)
Issuance and settlement of restricted stock	6	—	—	—	—	—
Common stock repurchased and retired	(1)	—	(109)	—	—	(109)
Share-based compensation	—	—	5,487	—	—	5,487
Balances at August 31, 2024	22,815	\$ 2,281	\$ 355,578	\$ (1,515)	\$ 1,211,236	\$ 1,567,580
Net income	—	—	—	—	49,616	49,616
Other comprehensive income, net of tax	—	—	—	4,758	—	4,758
Issuance and settlement of restricted stock	5	1	(1)	—	—	—
Issuance of common stock related to stock purchase plan	33	3	1,519	—	—	1,522
Common stock repurchased and retired	—	—	(30)	—	—	(30)
Share-based compensation	—	—	4,730	—	—	4,730
Balances at November 30, 2024	22,853	\$ 2,285	\$ 361,796	\$ 3,243	\$ 1,260,852	\$ 1,628,176

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity - Continued (Unaudited)

<i>(in thousands, including shares)</i>	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Par Value				
Balances at February 28, 2023	23,994	\$ 2,399	\$ 317,277	\$ 4,947	\$ 1,164,188	\$ 1,488,811
Net income	—	—	—	—	22,581	22,581
Other comprehensive loss, net of tax	—	—	—	(3,715)	—	(3,715)
Exercise of stock options	5	1	211	—	—	212
Issuance and settlement of restricted stock	120	12	(12)	—	—	—
Issuance of common stock related to stock purchase plan	23	2	2,166	—	—	2,168
Common stock repurchased and retired	(45)	(4)	(4,442)	—	—	(4,446)
Share-based compensation	—	—	9,297	—	—	9,297
Balances at May 31, 2023	24,097	\$ 2,410	\$ 324,497	\$ 1,232	\$ 1,186,769	\$ 1,514,908
Net income	—	—	—	—	27,381	27,381
Other comprehensive income, net of tax	—	—	—	2,454	—	2,454
Issuance and settlement of restricted stock	4	—	—	—	—	—
Common stock repurchased and retired	(382)	(38)	(1,499)	—	(48,552)	(50,089)
Share-based compensation	—	—	7,229	—	—	7,229
Balances at August 31, 2023	23,719	\$ 2,372	\$ 330,227	\$ 3,686	\$ 1,165,598	\$ 1,501,883
Net income	—	—	—	—	75,898	75,898
Other comprehensive loss, net of tax	—	—	—	(1,628)	—	(1,628)
Exercise of stock options	1	—	53	—	—	53
Issuance and settlement of restricted stock	8	1	(1)	—	—	—
Issuance of common stock related to stock purchase plan	19	2	1,797	—	—	1,799
Common stock repurchased and retired	(3)	(1)	(304)	—	(1)	(306)
Share-based compensation	—	—	8,579	—	—	8,579
Balances at November 30, 2023	23,744	\$ 2,374	\$ 340,351	\$ 2,058	\$ 1,241,495	\$ 1,586,278

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands)</i>	Nine Months Ended November 30,	
	2024	2023
Cash provided by operating activities:		
Net income	\$ 72,834	\$ 125,860
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,850	37,037
Amortization of financing costs	957	923
Non-cash operating lease expense	8,583	7,537
Provision for credit losses	(537)	5,421
Non-cash share-based compensation	16,050	25,105
Gain on sale of distribution and office facilities	—	(34,190)
Gain on the sale or disposal of property and equipment	(10)	(326)
Deferred income taxes and tax credits	8,400	13,430
Changes in operating capital:		
Receivables	(61,806)	(87,575)
Inventory	(54,745)	29,459
Prepaid expenses and other current assets	(9,700)	(5,507)
Other assets and liabilities, net	(428)	(1,082)
Accounts payable	71,042	102,295
Accrued expenses and other current liabilities	(2,845)	22,484
Accrued income taxes	(10,409)	(8,412)
Net cash provided by operating activities	78,236	232,459
Cash (used) provided by investing activities:		
Capital and intangible asset expenditures	(22,155)	(29,681)
Payments for purchases of U.S. Treasury Bills	(3,441)	(7,373)
Proceeds from the maturity of U.S. Treasury Bills	1,872	—
Proceeds from sale of distribution and office facilities	—	49,456
Proceeds from the sale of property and equipment	145	1,609
Net cash (used) provided by investing activities	(23,579)	14,011
Cash used by financing activities:		
Proceeds from revolving loans	747,840	635,800
Repayment of revolving loans	(675,890)	(830,800)
Repayment of long-term debt	(4,687)	(4,687)
Payment of financing costs	(323)	—
Proceeds from share issuances under share-based compensation plans	3,880	4,232
Payments for repurchases of common stock	(103,174)	(54,841)
Net cash used by financing activities	(32,354)	(250,296)
Net increase (decrease) in cash and cash equivalents	22,303	(3,826)
Cash and cash equivalents, beginning balance	18,501	29,073
Cash and cash equivalents, ending balance	<u>\$ 40,804</u>	<u>\$ 25,247</u>
Supplemental non-cash investing activity:		
Capital expenditures included in accounts payable and accrued expenses	\$ 6,935	\$ 2,439

See accompanying notes to condensed consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
November 30, 2024

Note 1 - Basis of Presentation and Related Information

Corporate Overview

The accompanying condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly our consolidated financial position as of November 30, 2024 and February 29, 2024, 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 29, 2024 ("Form 10-K"), and our other reports on file with the Securities and Exchange Commission (the "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, which are all wholly-owned. We refer to our common shares, par value \$0.10 per share, as "common stock." References to "fiscal" in connection with a numeric year number denotes our fiscal year ending on the last day of February, during the year number listed. References to "the FASB" refer to the Financial Accounting Standards Board. References to "GAAP" refer to accounting principles generally accepted in the United States of America (the "U.S."). 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 leading global consumer products company offering creative products and solutions for our customers through a diversified portfolio of brands. Our portfolio of brands includes OXO, Hydro Flask, Osprey, Vicks, Braun, Honeywell, PUR, Hot Tools, Drybar, Curlsmith and Revlon, among others. As of November 30, 2024, we operated two reportable segments: Home & Outdoor and Beauty & Wellness.

Our Home & Outdoor segment offers a broad range of outstanding world-class brands that help consumers enjoy everyday living inside their homes and outdoors. Our innovative products for home activities include food preparation and storage, cooking, cleaning, organization, and beverage service. Our outdoor performance range, on-the-go food storage, and beverage ware includes lifestyle hydration products, coolers and food storage solutions, backpacks, and travel gear. The Beauty & Wellness segment provides consumers with a broad range of outstanding world-class brands for beauty and wellness. In Beauty, we deliver innovation through products such as hair styling appliances, grooming tools, and liquid and aerosol personal care products that help consumers look and feel more beautiful. In Wellness, we are there when you need us most with highly regarded humidifiers, thermometers, water and air purifiers, heaters, and fans.

Our business is seasonal due to different calendar events, holidays and seasonal weather and illness patterns. Our fiscal reporting period ends on the last day in February. 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, Vietnam and the U.S.

During fiscal 2023, we initiated a global restructuring plan intended to expand operating margins through initiatives designed to improve efficiency and effectiveness and reduce costs (referred to as “Project Pegasus”). See Note 6 for additional information.

On September 28, 2023, we completed the sale of our distribution and office facilities in El Paso, Texas for a sales price of \$50.6 million, less transaction costs of \$1.1 million. Concurrently, we entered into an agreement to leaseback the office facilities for a period of up to 18 months substantially rent free, which we estimated to have a fair value of approximately \$1.9 million. The transaction qualified for sales recognition under the sale leaseback accounting requirements. Accordingly, we increased the sales price by the \$1.9 million of prepaid rent and recognized a gain on the sale of \$34.2 million within SG&A during the third quarter of fiscal year 2024, of which \$18.0 million and \$16.2 million was recognized by our Beauty & Wellness and Home & Outdoor segments, respectively. The related property and equipment totaling \$17.2 million, net of accumulated depreciation of \$36.8 million, was derecognized from the consolidated balance sheet, and at lease commencement, we recorded an operating lease asset, which includes the imputed rent payments described above, and an operating lease liability. We used the proceeds from the sale to repay amounts outstanding under our long-term debt agreement.

Principles of Consolidation

The accompanying condensed consolidated financial statements are prepared in accordance with GAAP and include all of our subsidiaries. Our condensed consolidated financial statements are prepared in U.S. Dollars. All intercompany balances and transactions are eliminated in consolidation.

The preparation of consolidated 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.

During the second quarter of fiscal 2025, we concluded that a goodwill impairment triggering event had occurred primarily due to a sustained decline in our stock price. Additional factors that contributed to this conclusion included current macroeconomic trends and uncertainty surrounding inflation and high interest rates, which negatively impact consumer disposable income, credit availability, spending and overall consumer confidence, all of which had and may continue to adversely impact our sales, results of operations and cash flows. These factors were applicable to all of our reporting units which resulted in us performing quantitative goodwill impairment testing on all of our reporting units. We considered whether these events and circumstances would affect any other assets and concluded we should perform quantitative impairment testing on our indefinite-lived trademark licenses and trade names and our definite-lived trademark licenses, trade names, and customer lists. We performed quantitative impairment testing on our goodwill and intangible assets described above and determined none were impaired. Accordingly during the second quarter of fiscal 2025, no impairment charges were recorded. During the third quarter of fiscal 2025, we determined no changes in circumstances or conditions or events have occurred that would indicate the carrying value of our goodwill and intangible assets may not be recoverable. For additional information, refer to “Critical Accounting Policies and Estimates” in Item 2., “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

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.

Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires disaggregation of certain expenses in the notes to the financial statements in order to provide enhanced transparency into the expense captions presented on the face of the income statement. The amendments in ASU 2024-03 are effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The amendments should be applied prospectively; however, retrospective application is also permitted. This ASU will be effective for our Form 10-K for fiscal 2028 and our Form 10-Q for the first quarter of fiscal 2029. We are currently evaluating the impact this ASU may have on our consolidated financial statement disclosures.

Note 3 - Accrued Expenses and Other Current Liabilities

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

<i>(in thousands)</i>	November 30, 2024	February 29, 2024
Accrued compensation, benefits and payroll taxes	\$ 19,125	\$ 36,572
Accrued sales discounts and allowances	48,839	37,851
Accrued sales returns	22,118	21,282
Accrued advertising	34,658	29,212
Other	58,019	56,474
Total accrued expenses and other current liabilities	<u>\$ 182,759</u>	<u>\$ 181,391</u>

Note 4 - Share-Based Compensation Plans

As part of our compensation structure, we grant share-based compensation awards to certain employees and non-employee members of our Board of Directors during the fiscal year. These awards may be subject to attainment of certain service conditions, performance conditions and/or market conditions. During the first quarter of fiscal 2025, we granted 94,900 service condition awards (“Service Condition Awards”) with a weighted average grant date fair value of \$124.37. Additionally, we granted 157,797 performance-based awards during the first quarter of fiscal 2025, of which 94,586 contained performance conditions (“Performance Condition Awards”) and 63,211 contained market conditions (“Market Condition Awards”), with weighted average grant date fair values of \$124.37 and \$91.19, respectively. Refer to our Form 10-K for further information on the Company's share-based compensation plans.

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

<i>(in thousands)</i>	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Directors stock compensation	\$ 197	\$ 197	\$ 589	\$ 590
Service Condition Awards	2,711	3,160	8,105	9,358
Performance Condition Awards	563	1,170	2,703	4,306
Market Condition Awards	842	3,458	3,609	9,647
Employee stock purchase plan	417	594	1,044	1,204
Share-based compensation expense	4,730	8,579	16,050	25,105
Less: income tax benefits	(354)	(532)	(839)	(1,558)
Share-based compensation expense, net of income tax benefits	<u>\$ 4,376</u>	<u>\$ 8,047</u>	<u>\$ 15,211</u>	<u>\$ 23,547</u>

Unrecognized Share-Based Compensation Expense

As of November 30, 2024, our total unrecognized share-based compensation for all awards was \$22.5 million, which will be recognized over a weighted average amortization period of 2.1 years. The total unrecognized share-based compensation reflects an estimate of target achievement for Performance Condition Awards granted during fiscal 2025 and fiscal 2024 and an estimate of zero percent of target achievement for Performance Condition Awards granted during fiscal 2023.

Note 5 - Repurchases of Common Stock

In August 2024, our Board of Directors authorized the repurchase of up to \$500 million of our outstanding common stock. The authorization became effective August 20, 2024, for a period of three years, and replaced our former repurchase authorization, of which approximately \$245.3 million remained. As of November 30, 2024, our repurchase authorization allowed for the purchase of \$499.9 million of common stock.

Our current equity-based compensation plans include provisions that allow for the “net exercise” of share-settled awards by all plan participants. In a net exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from the option 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:

<i>(in thousands, except share and per share data)</i>	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Common stock repurchased on the open market:				
Number of shares	—	—	1,011,243	381,200
Aggregate value of shares	\$ —	\$ —	\$ 100,019	\$ 50,006
Average price per share	\$ —	\$ —	\$ 98.91	\$ 131.18
Common stock received in connection with share-based compensation:				
Number of shares	448	2,701	27,223	48,098
Aggregate value of shares	\$ 30	\$ 306	\$ 3,155	\$ 4,835
Average price per share	\$ 66.34	\$ 113.31	\$ 115.89	\$ 100.51

Note 6 - Restructuring Plan

During fiscal 2023, we initiated Project Pegasus, a global restructuring plan intended to expand operating margins through initiatives designed to improve efficiency and effectiveness and reduce costs. Project Pegasus includes initiatives to further optimize our brand portfolio, streamline and simplify the organization, accelerate and amplify cost of goods savings projects, enhance the efficiency of our supply chain network, optimize our indirect spending and improve our cash flow and working capital, as well as other activities. We anticipate these initiatives will create operating efficiencies, as well as provide a platform to fund future growth investments.

During the fourth quarter of fiscal 2023, we made changes to the structure of our organization. These changes resulted in our previous Health & Wellness and Beauty operating segments being combined into a single reportable segment, the creation of a North America Regional Market Organization (“RMO”) responsible for sales and go-to-market strategies for all categories and channels in the U.S. and Canada, and further centralization of certain functions under shared services, particularly in operations and finance to better support our business segments and RMOs. This new structure reduced the size of our global

workforce by approximately 10%. We believe that these changes better focus business segment resources on brand development, consumer-centric innovation and marketing, the RMOs on sales and go to market strategies, and shared services on their respective areas of expertise while also creating a more efficient and effective organizational structure.

During the second quarter of fiscal 2024, we announced plans to geographically consolidate the U.S. Beauty business, located in El Paso, Texas, and Irvine, California, and co-locate it with our Wellness business in the Boston, Massachusetts area. This geographic consolidation and relocation aligns with our initiative to streamline and simplify the organization and was completed during the third quarter of fiscal 2025. We expect these changes to enable a greater opportunity to capture synergies and enhance collaboration and innovation within the Beauty & Wellness segment.

As previously disclosed, we continue to have the following expectations regarding Project Pegasus charges:

- Total one-time pre-tax restructuring charges of approximately \$50 million to \$55 million over the duration of the plan, expected to be completed during fiscal 2025.
- Pre-tax restructuring charges to be comprised of approximately \$15 million to \$19 million of severance and employee related costs, \$28 million of professional fees, \$3 million to \$4 million of contract termination costs, and \$4 million of other exit and disposal costs.
- All of our operating segments and shared services will be impacted by the plan and pre-tax restructuring charges include approximately \$16 million to \$17 million in Home & Outdoor and \$34 million to \$38 million in Beauty & Wellness.
- Pre-tax restructuring charges represent primarily cash expenditures, which are expected to be substantially paid by the end of fiscal 2025.

We also continue to have the following expectations regarding Project Pegasus savings:

- Targeted annualized pre-tax operating profit improvements of approximately \$75 million to \$85 million, which began in fiscal 2024 and we expect to be substantially achieved by the end of fiscal 2027.
- Estimated cadence of the recognition of the savings will be approximately 25% in fiscal 2024, which was achieved, approximately 35% in fiscal 2025, approximately 25% in fiscal 2026 and approximately 15% in fiscal 2027.
- Total profit improvements to be realized approximately 60% through reduced cost of goods sold and 40% through lower SG&A.

During the three and nine month periods ended November 30, 2024, we incurred \$3.5 million and \$6.9 million, respectively, of pre-tax restructuring costs in connection with Project Pegasus, which were recorded as “Restructuring charges” in the condensed consolidated statements of income. We recognized \$3.9 million and \$14.9 million of pre-tax restructuring costs during the three and nine month periods ended November 30, 2023, respectively, in connection with Project Pegasus.

The following tables summarize restructuring charges recorded as a result of Project Pegasus for the periods presented:

	Three Months Ended November 30, 2024		
	Home & Outdoor	Beauty & Wellness	Total
<i>(in thousands)</i>			
Severance and employee related costs	\$ 130	\$ 489	\$ 619
Professional fees	59	355	414
Contract termination	—	1,747	1,747
Other	581	157	738
Total restructuring charges	\$ 770	\$ 2,748	\$ 3,518

	Three Months Ended November 30, 2023		
<i>(in thousands)</i>	Home & Outdoor	Beauty & Wellness	Total
Severance and employee related costs	\$ 109	\$ 2,498	\$ 2,607
Professional fees	464	794	1,258
Contract termination	—	—	—
Other	10	15	25
Total restructuring charges	<u>\$ 583</u>	<u>\$ 3,307</u>	<u>\$ 3,890</u>

	Nine Months Ended November 30, 2024			Total Incurred Since Inception
<i>(in thousands)</i>	Home & Outdoor	Beauty & Wellness	Total	
Severance and employee related costs	\$ 820	\$ 2,155	\$ 2,975	\$ 18,251
Professional fees	327	940	1,267	28,144
Contract termination	—	1,747	1,747	3,078
Other	581	309	890	3,480
Total restructuring charges	<u>\$ 1,728</u>	<u>\$ 5,151</u>	<u>\$ 6,879</u>	<u>\$ 52,953</u>

	Nine Months Ended November 30, 2023		
<i>(in thousands)</i>	Home & Outdoor	Beauty & Wellness	Total
Severance and employee related costs	\$ 680	\$ 3,407	\$ 4,087
Professional fees	3,915	5,870	9,785
Contract termination	—	796	796
Other	49	145	194
Total restructuring charges	<u>\$ 4,644</u>	<u>\$ 10,218</u>	<u>\$ 14,862</u>

The tables below present a rollforward of our accruals related to Project Pegasus, which are included in accounts payable and accrued expenses and other current liabilities:

<i>(in thousands)</i>	Balance at February 29, 2024	Charges	Payments	Balance at November 30, 2024
Severance and employee related costs	\$ 4,493	\$ 2,975	\$ (5,885)	\$ 1,583
Professional fees	272	1,267	(1,303)	236
Contract termination	—	1,747	(1,735)	12
Other	—	890	(890)	—
Total	<u>\$ 4,765</u>	<u>\$ 6,879</u>	<u>\$ (9,813)</u>	<u>\$ 1,831</u>

<i>(in thousands)</i>	Balance at February 28, 2023	Charges	Payments	Balance at November 30, 2023
Severance and employee related costs	\$ 3,173	\$ 4,087	\$ (3,758)	\$ 3,502
Professional fees	3,201	9,785	(12,559)	427
Contract termination	160	796	(956)	—
Other	34	194	(228)	—
Total	<u>\$ 6,568</u>	<u>\$ 14,862</u>	<u>\$ (17,501)</u>	<u>\$ 3,929</u>

Note 7 - Commitments and Contingencies

Legal Matters

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

On December 23, 2021, Brita LP filed a complaint against Kaz USA, Inc. and Helen of Troy Limited in the United States District Court for the Western District of Texas (the “Patent Litigation”), alleging patent infringement by the Company relating to its PUR gravity-fed water filtration systems. In the Patent Litigation, Brita LP seeks monetary damages and injunctive relief relating to the alleged infringement. Brita LP simultaneously filed a complaint with the United States International Trade Commission (“ITC”) against Kaz USA, Inc., Helen of Troy Limited and five other unrelated companies that sell water filtration systems (the “ITC Action”). The complaint in the ITC Action also alleged patent infringement by the Company with respect to a limited set of PUR gravity-fed water filtration systems. In the ITC Action, Brita LP requested the ITC to initiate an unfair import investigation relating to such filtration systems. This action sought injunctive relief to prevent entry of certain accused PUR products (and certain other products) into the U.S. and cessation of marketing and sales of existing inventory that is already in the U.S. On January 25, 2022, the ITC instituted the investigation requested by the ITC Action. Discovery closed in the ITC Action in May 2022, and approximately half of the originally identified PUR gravity-fed water filters were removed from the case and are no longer included in the ITC Action. In August 2022, the parties participated in the evidentiary hearing, with additional supplemental hearings in October 2022. On February 28, 2023, the ITC issued an Initial Determination in the ITC Action, tentatively ruling against the Company and the other unrelated respondents. The ITC has a guaranteed review process, and thus all respondents, including the Company, filed a petition with the ITC for a full review of the Initial Determination. On September 19, 2023, the ITC issued its Final Determination in the Company’s favor. The ITC determined there was no violation by the Company and terminated the investigation. Brita LP is appealing the ITC’s decision to the Federal Circuit (“CAFC Appeal”) and filed its Notice of Appeal on October 24, 2023. The Company intervened in the CAFC Appeal, but as of the filing date of this Form 10-Q, no hearings have been scheduled. The Patent Litigation remains stayed for the time being. We cannot predict the outcome of these legal proceedings, the amount or range of any potential loss, when the proceedings will be resolved, or customer acceptance of any replacement water filter. Litigation is inherently unpredictable, and the resolution or disposition of these proceedings could, if adversely determined, have a material and adverse impact on our financial position and results of operations.

Regulatory Matters

During fiscal 2022 and 2023, we were in discussions with the U.S. Environmental Protection Agency (the “EPA”) regarding the compliance of packaging claims on certain of our products in the air and water filtration categories and a limited subset of humidifier products within the Beauty & Wellness segment that are sold in the U.S. The EPA did not raise any product quality, safety or performance issues. As a result of these packaging compliance discussions, we voluntarily implemented a temporary stop shipment action on the impacted products as we worked with the EPA towards an expedient resolution. We resumed normalized levels of shipping of the affected inventory during fiscal 2022 and we completed the repackaging and relabeling of our existing inventory of impacted products during fiscal 2023. Additionally, as a result of continuing dialogue with the EPA, we executed further repackaging and relabeling plans on certain additional humidifier products and certain additional air filtration products, which were also completed during fiscal 2023. Ongoing settlement discussions with the EPA related to this matter may result in the imposition of fines or penalties in the future. Such potential fines or penalties cannot be reasonably estimated. For additional information refer to Part I, Item 2., “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” including “EPA Compliance Costs”.

Note 8 - Long-Term Debt

A summary of our long-term debt follows:

<i>(in thousands)</i>	November 30, 2024	February 29, 2024
Credit Agreement (1):		
Revolving loans	\$ 493,900	\$ 421,950
Term loans	245,313	250,000
Total borrowings under Credit Agreement	739,213	671,950
Unamortized prepaid financing fees	(5,322)	(6,279)
Total long-term debt	733,891	665,671
Less: current maturities of long-term debt	(8,594)	(6,250)
Long-term debt, excluding current maturities	\$ 725,297	\$ 659,421

(1) The weighted average interest rates on borrowings outstanding under the Credit Agreement (defined below) inclusive of the impact of our interest rate swaps as of November 30, 2024 and February 29, 2024 were 5.5% and 6.0%, respectively.

Capitalized Interest

During the three month periods ended November 30, 2024 and November 30, 2023, we incurred interest costs totaling \$12.2 million and \$12.9 million, respectively, of which none was capitalized. During the nine month period ended November 30, 2024, we incurred interest costs totaling \$37.9 million, of which none was capitalized, compared to \$41.5 million for the same period last year, of which we capitalized \$0.9 million as part of property and equipment in connection with the construction of a new distribution facility.

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 aggregate commitments of \$1.5 billion, which are available through (i) a \$1.0 billion revolving credit facility, which includes a \$50 million sublimit for the issuance of letters of credit, (ii) a \$250 million term loan facility, and (iii) a committed \$250 million delayed draw term loan facility, which may be borrowed in multiple drawdowns until August 15, 2025. Proceeds can be used for working capital and other general corporate purposes, including funding permitted acquisitions. At the closing date, February 15, 2024, we borrowed \$457.5 million under the revolving credit facility and \$250.0 million under the term loan facility and utilized the proceeds to repay all debt outstanding under our prior credit agreement. The Credit Agreement matures on February 15, 2029. The Credit Agreement includes an accordion feature, which permits the Company to request to increase its borrowing capacity by an additional \$300 million plus an unlimited amount when the Leverage Ratio (as defined in the Credit Agreement) on a pro-forma basis is less than 3.25 to 1.00. The term loans are payable at the end of each fiscal quarter in equal installments of 0.625% through February 28, 2025, 0.9375% through February 28, 2026, and 1.25% thereafter of the original principal balance of the term loans, which began in the first quarter of fiscal 2025, with the remaining balance due at the maturity date. Borrowings under the Credit Agreement bear floating interest at either the Base Rate or Term SOFR (as defined in the Credit Agreement), plus a margin based on the Net Leverage Ratio (as defined in the Credit Agreement) of 0% to 1.125% and 1.0% to 2.125% for Base Rate and Term SOFR borrowings, respectively.

The floating interest rates on our borrowings under the Credit Agreement are hedged with interest rate swaps to effectively fix interest rates on \$550 million and \$500 million of the outstanding principal balance under the Credit Agreement as of November 30, 2024 and February 29, 2024, respectively. See Notes 9, 10, and 11 for additional information regarding our interest rate swaps.

As of November 30, 2024, the balance of outstanding letters of credit was \$9.5 million and the amount available for revolving loans under the Credit Agreement was \$496.6 million. Covenants in the Credit Agreement limit the amount of total indebtedness we can incur. As of November 30, 2024, these covenants effectively limited our ability to incur more than \$298.8 million of additional debt from all sources, including the Credit Agreement, or \$496.6 million in the event a qualified acquisition is consummated.

Debt Covenants

As of November 30, 2024, we were in compliance with all covenants as defined under the terms of the Credit Agreement.

Note 9 - Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques under the accounting guidance related to fair value measurements are based on observable and unobservable inputs. These inputs are classified into the following hierarchy:

- Level 1: 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.

All of our financial assets and liabilities, except for our investments in U.S. Treasury Bills, 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. Our investments in U.S. Treasury Bills are classified as Level 1 because their value is based on quoted prices in active markets for identical assets.

The following table presents the fair value of our financial assets and liabilities:

<i>(in thousands)</i>	Fair Value	
	November 30, 2024	February 29, 2024
Assets:		
Cash equivalents (money market accounts)	\$ 8,898	\$ 462
U.S. Treasury Bills	10,715	8,948
Interest rate swaps	1,738	2,504
Foreign currency derivatives	2,496	592
Total assets	<u>\$ 23,847</u>	<u>\$ 12,506</u>
Liabilities:		
Interest rate swaps	\$ —	\$ —
Foreign currency derivatives	95	386
Total liabilities	<u>\$ 95</u>	<u>\$ 386</u>

All of our financial assets and liabilities, except for our investments in U.S. Treasury Bills, are measured and recorded at fair value on a recurring basis. Our investments in U.S. Treasury Bills are recorded at amortized cost. As of both November 30, 2024 and February 29, 2024, the current carrying amounts of our U.S. Treasury Bills were \$2.5 million and were included within Prepaid expenses and other current assets in our condensed consolidated balance sheets. As of November 30, 2024 and February 29, 2024, the non-current carrying amounts of our U.S. Treasury Bills were \$8.2 million and \$6.6 million, respectively, and were included within Other assets in our condensed consolidated balance sheets.

The carrying amounts of cash, accounts payable, accrued expenses and other current liabilities and income taxes payable approximate fair value because of the short maturity of these items. The carrying amounts of receivables approximate fair value due to the effect of the related allowance for credit losses. The carrying amount of our floating rate long-term debt approximates its fair value.

Our investments in U.S. Treasury Bills are classified as held-to-maturity because we have the positive intent and ability to hold the securities to maturity. We invest in U.S. Treasury Bills with maturities ranging from less than one to five years. Gross unrealized gains and losses were not material as of both November 30, 2024 and February 29, 2024. During the three and nine month periods ended November 30, 2024, we recognized interest income on these investments of \$0.1 million and \$0.2 million, respectively, which is included in "Non-operating income, net" in our condensed consolidated statements of income. During both the three and nine month periods ended November 30, 2023, we recognized interest income on these investments of \$0.1 million.

We use foreign currency forward contracts and interest rate swaps to manage our exposure to changes in foreign currency exchange rates and interest rates, respectively. All of our derivative assets and liabilities are recorded at fair value. See Notes 10 and 11 for more information on our derivatives.

Note 10 - Financial Instruments and Risk Management

Foreign Currency Risk

The U.S. Dollar is the functional currency for the Company and all of its subsidiaries and is also the reporting currency for the Company. 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 and operating expenses. As a result of such transactions, portions of our cash, accounts receivable and accounts payable are denominated in foreign currencies. Approximately 14% of our net sales revenue was denominated in foreign currencies during both the three and nine month periods ended November 30, 2024 and both the three and nine month periods ended November 30, 2023. These sales were primarily denominated in Euros, British Pounds and Canadian Dollars. We make most of our inventory purchases from manufacturers in Asia and primarily use the U.S. Dollar for such purchases.

In our condensed consolidated statements of income, foreign currency exchange rate gains and losses resulting from the remeasurement of foreign income tax receivables and payables, and deferred income tax assets and liabilities are recognized in income tax expense, and all other foreign currency exchange rate gains and losses are recognized in SG&A. During the three and nine month periods ended November 30, 2024, we recorded foreign currency exchange rate net losses of \$0.5 million and \$0.8 million, respectively, in income tax expense, compared to net gains of \$0.1 million and \$0.5 million for the same periods last year, respectively. During the three and nine month periods ended November 30, 2024, we recorded foreign currency exchange rate net losses of \$1.4 million and \$0.8 million, respectively, in SG&A, compared to net gains of \$0.1 million and net losses of \$0.3 million for the same periods last year, respectively. We mitigate certain foreign currency exchange rate risk by using forward contracts to protect against the foreign currency exchange rate risk inherent in our transactions

denominated in foreign currencies. We do not enter into any derivatives or similar instruments for trading or other speculative purposes. Certain of our forward contracts are designated as cash flow hedges (“foreign currency contracts”) and are recorded on the balance sheet at fair value with changes in fair value recorded in Other Comprehensive Income (Loss) (“OCI”) until the hedge transaction is settled, at which point amounts are reclassified from Accumulated Other Comprehensive Income (Loss) (“AOCI”) to our condensed consolidated statements of income. Foreign currency derivatives for which we have not elected hedge accounting consist of certain forward contracts, and any changes in the fair value of these derivatives are recorded in our condensed consolidated statements of income. These undesignated derivatives are used to hedge monetary net asset and liability positions. Cash flows from our foreign currency derivatives are classified as cash flows from operating activities in our condensed consolidated statements of cash flows, which is consistent with the classification of the cash flows from the underlying hedged item. We evaluate our derivatives designated as cash flow hedges each quarter to assess hedge effectiveness.

Interest Rate Risk

Interest on our outstanding debt as of November 30, 2024 and February 29, 2024 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 a portion of our outstanding principal balance under the Credit Agreement, which totaled \$739.2 million and \$672.0 million as of November 30, 2024 and February 29, 2024, respectively. As of November 30, 2024 and February 29, 2024, \$550.0 million and \$500.0 million of the outstanding principal balance under the Credit Agreement, respectively, was hedged with interest rate swaps to fix the interest rate we pay. Our interest rate swaps are designated as cash flow hedges and are recorded on the balance sheet at fair value with changes in fair value recorded in OCI until the hedge transaction is settled, at which point amounts are reclassified from AOCI to our condensed consolidated statements of income. Cash flows from our interest rate swaps are classified as cash flows from operating activities in our condensed consolidated statements of cash flows, which is consistent with the classification of the cash flows from the underlying hedged item. We evaluate our derivatives designated as cash flow hedges each quarter to assess hedge effectiveness.

The following tables summarize the fair values of our derivative instruments as of the end of the periods presented:

<i>(in thousands)</i>				November 30, 2024			
				Prepaid Expenses and Other Current Assets	Other Assets	Accrued Expenses and Other Current Liabilities	Other Liabilities, Non-Current
Derivatives designated as hedging instruments							
	Hedge Type	Final Settlement Date	Notional Amount				
Forward contracts - sell Euro	Cash flow	2/2026	€ 31,250	\$ 1,464	\$ 202	\$ —	\$ —
Forward contracts - sell Canadian Dollars	Cash flow	2/2025	\$ 6,150	187	—	—	—
Forward contracts - sell Pounds	Cash flow	2/2026	£ 25,825	415	163	87	—
Forward contracts - sell Norwegian Kroner	Cash flow	8/2025	kr 12,000	62	—	—	—
Interest rate swaps	Cash flow	8/2026	\$ 550,000	1,153	585	—	—
Subtotal				3,281	950	87	—
Derivatives not designated under hedge accounting							
Forward contracts - sell Euro	(1)	12/2024	€ 1,800	3	—	—	—
Forward contracts - sell Pounds	(1)	12/2024	£ 1,880	—	—	8	—
Subtotal				3	—	8	—
Total fair value				\$ 3,284	\$ 950	\$ 95	\$ —

(in thousands)

February 29, 2024							
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
Forward contracts - sell Euro	Cash flow	2/2025	€ 36,500	\$ 377	\$ —	\$ 90	\$ —
Forward contracts - sell Canadian Dollars	Cash flow	2/2025	\$ 20,750	151	—	57	—
Forward contracts - sell Pounds	Cash flow	2/2025	£ 20,250	59	—	234	—
Forward contracts - sell Norwegian Kroner	Cash flow	8/2024	kr 5,000	5	—	—	—
Interest rate swaps	Cash flow	2/2026	\$ 500,000	1,314	1,190	—	—
Subtotal				1,906	1,190	381	—
Derivatives not designated under hedge accounting							
Forward contracts - sell Euro	(1)	3/2024	€ 430	—	—	3	—
Forward contracts - sell Pounds	(1)	3/2024	£ 735	—	—	2	—
Subtotal				—	—	5	—
Total fair value				\$ 1,906	\$ 1,190	\$ 386	\$ —

- (1) These forward contracts, for which we have not elected hedge accounting, hedge monetary net asset and liability positions for the notional amounts reported, creating an economic hedge against currency movements.

The pre-tax effects of derivative instruments designated as cash flow hedges were as follows for the periods presented:

Three Months Ended November 30,					
(in thousands)	Gain (Loss) Recognized in AOCI		Location	Gain (Loss) Reclassified from AOCI into Income	
	2024	2023		2024	2023
Foreign currency contracts - cash flow hedges	\$ 3,607	\$ 278	Sales revenue, net	\$ (4)	\$ 212
Interest rate swaps - cash flow hedges	3,788	8	Interest expense	1,262	2,213
Total	\$ 7,395	\$ 286		\$ 1,258	\$ 2,425

Nine Months Ended November 30,					
(in thousands)	Gain (Loss) Recognized in AOCI		Location	Gain (Loss) Reclassified from AOCI into Income	
	2024	2023		2024	2023
Foreign currency contracts - cash flow hedges	\$ 2,182	\$ (968)	Sales revenue, net	\$ (13)	\$ 167
Interest rate swaps - cash flow hedges	2,545	3,018	Interest expense	3,311	5,647
Total	\$ 4,727	\$ 2,050		\$ 3,298	\$ 5,814

The pre-tax effects of derivative instruments not designated under hedge accounting were as follows for the periods presented:

(in thousands)	Location	Gain (Loss) Recognized in Income			
		Three Months Ended November 30,		Nine Months Ended November 30,	
		2024	2023	2024	2023
Forward contracts	SG&A	\$ (67)	\$ (225)	\$ 21	\$ (265)
Total		\$ (67)	\$ (225)	\$ 21	\$ (265)

We expect a net gain of \$3.2 million associated with foreign currency contracts and interest rate swaps currently recorded in AOCI to be reclassified into income over the next twelve months. The amount ultimately realized, however, will differ as exchange rates and interest rates change and the underlying contracts settle. See Notes 9 and 11 for more information.

Counterparty Credit Risk

Financial instruments, including foreign currency contracts, forward contracts, and interest rate 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. We believe that the risk of incurring credit losses is remote.

Note 11 - Accumulated Other Comprehensive Income (Loss)

The changes in AOCI by component and related tax effects for the periods presented were as follows:

<i>(in thousands)</i>	Interest Rate Swaps	Foreign Currency Contracts	Total
Balance at February 28, 2023	\$ 4,394	\$ 553	\$ 4,947
Other comprehensive income (loss) before reclassification	3,018	(968)	2,050
Amounts reclassified out of AOCI	(5,647)	(167)	(5,814)
Tax effects	619	256	875
Other comprehensive loss	(2,010)	(879)	(2,889)
Balance at November 30, 2023	\$ 2,384	\$ (326)	\$ 2,058
Balance at February 29, 2024	\$ 1,917	\$ 182	\$ 2,099
Other comprehensive income before reclassification	2,545	2,182	4,727
Amounts reclassified out of AOCI	(3,311)	13	(3,298)
Tax effects	179	(464)	(285)
Other comprehensive (loss) income	(587)	1,731	1,144
Balance at November 30, 2024	\$ 1,330	\$ 1,913	\$ 3,243

See Notes 9 and 10 for additional information regarding our cash flow hedges.

Note 12 - Segment and Geographic Information

The following tables summarize segment information for the periods presented:

<i>(in thousands)</i>	Three Months Ended November 30, 2024		
	Home & Outdoor	Beauty & Wellness	Total
Sales revenue, net	\$ 246,109	\$ 284,597	\$ 530,706
Restructuring charges	770	2,748	3,518
Operating income	40,313	34,805	75,118
Capital and intangible asset expenditures	2,976	5,153	8,129
Depreciation and amortization	6,336	6,886	13,222

<i>(in thousands)</i>	Three Months Ended November 30, 2023		
	Home & Outdoor	Beauty & Wellness	Total
Sales revenue, net	\$ 235,948	\$ 313,666	\$ 549,614
Restructuring charges	583	3,307	3,890
Operating income	49,514	57,413	106,927
Capital and intangible asset expenditures	7,674	1,450	9,124
Depreciation and amortization	6,025	6,406	12,431

<i>(in thousands)</i>	Nine Months Ended November 30, 2024		
	Home & Outdoor	Beauty & Wellness	Total
Sales revenue, net	\$ 686,512	\$ 735,262	\$ 1,421,774
Restructuring charges	1,728	5,151	6,879
Operating income	87,315	53,418	140,733
Capital and intangible asset expenditures	10,443	11,712	22,155
Depreciation and amortization	19,573	21,277	40,850

<i>(in thousands)</i>	Nine Months Ended November 30, 2023		
	Home & Outdoor	Beauty & Wellness	Total
Sales revenue, net	\$ 693,069	\$ 822,780	\$ 1,515,849
Restructuring charges	4,644	10,218	14,862
Operating income	107,729	86,684	194,413
Capital and intangible asset expenditures	23,513	6,168	29,681
Depreciation and amortization	17,033	20,004	37,037

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

<i>(in thousands)</i>	Three Months Ended November 30,				Nine Months Ended November 30,			
	2024		2023		2024		2023	
Domestic sales revenue, net (1)	\$ 400,539	75.5 %	\$ 428,582	78.0 %	\$1,066,969	75.0 %	\$1,176,190	77.6 %
International sales revenue, net	130,167	24.5 %	121,032	22.0 %	354,805	25.0 %	339,659	22.4 %
Total sales revenue, net	\$ 530,706	100.0 %	\$ 549,614	100.0 %	\$1,421,774	100.0 %	\$1,515,849	100.0 %

(1) Domestic net sales revenue includes net sales revenue from the U.S. and Canada.

Note 13 - Income Taxes

We reorganized the Company in Bermuda in 1994 and many of our foreign subsidiaries are not directly or indirectly owned by a U.S. parent. As such, a large portion of our foreign income is not subject to U.S. taxation on a permanent basis under current law. Additionally, our intellectual property is largely owned by foreign subsidiaries, resulting in proportionally higher earnings in jurisdictions with lower statutory tax rates, which decreases our overall effective tax rate. The taxable income earned in each jurisdiction, whether U.S. or foreign, is determined by the subsidiary's operating results and transfer pricing and tax regulations in the related jurisdictions.

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.

The Organisation for Economic Co-operation and Development has introduced a framework to implement a global minimum corporate income tax of 15%, referred to as "Pillar Two." Certain countries have

adopted legislation to implement Pillar Two, and other countries are in the process of introducing legislation to implement Pillar Two. Many aspects of Pillar Two are effective for tax years beginning after January 1, 2024, with certain remaining aspects to be effective for tax years beginning January 1, 2025 or later. Pillar Two legislation in effect for our fiscal year 2025 has been incorporated into our financial statements. We will continue to assess the impact of Pillar Two and monitor developments in legislation, regulation, and interpretive guidance.

In response to Pillar Two, on May 24, 2024, Barbados enacted a domestic corporate income tax rate of 9%, effective beginning with our fiscal year 2025. As a result, we incorporated this corporate income tax into our estimated annual effective tax rate increasing our income tax provision beginning in the first quarter of fiscal 2025. In addition, we revalued our existing deferred tax liabilities subject to the Barbados legislation, which resulted in a discrete tax charge of \$6.0 million during the first quarter of fiscal 2025. Additionally, Barbados enacted a domestic minimum top-up tax ("DMTT") of 15% which applies to Barbados businesses that are part of multinational enterprise groups with annual revenue of €750 million or more and is effective beginning with our fiscal year 2026. We will continue to monitor and evaluate impacts as further regulatory guidance becomes available.

For the three months ended November 30, 2024, income tax expense as a percentage of income before income tax was 21.4% compared to 19.5% for the same period last year. The year-over-year increase in the effective tax rate is primarily due to the Barbados tax legislation enacted during the first quarter of fiscal 2025, which resulted in an increase in our income tax expense due to the change to our estimated annual effective tax rate arising from the legislation, and an increase in tax expense for discrete items, partially offset by the comparative impact of tax expense recognized during the third quarter of fiscal 2024 for the gain on the sale of the El Paso facility and shifts in the mix of income in our various tax jurisdictions. For the nine months ended November 30, 2024, income tax expense as a percentage of income before income tax was 29.5% compared to 18.4% for the same period last year primarily due to the Barbados tax legislation described above, including a discrete tax charge of \$6.0 million during the first quarter of fiscal 2025 to revalue deferred tax liabilities, and an increase in tax expense for discrete items, partially offset by the comparative impact of tax expense recognized during the third quarter of fiscal 2024 for the gain on the sale of the El Paso facility and shifts in the mix of income in our various tax jurisdictions.

Note 14 - Earnings Per Share

We compute basic earnings per share using the weighted average number of shares of common stock outstanding during the period. We compute diluted earnings per share using the weighted average number of shares of common stock outstanding plus the effect of dilutive securities. Dilutive securities at any given point in time may consist of outstanding options to purchase common stock and issued and contingently issuable unvested restricted stock units, performance stock units, restricted stock awards and performance restricted stock awards and other stock-based awards. Anti-dilutive securities are not included in the computation of diluted earnings per share under the treasury stock method. See Note 4 to these condensed consolidated financial statements for more information regarding stock-based awards.

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

<i>(in thousands)</i>	Three Months Ended November 30,		Nine Months Ended November 30,	
	2024	2023	2024	2023
Weighted average shares outstanding, basic	22,853	23,743	23,064	23,903
Incremental shares from share-based compensation arrangements	29	70	54	93
Weighted average shares outstanding, diluted	22,882	23,813	23,118	23,996
Anti-dilutive securities	123	9	134	57

Note 15 - Subsequent Event

On December 16, 2024, we completed the acquisition of Olive & June, LLC (“Olive & June”), an innovative, omni-channel nail care brand. The total purchase consideration consists of initial cash consideration of \$229.4 million, net of cash acquired, which includes a preliminary net working capital adjustment and is subject to certain customary closing adjustments, and contingent cash consideration of up to \$15.0 million subject to Olive & June's performance during calendar years 2025, 2026 and 2027, payable annually. The acquisition was funded with cash on hand and a \$235.0 million borrowing under our existing revolving credit facility. After giving effect to the borrowing on December 16, 2024, the remaining amount available for borrowings under our Credit Agreement was \$253.6 million. The initial accounting for this business combination is in process.

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") should be read in conjunction with our condensed consolidated financial statements included under Part I, Item 1., "Financial Statements." The various sections of this MD&A contain a number of forward-looking statements, all of which are based on our current expectations. Actual results may differ materially due to a number of factors, including those discussed in the section entitled "Information Regarding Forward-Looking Statements" following this MD&A, and in Part I, Item 3., "Quantitative and Qualitative Disclosures About Market Risk" in this report, as well as in Part I, Item 1A., "Risk Factors" in the Company's most recent annual report on Form 10-K for the fiscal year ended February 29, 2024 ("Form 10-K") and its other filings with the Securities and Exchange Commission (the "SEC"). When used in this 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. References to "fiscal" in connection with a numeric year number denotes our fiscal year ending on the last day of February, during the year number listed.

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 "Net Income, Diluted EPS, Adjusted Income (non-GAAP), and Adjusted Diluted EPS (non-GAAP)," reports operating income, operating margin, net income and diluted earnings per share ("EPS") without the impact of a discrete tax charge to revalue existing deferred tax liabilities due to Barbados enacting domestic corporate income tax legislation ("Barbados tax reform"), a charge for uncollectible receivables due to the bankruptcy of Bed, Bath & Beyond ("Bed, Bath & Beyond bankruptcy"), gain on sale of distribution and office facilities, 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 measures as defined by SEC Regulation G, Rule 100. The tables reconcile these measures to their corresponding GAAP-based financial measures presented in our condensed consolidated statements of income. We believe that adjusted operating income, adjusted operating margin, adjusted income, and adjusted diluted EPS 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 and benefits 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 and benefits would not accurately reflect the underlying performance of our operations for the period in which the charges and benefits were incurred and reflected in our GAAP financial results. 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, and adjusted diluted EPS are not prepared in accordance with GAAP, are not an alternative to GAAP financial measures and may be calculated differently than non-GAAP financial measures disclosed by other companies. Accordingly, undue reliance should not be placed on non-GAAP financial measures. These non-GAAP financial measures are discussed further and reconciled to their applicable GAAP-based financial measures contained in this MD&A beginning on page 37.

There were no material changes to the key financial measures discussed in our Form 10-K.

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 brands. Our portfolio of brands includes OXO, Hydro Flask, Osprey, Vicks, Braun, Honeywell, PUR, Hot Tools, Drybar, Curlsmith and Revlon, among others. We have built leading market positions through new product innovation, product quality and competitive pricing. As of November 30, 2024, we operated two reportable segments: Home & Outdoor and Beauty & Wellness.

During fiscal 2023, we initiated a global restructuring plan intended to expand operating margins through initiatives designed to improve efficiency and effectiveness and reduce costs (referred to as “Project Pegasus”). Project Pegasus includes initiatives to further optimize our brand portfolio, streamline and simplify the organization, accelerate and amplify cost of goods savings projects, enhance the efficiency of our supply chain network, optimize our indirect spending and improve our cash flow and working capital, as well as other activities. We anticipate these initiatives will create operating efficiencies, as well as provide a platform to fund future growth investments. During the three and nine month periods ended November 30, 2024, we incurred \$3.5 million and \$6.9 million, respectively, of pre-tax restructuring costs in connection with Project Pegasus, which were recorded as “Restructuring charges” in the condensed consolidated statements of income. We recognized \$3.9 million and \$14.9 million of pre-tax restructuring costs during the three and nine month periods ended November 30, 2023, respectively, in connection with Project Pegasus. See further discussion below within “Significant Trends Impacting the Business” under “Project Pegasus” and Note 6 to the accompanying condensed consolidated financial statements.

Fiscal 2024 concluded Phase II of our transformation strategy, which produced net sales growth and gross profit margin expansion. We expanded our portfolio of leading brands and international footprint with the acquisitions of Drybar, Osprey and Curlsmith. We completed the divestiture of our personal care business and extended our Revlon trademark license for a period of up to 100 years. We strategically and effectively deployed capital to construct our new distribution facility in Gallaway, Tennessee, repurchased shares of our common stock, and repaid amounts outstanding under our long-term debt agreement. We began publishing an annual environmental, social and governance (“ESG”) Report, which summarizes our ESG strategy and performance, providing further transparency into our ESG efforts. During Phase II, we also initiated Project Pegasus, which included the creation of a North America Regional Market Organization (“RMO”) responsible for sales and go-to-market strategies for all categories and channels in the United States of America (“U.S.”) and Canada, and further centralization of certain functions under shared services, particularly in operations and finance to better support our business segments and RMOs.

Fiscal 2025 begins our Elevate for Growth Strategy, which provides our strategic roadmap through fiscal 2030. The long-term objectives of Elevate for Growth include continued organic sales growth, further margin expansion, and accretive capital deployment through strategic acquisitions, share repurchases and capital structure management. The Elevate for Growth Strategy includes an enhanced portfolio management strategy to invest in our brands and grow internationally based upon defined criteria with an emphasis on brand building, new product introductions and expanded distribution. We are continuing to execute our initiatives under Project Pegasus, which we expect to generate incremental fuel to invest in our brand portfolio and new capabilities. We intend to further leverage our operational scale and assets, including our new state-of-the-art distribution center, improved go-to-market structure with our North America RMO, and our expanded shared services capabilities. We completed the geographic consolidation of our Beauty & Wellness businesses during the third quarter of fiscal 2025. We also plan to create a centralized marketing organization that embraces next-level data analytics and consumer insight capabilities and further integrate our supply chain and finance functions within our shared

services. Additionally, we are committed to fostering a winning culture and continuing our sustainability and inclusion efforts to support our Elevate for Growth Strategy.

During the second quarter of fiscal 2025, we performed quantitative impairment testing on our goodwill and certain intangible assets and determined none were impaired. Accordingly, no impairment charges were recorded. For additional information, refer to “Critical Accounting Policies and Estimates” in this Item 2., “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

On September 28, 2023, we completed the sale of our distribution and office facilities in El Paso, Texas for a sales price of \$50.6 million, less transaction costs of \$1.1 million. Concurrently, we entered into an agreement to leaseback the office facilities for a period of up to 18 months substantially rent free, which we estimated to have a fair value of approximately \$1.9 million. The transaction qualified for sales recognition under the sale leaseback accounting requirements. Accordingly, we increased the sales price by the \$1.9 million of prepaid rent and recognized a gain on the sale of \$34.2 million within SG&A during the third quarter of fiscal year 2024, of which \$18.0 million and \$16.2 million was recognized by our Beauty & Wellness and Home & Outdoor segments, respectively. The related property and equipment totaling \$17.2 million, net of accumulated depreciation of \$36.8 million, was derecognized from the consolidated balance sheet, and at lease commencement, we recorded an operating lease asset, which includes the imputed rent payments described above, and an operating lease liability. We used the proceeds from the sale to repay amounts outstanding under our long-term debt agreement.

Subsequent to the end of our third quarter of fiscal 2025, on December 16, 2024, we completed the acquisition of Olive & June, LLC (“Olive & June”), an innovative, omni-channel nail care brand. The total purchase consideration consists of initial cash consideration of \$229.4 million, net of cash acquired, which includes a preliminary net working capital adjustment and is subject to certain customary closing adjustments, and contingent cash consideration of up to \$15.0 million subject to Olive & June’s performance during calendar years 2025, 2026 and 2027, payable annually. The acquisition was funded with cash on hand and borrowings from our existing revolving credit facility.

Significant Trends Impacting the Business

Project Pegasus

During fiscal 2023, we initiated Project Pegasus, a global restructuring plan intended to expand operating margins through initiatives designed to improve efficiency and effectiveness and reduce costs. Project Pegasus includes initiatives to further optimize our brand portfolio, streamline and simplify the organization, accelerate and amplify cost of goods savings projects, enhance the efficiency of our supply chain network, optimize our indirect spending and improve our cash flow and working capital, as well as other activities. We anticipate these initiatives will create operating efficiencies, as well as provide a platform to fund future growth investments. During the fourth quarter of fiscal 2023, we made changes to the structure of our organization. These changes resulted in our previous Health & Wellness and Beauty operating segments being combined into a single reportable segment, the creation of a North America Regional Market Organization (“RMO”) responsible for sales and go-to-market strategies for all categories and channels in the U.S. and Canada, and further centralization of certain functions under shared services, particularly in operations and finance to better support our business segments and RMOs. This new structure reduced the size of our global workforce by approximately 10%. We believe that these changes better focus business segment resources on brand development, consumer-centric innovation and marketing, the RMOs on sales and go to market strategies, and shared services on their respective areas of expertise while also creating a more efficient and effective organizational structure.

During the second quarter of fiscal 2024, we announced plans to geographically consolidate the U.S. Beauty business, located in El Paso, Texas, and Irvine, California, and co-locate it with our Wellness business in the Boston, Massachusetts area. This geographic consolidation and relocation aligns with

our initiative to streamline and simplify the organization and was completed during the third quarter of fiscal 2025. We expect these changes to enable a greater opportunity to capture synergies and enhance collaboration and innovation within the Beauty & Wellness segment.

As previously disclosed, we continue to have the following expectations regarding Project Pegasus charges:

- Total one-time pre-tax restructuring charges of approximately \$50 million to \$55 million over the duration of the plan, expected to be completed during fiscal 2025.
- Pre-tax restructuring charges to be comprised of approximately \$15 million to \$19 million of severance and employee related costs, \$28 million of professional fees, \$3 million to \$4 million of contract termination costs, and \$4 million of other exit and disposal costs.
- All of our operating segments and shared services will be impacted by the plan and pre-tax restructuring charges include approximately \$16 million to \$17 million in Home & Outdoor and \$34 million to \$38 million in Beauty & Wellness.
- Pre-tax restructuring charges represent primarily cash expenditures, which are expected to be substantially paid by the end of fiscal 2025.

We also continue to have the following expectations regarding Project Pegasus savings:

- Targeted annualized pre-tax operating profit improvements of approximately \$75 million to \$85 million, which began in fiscal 2024 and we expect to be substantially achieved by the end of fiscal 2027.
- Estimated cadence of the recognition of the savings will be approximately 25% in fiscal 2024, which was achieved, approximately 35% in fiscal 2025, approximately 25% in fiscal 2026 and approximately 15% in fiscal 2027.
- Total profit improvements to be realized approximately 60% through reduced cost of goods sold and 40% through lower SG&A.

In addition, we implemented plans to reduce inventory levels, increase inventory turns, and improve cash flow and working capital during fiscal 2023. Improvements related to these initiatives began in the second half of fiscal 2023, and continued during fiscal 2024, enabling us to repay amounts outstanding under our long-term debt agreement and reduce our interest expense during fiscal 2024. During the three and nine month periods ended November 30, 2023, our gross margin and operating margins were favorably impacted by our SKU rationalization efforts in Beauty & Wellness. In addition, during the third quarter of fiscal 2024, we had lower salary and wage costs primarily as a result of our Project Pegasus role reductions despite higher annual merit increases. During the three and nine month periods ended November 30, 2024, our gross margin and operating margins were favorably impacted by lower commodity and product costs driven by our cost of goods savings projects. Expectations regarding our Project Pegasus initiatives and our ability to realize targeted savings, including expectations concerning costs and savings, are based on management's estimates available at the time and are subject to a number of assumptions that could materially impact our estimates.

During the three and nine month periods ended November 30, 2024, we incurred \$3.5 million and \$6.9 million, respectively, of pre-tax restructuring costs in connection with Project Pegasus, which were recorded as "Restructuring charges" in the condensed consolidated statements of income. We recognized \$3.9 million and \$14.9 million of pre-tax restructuring costs during the three and nine month periods ended November 30, 2023, respectively, in connection with Project Pegasus. We made total cash restructuring payments of \$9.8 million and \$17.5 million during the nine month periods ended November 30, 2024 and 2023, respectively, and had a remaining liability of \$1.8 million as of November 30, 2024. See Note 6 to the accompanying condensed consolidated financial statements for additional information.

Water Filtration Patent Litigation

On December 23, 2021, Brita LP filed a complaint against Kaz USA, Inc. and Helen of Troy Limited in the United States District Court for the Western District of Texas (the “Patent Litigation”), alleging patent infringement by the Company relating to its PUR gravity-fed water filtration systems. Brita LP simultaneously filed a complaint with the United States International Trade Commission (“ITC”) against Kaz USA, Inc., Helen of Troy Limited and five other unrelated companies that sell water filtration systems (the “ITC Action”). The complaint in the ITC Action also alleged patent infringement by the Company with respect to a limited set of PUR gravity-fed water filtration systems. This action sought injunctive relief to prevent entry of certain accused PUR products (and certain other products) into the U.S. and cessation of marketing and sales of existing inventory that is already in the U.S. On February 28, 2023, the ITC issued an Initial Determination in the ITC Action, tentatively ruling against the Company and the other unrelated respondents. The ITC has a guaranteed review process, and thus all respondents, including the Company, filed a petition with the ITC for a full review of the Initial Determination. On September 19, 2023, the ITC issued its Final Determination in the Company’s favor. The ITC determined there was no violation by the Company and terminated the investigation. Brita LP is appealing the ITC’s decision to the Federal Circuit (“CAFC Appeal”) and filed its Notice of Appeal on October 24, 2023. The Company intervened in the CAFC Appeal, but as of the date of the filing of this Form 10-Q, no hearings have been scheduled. The Patent Litigation remains stayed for the time being. We cannot predict the outcome of these legal proceedings, the amount or range of any potential loss, when the proceedings will be resolved, or customer acceptance of any replacement water filter. Litigation is inherently unpredictable, and the resolution or disposition of these proceedings could, if adversely determined, have a material and adverse impact on our financial position and results of operations. For additional information regarding the Patent Litigation and the ITC Action, see Note 7 to the accompanying condensed consolidated financial statements.

Impact of Macroeconomic Trends

The Federal Open Market Committee increased the benchmark interest rate by 50 basis points and 25 basis points during the first and second quarters of fiscal 2024, respectively. As a result, we incurred higher average interest rates during the first and second quarters of fiscal 2025 compared to the same periods last year. The Federal Open Market Committee lowered the benchmark interest rate by 75 basis points during the third quarter of fiscal 2025, resulting in lower average interest rates incurred during the third quarter of fiscal 2025 compared to the same period last year. While the actual timing and extent of additional future changes in interest rates remains unknown, lower average interest rates would reduce interest expense on our outstanding variable rate debt. The financial markets, the global economy and global supply chain may also be adversely affected by the current or anticipated impact of military conflicts or other geopolitical events. High inflation and interest rates have also negatively impacted consumer disposable income, credit availability and spending, among others, which have adversely impacted our business, financial condition, cash flows and results of operations during fiscal 2024 and the first three quarters of fiscal 2025 and may continue to have an adverse impact during the remainder of fiscal 2025. See further discussion below under “Consumer Spending and Changes in Shopping Preferences.” We expect continued uncertainty in our business and the global economy due to pressure from inflation and consumer confidence, any of which may adversely impact our results.

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 72% and 74% of our consolidated net sales revenue was from U.S. shipments during the three month periods ended November 30, 2024 and 2023, respectively. For the nine month periods ended November 30, 2024 and 2023, U.S. shipments were approximately 71% and 73% of our consolidated net sales revenue, respectively.

Among other things, high levels of inflation and interest rates may negatively impact consumer disposable income, credit availability and spending. Consumer purchases of discretionary items, including the products that we offer, generally decline during recessionary periods or periods of economic uncertainty, when disposable income is reduced or when there is a reduction in consumer confidence. Dynamic changes in consumer spending and shopping patterns are also having an impact on retailer inventory levels. Our ability to sell to retailers is predicated on their ability to sell to the end consumer. During fiscal 2024, we experienced some improvement in replenishment orders from certain retail customers in certain product categories relative to fiscal 2023. However, during the first three quarters of fiscal 2025, we experienced reduced replenishment orders from retail customers in line with softer consumer demand and discretionary spending, which adversely impacted our sales, results of operations and cash flows. If orders from our retail customers continue to be adversely impacted, our sales, results of operations and cash flows may continue to be adversely impacted. We expect continued uncertainty in our business and the global economy due to inflation and changes in consumer spending patterns. Accordingly, our liquidity and financial results could be impacted in ways that we are not able to predict today.

Our concentration of sales reflects the continued evolution of consumer shopping preferences. Our net sales to pure-play online retailers and retail customers fulfilling end-consumer online orders, as well as our own online sales directly to consumers (collectively “online channel net sales”) comprised approximately 29% and 28% of our total consolidated net sales revenue for the three and nine month periods ended November 30, 2024, respectively, and declined approximately 9% and 7% compared to the same periods in the prior year, respectively. For the three and nine month periods ended November 30, 2023, our online channel net sales comprised approximately 31% and 28% of our total consolidated net sales revenue, respectively, and grew approximately 15% and 14%, respectively, compared to the same periods in the prior year.

With the continued importance of online sales in 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 has become increasingly important for us to leverage our distribution capabilities in order to meet the changing demands of our customers, including increasing our online capabilities to support our direct-to-consumer sales channels and online channel sales by our retail customers. To meet these needs, we completed the construction of an additional distribution facility in Gallaway, Tennessee that became partially operational during the first quarter of fiscal 2024. During the first quarter of fiscal 2025, we experienced automation system startup issues at the facility which impacted some of our Home & Outdoor segment's small retail customer and direct-to-consumer orders. As a result, our sales during the first quarter of fiscal 2025 were adversely impacted due to shipping disruptions, and we incurred additional costs and lost efficiency during both the first and second quarters of fiscal 2025 as we worked to remediate the issues. During the second quarter of fiscal 2025, the remediation efforts for the automation system were substantially completed, and we believe the impact on sales was minimal during the quarter. As a result of the remediation efforts performed, the automation system began to operate as designed during the third quarter of fiscal 2025 and we expect to achieve targeted efficiency levels by the end of fiscal 2025.

Additionally, we have invested in a centralized cloud-based e-commerce platform, which some of our brands are currently utilizing. The centralized cloud-based e-commerce platform will enable us to leverage a common system and rapidly deploy new capabilities across all of our brands, as well as more easily integrate new brands. We believe this platform enhances the customer experience by strengthening the digital presentation and product browsing capabilities and improving the checkout process, order delivery and post-order customer care.

EPA Compliance Costs

During fiscal 2022 and 2023, we were in discussions with the U.S. Environmental Protection Agency (the “EPA”) regarding the compliance of packaging claims on certain of our products in the air and water filtration categories and a limited subset of humidifier products within the Beauty & Wellness segment that are sold in the U.S. The EPA did not raise any product quality, safety or performance issues. As a result of these packaging compliance discussions, we voluntarily implemented a temporary stop shipment action on the impacted products as we worked with the EPA towards an expedient resolution. We resumed normalized levels of shipping of the affected inventory during fiscal 2022 and we completed the repackaging and relabeling of our existing inventory of impacted products during fiscal 2023. Additionally, as a result of continuing dialogue with the EPA, we executed further repackaging and relabeling plans on certain additional humidifier products and certain additional air filtration products, which were also completed during fiscal 2023. Ongoing settlement discussions with the EPA related to this matter may result in the imposition of fines or penalties in the future. Such potential fines or penalties cannot be reasonably estimated. See Note 7 to the accompanying condensed consolidated financial statements for additional information.

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 functional currency (the U.S. Dollar). Such transactions include sales and operating expenses. The most significant currencies affecting our operating results are the Euro, British Pound and Canadian Dollar.

For the three months ended November 30, 2024, changes in foreign currency exchange rates had a favorable year-over-year impact on consolidated U.S. Dollar reported net sales revenue of approximately \$0.1 million, or less than 0.1%, compared to a favorable year-over-year impact of \$4.6 million, or 0.8%, for the same period last year. For the nine months ended November 30, 2024, changes in foreign currency exchange rates had an unfavorable year-over-year impact on consolidated U.S. Dollar reported net sales revenue of approximately \$0.1 million, or less than 0.1%, compared to a favorable year-over-year impact of \$5.4 million, or 0.3% for the same period last year.

Variability of the Cough/Cold/Flu Season

Sales in several of our Beauty & Wellness 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. The 2023-2024 cough/cold/flu season was below historical averages seen prior to the impact of COVID-19. The 2022-2023 cough/cold/flu season was above historical averages, primarily early in the season, as respiratory infections surged in both children and adults and COVID-19 continued to be prevalent.

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.

<i>(in thousands)</i>	Three Months Ended November 30,				% of Sales Revenue, net	
	2024	2023	\$ Change	% Change	2024	2023
Sales revenue by segment, net						
Home & Outdoor	\$ 246,109	\$ 235,948	\$ 10,161	4.3 %	46.4 %	42.9 %
Beauty & Wellness	284,597	313,666	(29,069)	(9.3)%	53.6 %	57.1 %
Total sales revenue, net	530,706	549,614	(18,908)	(3.4)%	100.0 %	100.0 %
Cost of goods sold	271,378	285,833	(14,455)	(5.1)%	51.1 %	52.0 %
Gross profit	259,328	263,781	(4,453)	(1.7)%	48.9 %	48.0 %
SG&A	180,692	152,964	27,728	18.1 %	34.0 %	27.8 %
Restructuring charges	3,518	3,890	(372)	(9.6)%	0.7 %	0.7 %
Operating income	75,118	106,927	(31,809)	(29.7)%	14.2 %	19.5 %
Non-operating income, net	198	180	18	10.0 %	— %	— %
Interest expense	12,164	12,859	(695)	(5.4)%	2.3 %	2.3 %
Income before income tax	63,152	94,248	(31,096)	(33.0)%	11.9 %	17.1 %
Income tax expense	13,536	18,350	(4,814)	(26.2)%	2.6 %	3.3 %
Net income	\$ 49,616	\$ 75,898	\$ (26,282)	(34.6)%	9.3 %	13.8 %

<i>(in thousands)</i>	Nine Months Ended November 30,				% of Sales Revenue, net	
	2024	2023	\$ Change	% Change	2024	2023
Sales revenue by segment, net						
Home & Outdoor	\$ 686,512	\$ 693,069	\$ (6,557)	(0.9)%	48.3 %	45.7 %
Beauty & Wellness	735,262	822,780	(87,518)	(10.6)%	51.7 %	54.3 %
Total sales revenue, net	1,421,774	1,515,849	(94,075)	(6.2)%	100.0 %	100.0 %
Cost of goods sold	743,297	806,784	(63,487)	(7.9)%	52.3 %	53.2 %
Gross profit	678,477	709,065	(30,588)	(4.3)%	47.7 %	46.8 %
SG&A	530,865	499,790	31,075	6.2 %	37.3 %	33.0 %
Restructuring charges	6,879	14,862	(7,983)	(53.7)%	0.5 %	1.0 %
Operating income	140,733	194,413	(53,680)	(27.6)%	9.9 %	12.8 %
Non-operating income, net	468	465	3	0.6 %	— %	— %
Interest expense	37,923	40,565	(2,642)	(6.5)%	2.7 %	2.7 %
Income before income tax	103,278	154,313	(51,035)	(33.1)%	7.3 %	10.2 %
Income tax expense	30,444	28,453	1,991	7.0 %	2.1 %	1.9 %
Net income	\$ 72,834	\$ 125,860	\$ (53,026)	(42.1)%	5.1 %	8.3 %

Third Quarter Fiscal 2025 Financial Results

- Consolidated net sales revenue decreased 3.4%, or \$18.9 million, to \$530.7 million for the three months ended November 30, 2024, compared to \$549.6 million for the same period last year.
- Consolidated operating income decreased 29.7%, or \$31.8 million, to \$75.1 million for the three months ended November 30, 2024, compared to \$106.9 million for the same period last year. Consolidated operating margin decreased 5.3 percentage points to 14.2% of consolidated net sales revenue for the three months ended November 30, 2024, compared to 19.5% for the same period last year.
- Consolidated adjusted operating income decreased 2.1%, or \$1.9 million, to \$87.9 million for the three months ended November 30, 2024, compared to \$89.8 million for the same period last year. Consolidated adjusted operating margin increased 0.3 percentage points to 16.6% of consolidated net sales revenue for the three months ended November 30, 2024, compared to 16.3% for the same period last year.
- Net income decreased 34.6%, or \$26.3 million, to \$49.6 million for the three months ended November 30, 2024, compared to \$75.9 million for the same period last year. Diluted EPS decreased 32.0% to \$2.17 for the three months ended November 30, 2024, compared to \$3.19 for the same period last year.
- Adjusted income decreased 8.0%, or \$5.3 million, to \$61.1 million for the three months ended November 30, 2024, compared to \$66.4 million for the same period last year. Adjusted diluted EPS decreased 4.3% to \$2.67 for the three months ended November 30, 2024, compared to \$2.79 for the same period last year.

Year-To-Date Fiscal 2025 Financial Results

- Consolidated net sales revenue decreased 6.2%, or \$94.1 million, to \$1,421.8 million for the nine months ended November 30, 2024, compared to \$1,515.8 million for the same period last year.
- Consolidated operating income decreased 27.6%, or \$53.7 million, to \$140.7 million for the nine months ended November 30, 2024, compared to \$194.4 million for the same period last year. Consolidated operating margin decreased 2.9 percentage points to 9.9% of consolidated net sales revenue for the nine months ended November 30, 2024, compared to 12.8% for the same period last year.
- Consolidated adjusted operating income decreased 18.8%, or \$41.0 million, to \$177.3 million for the nine months ended November 30, 2024, compared to \$218.3 million for the same period last year. Consolidated adjusted operating margin decreased 1.9 percentage points to 12.5% of consolidated net sales revenue for the nine months ended November 30, 2024, compared to 14.4% for the same period last year.
- Net income decreased 42.1%, or \$53.0 million, to \$72.8 million for the nine months ended November 30, 2024, compared to \$125.9 million for the same period last year. Diluted EPS decreased 40.0% to \$3.15 for the nine months ended November 30, 2024, compared to \$5.25 for the same period last year.
- Adjusted income decreased 27.7%, or \$42.9 million, to \$112.0 million for the nine months ended November 30, 2024, compared to \$154.9 million for the same period last year. Adjusted diluted

EPS decreased 25.0% to \$4.84 for the nine months ended November 30, 2024, compared to \$6.45 for the same period last year.

Consolidated and Segment Net Sales Revenue

The following tables summarize the impact that Organic business and foreign currency had on our net sales revenue by segment:

<i>(in thousands)</i>	Three Months Ended November 30,		
	Home & Outdoor	Beauty & Wellness	Total
Fiscal 2024 sales revenue, net	\$ 235,948	\$ 313,666	\$ 549,614
Organic business	10,085	(29,086)	(19,001)
Impact of foreign currency	76	17	93
Change in sales revenue, net	10,161	(29,069)	(18,908)
Fiscal 2025 sales revenue, net	\$ 246,109	\$ 284,597	\$ 530,706
Total net sales revenue growth (decline)	4.3 %	(9.3)%	(3.4)%
Organic business	4.3 %	(9.3)%	(3.5)%
Impact of foreign currency	— %	— %	— %
<i>(in thousands)</i>	Nine Months Ended November 30,		
	Home & Outdoor	Beauty & Wellness	Total
Fiscal 2024 sales revenue, net	\$ 693,069	\$ 822,780	\$ 1,515,849
Organic business	(6,505)	(87,513)	(94,018)
Impact of foreign currency	(52)	(5)	(57)
Change in sales revenue, net	(6,557)	(87,518)	(94,075)
Fiscal 2025 sales revenue, net	\$ 686,512	\$ 735,262	\$ 1,421,774
Total net sales revenue decline	(0.9)%	(10.6)%	(6.2)%
Organic business	(0.9)%	(10.6)%	(6.2)%
Impact of foreign currency	— %	— %	— %

In the above tables, Organic 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 was acquired, excluding the impact that foreign currency remeasurement had on reported net sales revenue. Net sales revenue from internally developed brands or product lines is considered Organic business activity.

Consolidated Net Sales Revenue

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Consolidated net sales revenue decreased \$18.9 million, or 3.4%, to \$530.7 million, compared to \$549.6 million, driven by a decline in Beauty & Wellness due to softer consumer demand, increased competition, net distribution declines and a decrease in sales due to a slow start to the winter and illness seasons.

These factors were partially offset by an increase in Home & Outdoor driven by growth in all three brands and strength in international.

Net sales revenue was favorably impacted by net foreign currency fluctuations of approximately \$0.1 million, or less than 0.1%.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Consolidated net sales revenue decreased \$94.1 million, or 6.2%, to \$1,421.8 million, compared to \$1,515.8 million, primarily driven by:

- a decline in Beauty & Wellness driven by softer consumer demand, increased competition, and reduced orders from retail customers due to softness in consecutive illness seasons; and
- a decline in Home & Outdoor primarily due to lower replenishment orders from retail customers, softer consumer demand, increased competition in the insulated beverageware category, softness in the technical pack and accessory category and the impact of shipping disruption at our Tennessee distribution facility due to automation startup issues affecting some of the segment's small retail customer and direct-to-consumer orders during the first quarter of fiscal 2025.

These factors were partially offset by international growth and higher sales of insulated beverageware, fans and thermometers.

Net sales revenue was unfavorably impacted by net foreign currency fluctuations of approximately \$0.1 million, or less than 0.1%.

Segment Net Sales Revenue

Home & Outdoor

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Net sales revenue increased \$10.2 million, or 4.3%, to \$246.1 million, compared to \$235.9 million. The increase was primarily driven by:

- net gains in retailer distribution in the insulated beverageware and home categories;
- higher international sales primarily driven by new and expanded retailer distribution in the insulated beverageware category and strong demand for technical packs; and
- an increase in club channel sales in the insulated beverageware category.

These factors were partially offset by:

- lower replenishment orders from retail customers;
- a decrease in club channel sales in the home category;
- softer consumer demand; and
- increased competition in the insulated beverageware category.

Net sales revenue was favorably impacted by net foreign currency fluctuations of approximately \$0.1 million, or less than 0.1%.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Net sales revenue decreased \$6.6 million, or 0.9%, to \$686.5 million, compared to \$693.1 million. The decrease was primarily driven by:

- lower replenishment orders from retail customers;
- softer consumer demand;
- increased competition in the insulated beverageware category;
- a decrease in club and closeout channel sales in the home category;
- continued softness in the technical pack and accessory category; and
- the impact of shipping disruption at our Tennessee distribution facility due to automation startup issues affecting some of the segment's small retail customer and direct-to-consumer orders during the first quarter of fiscal 2025.

These factors were partially offset by:

- net gains in retailer distribution in the home and insulated beverageware categories;
- higher international sales primarily driven by new and expanded retailer distribution across all categories and strong demand for lifestyle packs; and
- an increase in club and closeout channel sales in the insulated beverageware category.

Net sales revenue was unfavorably impacted by net foreign currency fluctuations of approximately \$0.1 million, or less than 0.1%.

Beauty & Wellness

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Net sales revenue decreased \$29.1 million, or 9.3%, to \$284.6 million, compared to \$313.7 million. The decrease was primarily driven by:

- a decline in sales of hair appliances primarily due to softer consumer demand, increased competition and a net distribution decline;
- the impact of a slow start to the winter and illness seasons unfavorably impacting sales of thermometers, humidifiers and heaters, as well as net distribution declines impacting heater sales; and
- a decrease in water filtration product revenue primarily driven by the expiration of an out-license relationship and category softness.

These factors were partially offset by an increase in prestige hair care product and fan sales.

The impact of net foreign currency fluctuations on net sales revenue was not meaningful.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Net sales revenue decreased \$87.5 million, or 10.6%, to \$735.3 million, compared to \$822.8 million. The decline was primarily driven by:

- a decline in sales of hair appliances and prestige hair care products primarily due to softer consumer demand, increased competition, net distribution declines and shipping disruption from Curlsmith system integration challenges;
- lower sales of humidifiers and air purifiers, primarily driven by reduced replenishment orders from retail customers due to a decline in consumer demand, softness in consecutive illness seasons and increased competition in air purification;
- a decrease in heater sales primarily due to a slow start to the winter season and net distribution declines; and
- a decrease in water filtration product revenue primarily driven by the expiration of an out-license relationship and category softness.

These factors were partially offset by an increase in fan and thermometer sales.

The impact of net foreign currency fluctuations on net sales revenue was not meaningful.

Consolidated Gross Profit Margin

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Consolidated gross profit margin increased 0.9 percentage points to 48.9%, compared to 48.0%. The increase in consolidated gross profit margin was primarily due to favorable inventory obsolescence expense year-over-year and lower commodity and product costs, partly driven by Project Pegasus initiatives.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Consolidated gross profit margin increased 0.9 percentage points to 47.7%, compared to 46.8%. The increase in consolidated gross profit margin was primarily due to favorable inventory obsolescence expense year-over-year and lower commodity and product costs, partly driven by Project Pegasus initiatives.

These factors were partially offset by a less favorable product mix within the segments and a less favorable customer mix within Home & Outdoor.

Consolidated SG&A

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Consolidated SG&A ratio increased 6.2 percentage points to 34.0%, compared to 27.8%. The increase in the consolidated SG&A ratio was primarily due to:

- the unfavorable comparative impact of a gain on the sale of the El Paso facility of \$34.2 million recognized in the prior year period;
- higher marketing expense as we reinvested back into our brands; and
- the impact of unfavorable operating leverage due to the decrease in net sales.

These factors were partially offset by lower overall personnel expense, primarily driven by lower annual incentive compensation expense.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Consolidated SG&A ratio increased 4.3 percentage points to 37.3%, compared to 33.0%. The increase in the consolidated SG&A ratio was primarily due to:

- the unfavorable comparative impact of a gain on the sale of the El Paso facility of \$34.2 million recognized in the prior year period;
- higher marketing expense as we reinvested back into our brands;
- unfavorable distribution center expense primarily due to additional costs and lost efficiency associated with automation startup issues at our Tennessee distribution facility; and
- the impact of unfavorable operating leverage due to the decrease in net sales.

These factors were partially offset by lower overall personnel expense.

Restructuring Charges

During the three and nine month periods ended November 30, 2024, we incurred \$3.5 million and \$6.9 million, respectively, of pre-tax restructuring costs in connection with Project Pegasus, which were primarily comprised of severance and employee related costs, contract termination costs and professional fees. We recognized \$3.9 million and \$14.9 million of pre-tax restructuring costs during the three and nine month periods ended November 30, 2023, respectively, in connection with Project Pegasus, which primarily included professional fees and severance and employee related costs. During the nine month periods ended November 30, 2024 and November 30, 2023, we made total cash restructuring payments of \$9.8 million and \$17.5 million, respectively. We had a remaining liability of \$1.8 million as of November 30, 2024.

Operating Income, Operating Margin, Adjusted Operating Income (non-GAAP), and Adjusted Operating Margin (non-GAAP) by Segment

In order to provide a better understanding of the impact of certain items on our operating income, the tables that follow report the comparative pre-tax impact of Bed, Bath & Beyond bankruptcy, gain on sale of distribution and office facilities, 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 presented 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 November 30, 2024						
(in thousands)	Home & Outdoor		Beauty & Wellness		Total	
Operating income, as reported (GAAP)	\$ 40,313	16.4 %	\$ 34,805	12.2 %	\$ 75,118	14.2 %
Restructuring charges	770	0.3 %	2,748	1.0 %	3,518	0.7 %
Subtotal	41,083	16.7 %	37,553	13.2 %	78,636	14.8 %
Amortization of intangible assets	1,770	0.7 %	2,777	1.0 %	4,547	0.9 %
Non-cash share-based compensation	2,476	1.0 %	2,254	0.8 %	4,730	0.9 %
Adjusted operating income (non-GAAP)	\$ 45,329	18.4 %	\$ 42,584	15.0 %	\$ 87,913	16.6 %

Three Months Ended November 30, 2023						
(in thousands)	Home & Outdoor		Beauty & Wellness		Total	
Operating income, as reported (GAAP)	\$ 49,514	21.0 %	\$ 57,413	18.3 %	\$ 106,927	19.5 %
Gain on sale of distribution and office facilities	(16,175)	(6.9)%	(18,015)	(5.7)%	(34,190)	(6.2)%
Restructuring charges	583	0.2 %	3,307	1.1 %	3,890	0.7 %
Subtotal	33,922	14.4 %	42,705	13.6 %	76,627	13.9 %
Amortization of intangible assets	1,781	0.8 %	2,827	0.9 %	4,608	0.8 %
Non-cash share-based compensation	4,061	1.7 %	4,518	1.4 %	8,579	1.6 %
Adjusted operating income (non-GAAP)	\$ 39,764	16.9 %	\$ 50,050	16.0 %	\$ 89,814	16.3 %

Nine Months Ended November 30, 2024						
(in thousands)	Home & Outdoor		Beauty & Wellness		Total	
Operating income, as reported (GAAP)	\$ 87,315	12.7 %	\$ 53,418	7.3 %	\$ 140,733	9.9 %
Restructuring charges	1,728	0.3 %	5,151	0.7 %	6,879	0.5 %
Subtotal	89,043	13.0 %	58,569	8.0 %	147,612	10.4 %
Amortization of intangible assets	5,303	0.8 %	8,303	1.1 %	13,606	1.0 %
Non-cash share-based compensation	8,303	1.2 %	7,747	1.1 %	16,050	1.1 %
Adjusted operating income (non-GAAP)	\$ 102,649	15.0 %	\$ 74,619	10.1 %	\$ 177,268	12.5 %

Nine Months Ended November 30, 2023						
(in thousands)	Home & Outdoor		Beauty & Wellness		Total	
Operating income, as reported (GAAP)	\$ 107,729	15.5 %	\$ 86,684	10.5 %	\$ 194,413	12.8 %
Bed, Bath & Beyond bankruptcy	3,087	0.4 %	1,126	0.1 %	4,213	0.3 %
Gain on sale of distribution and office facilities	(16,175)	(2.3)%	(18,015)	(2.2)%	(34,190)	(2.3)%
Restructuring charges	4,644	0.7 %	10,218	1.2 %	14,862	1.0 %
Subtotal	99,285	14.3 %	80,013	9.7 %	179,298	11.8 %
Amortization of intangible assets	5,322	0.8 %	8,537	1.0 %	13,859	0.9 %
Non-cash share-based compensation	11,846	1.7 %	13,259	1.6 %	25,105	1.7 %
Adjusted operating income (non-GAAP)	\$ 116,453	16.8 %	\$ 101,809	12.4 %	\$ 218,262	14.4 %

Consolidated Operating Income

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Consolidated operating income was \$75.1 million, or 14.2% of net sales revenue, compared to \$106.9 million, or 19.5% of net sales revenue. The 5.3 percentage point decrease in consolidated operating margin was primarily due to:

- the unfavorable comparative impact of a gain on the sale of the El Paso facility of \$34.2 million recognized in the prior year period;
- higher marketing expense as we reinvested back into our brands; and
- the impact of unfavorable operating leverage due to the decrease in net sales.

These factors were partially offset by:

- lower overall personnel expense, primarily driven by lower annual incentive compensation expense;
- favorable inventory obsolescence expense year-over-year; and
- lower commodity and product costs, partly driven by Project Pegasus initiatives.

Consolidated adjusted operating income decreased 2.1% to \$87.9 million, or 16.6% of net sales revenue, compared to \$89.8 million, or 16.3% of net sales revenue.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Consolidated operating income was \$140.7 million, or 9.9% of net sales revenue, compared to \$194.4 million, or 12.8% of net sales revenue. The 2.9 percentage point decrease in consolidated operating margin was primarily due to:

- the unfavorable comparative impact of a gain on the sale of the El Paso facility of \$34.2 million recognized in the prior year period;
- higher marketing and new product development expense as we reinvested back into our brands;
- a less favorable product mix within the segments and a less favorable customer mix within Home & Outdoor;
- unfavorable distribution center expense primarily due to additional costs and lost efficiency associated with automation startup issues at our Tennessee distribution facility; and
- the impact of unfavorable operating leverage due to the decrease in net sales.

These factors were partially offset by lower overall personnel expense, favorable inventory obsolescence expense year-over-year and lower commodity and product costs, partly driven by Project Pegasus initiatives.

Consolidated adjusted operating income decreased 18.8% to \$177.3 million, or 12.5% of net sales revenue, compared to \$218.3 million, or 14.4% of net sales revenue.

Home & Outdoor

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Operating income was \$40.3 million, or 16.4% of segment net sales revenue, compared to \$49.5 million, or 21.0% of segment net sales revenue. The 4.6 percentage point decrease in segment operating margin was primarily due to:

- the unfavorable comparative impact of a gain on the sale of the El Paso facility of \$16.2 million recognized in the prior year period; and
- higher marketing expense as we reinvested back into our brands.

These factors were partially offset by:

- favorable inventory obsolescence expense year-over-year;
- lower annual incentive compensation expense; and
- lower commodity and product costs, partly driven by Project Pegasus initiatives.

Adjusted operating income increased 14.0% to \$45.3 million, or 18.4% of segment net sales revenue, compared to \$39.8 million, or 16.9% of segment net sales revenue.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Operating income was \$87.3 million, or 12.7% of segment net sales revenue, compared to \$107.7 million, or 15.5% of segment net sales revenue. The 2.8 percentage point decrease in segment operating margin was primarily due to:

- the unfavorable comparative impact of a gain on the sale of the El Paso facility of \$16.2 million recognized in the prior year period;
- a less favorable product and customer mix;
- higher marketing expense as we reinvested back into our brands; and
- unfavorable distribution center expense primarily due to additional costs and lost efficiency associated with automation startup issues at our Tennessee distribution facility.

These factors were partially offset by favorable inventory obsolescence expense year-over-year and lower commodity and product costs, partly driven by Project Pegasus initiatives.

Adjusted operating income decreased 11.9% to \$102.6 million, or 15.0% of segment net sales revenue, compared to \$116.5 million, or 16.8% of segment net sales revenue.

Beauty & Wellness

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Operating income was \$34.8 million, or 12.2% of segment net sales revenue, compared to \$57.4 million, or 18.3% of segment net sales revenue. The 6.1 percentage point decrease in segment operating margin was primarily due to:

- the unfavorable comparative impact of a gain on the sale of the El Paso facility of \$18.0 million recognized in the prior year period;
- higher marketing expense as we reinvested back into our brands; and
- the impact of unfavorable operating leverage due to the decrease in net sales.

These factors were partially offset by:

- lower annual incentive compensation expense;
- lower outbound freight;
- lower commodity and product costs, partly driven by Project Pegasus initiatives; and
- favorable inventory obsolescence expense year-over-year.

Adjusted operating income decreased 14.9% to \$42.6 million, or 15.0% of segment net sales revenue, compared to \$50.1 million, or 16.0% of segment net sales revenue.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Operating income was \$53.4 million, or 7.3% of segment net sales revenue, compared to \$86.7 million, or 10.5% of segment net sales revenue. The 3.2 percentage point decrease in segment operating margin was primarily due to:

- higher marketing and new product development expense as we reinvested back into our brands;
- the unfavorable comparative impact of a gain on the sale of the El Paso facility of \$18.0 million recognized in the prior year period;

- a less favorable product mix; and
- the impact of unfavorable operating leverage due to the decrease in net sales.

These factors were partially offset by lower commodity and product costs, partly driven by Project Pegasus initiatives and favorable inventory obsolescence expense year-over-year.

Adjusted operating income decreased 26.7% to \$74.6 million, or 10.1% of segment net sales revenue, compared to \$101.8 million, or 12.4% of segment net sales revenue.

Interest Expense

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Interest expense was \$12.2 million, compared to \$12.9 million. The decrease in interest expense was primarily due to lower average borrowings outstanding, partially offset by a higher average effective interest rate inclusive of the impact of our interest rate swaps compared to the same period last year.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Interest expense was \$37.9 million, compared to \$40.6 million. The decrease in interest expense was primarily due to lower average borrowings outstanding, partially offset by a higher average effective interest rate inclusive of the impact of our interest rate swaps compared to the same period last year.

Income Tax Expense

The period-over-period comparison of our effective tax rate is often impacted by the mix of 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.

The Organisation for Economic Co-operation and Development has introduced a framework to implement a global minimum corporate income tax of 15%, referred to as “Pillar Two.” Certain countries have adopted legislation to implement Pillar Two, and other countries are in the process of introducing legislation to implement Pillar Two. Many aspects of Pillar Two are effective for tax years beginning after January 1, 2024, with certain remaining aspects to be effective for tax years beginning January 1, 2025 or later. Pillar Two legislation in effect for our fiscal year 2025 has been incorporated into our financial statements. We will continue to assess the impact of Pillar Two and monitor developments in legislation, regulation, and interpretive guidance.

In response to Pillar Two, on May 24, 2024, Barbados enacted a domestic corporate income tax rate of 9%, effective beginning with our fiscal year 2025. As a result, we incorporated this corporate income tax into our estimated annual effective tax rate increasing our income tax provision beginning in the first quarter of fiscal 2025. In addition, we revalued our existing deferred tax liabilities subject to the Barbados legislation, which resulted in a discrete tax charge of \$6.0 million during the first quarter of fiscal 2025. Additionally, Barbados enacted a domestic minimum top-up tax (“DMTT”) of 15% which applies to Barbados businesses that are part of multinational enterprise groups with annual revenue of €750 million or more and is effective beginning with our fiscal year 2026. We will continue to monitor and evaluate impacts as further regulatory guidance becomes available.

For the three months ended November 30, 2024, income tax expense as a percentage of income before income tax was 21.4% compared to 19.5% for the same period last year. The year-over-year increase in

the effective tax rate is primarily due to the Barbados tax legislation enacted during the first quarter of fiscal 2025, which resulted in an increase in our income tax expense due to the change to our estimated annual effective tax rate arising from the legislation, and an increase in tax expense for discrete items, partially offset by the comparative impact of tax expense recognized during the third quarter of fiscal 2024 for the gain on the sale of the El Paso facility and shifts in the mix of income in our various tax jurisdictions. For the nine months ended November 30, 2024, income tax expense as a percentage of income before income tax was 29.5% compared to 18.4% for the same period last year primarily due to the Barbados tax legislation described above, including a discrete tax charge of \$6.0 million during the first quarter of fiscal 2025 to revalue deferred tax liabilities, and an increase in tax expense for discrete items, partially offset by the comparative impact of tax expense recognized during the third quarter of fiscal 2024 for the gain on the sale of the El Paso facility and shifts in the mix of income in our various tax jurisdictions.

Net Income, Diluted EPS, Adjusted Income (non-GAAP), and Adjusted Diluted EPS (non-GAAP)

In order to provide a better understanding of the impact of certain items on our income and diluted EPS, the tables that follow report the comparative after-tax impact of Barbados tax reform, Bed, Bath & Beyond bankruptcy, gain on sale of distribution and office facilities, restructuring charges, amortization of intangible assets, and non-cash share-based compensation, as applicable, on income and diluted EPS for the periods presented below. Adjusted income and adjusted diluted EPS 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."

(in thousands, except per share data)	Three Months Ended November 30, 2024					
	Income			Diluted EPS		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
As reported (GAAP)	\$ 63,152	\$ 13,536	\$ 49,616	\$ 2.76	\$ 0.59	\$ 2.17
Restructuring charges	3,518	316	3,202	0.15	0.01	0.14
Subtotal	66,670	13,852	52,818	2.91	0.61	2.31
Amortization of intangible assets	4,547	664	3,883	0.20	0.03	0.17
Non-cash share-based compensation	4,730	354	4,376	0.21	0.02	0.19
Adjusted (non-GAAP)	\$ 75,947	\$ 14,870	\$ 61,077	\$ 3.32	\$ 0.65	\$ 2.67
Weighted average shares of common stock used in computing diluted EPS						22,882

(in thousands, except per share data)	Three Months Ended November 30, 2023					
	Income			Diluted EPS		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
As reported (GAAP)	\$ 94,248	\$ 18,350	\$ 75,898	\$ 3.96	\$ 0.77	\$ 3.19
Gain on sale of distribution and office facilities	(34,190)	(8,787)	(25,403)	(1.44)	(0.37)	(1.07)
Restructuring charges	3,890	49	3,841	0.16	—	0.16
Subtotal	63,948	9,612	54,336	2.69	0.40	2.28
Amortization of intangible assets	4,608	606	4,002	0.19	0.03	0.17
Non-cash share-based compensation	8,579	532	8,047	0.36	0.02	0.34
Adjusted (non-GAAP)	\$ 77,135	\$ 10,750	\$ 66,385	\$ 3.24	\$ 0.45	\$ 2.79
Weighted average shares of common stock used in computing diluted EPS						23,813

(in thousands, except per share data)	Nine Months Ended November 30, 2024					
	Income			Diluted EPS		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
As reported (GAAP)	\$ 103,278	\$ 30,444	\$ 72,834	\$ 4.47	\$ 1.32	\$ 3.15
Barbados tax reform	—	(6,045)	6,045	—	(0.26)	0.26
Restructuring charges	6,879	619	6,260	0.30	0.03	0.27
Subtotal	110,157	25,018	85,139	4.76	1.08	3.68
Amortization of intangible assets	13,606	1,986	11,620	0.59	0.09	0.50
Non-cash share-based compensation	16,050	839	15,211	0.69	0.04	0.66
Adjusted (non-GAAP)	\$ 139,813	\$ 27,843	\$ 111,970	\$ 6.05	\$ 1.20	\$ 4.84
Weighted average shares of common stock used in computing diluted EPS						23,118

(in thousands, except per share data)	Nine Months Ended November 30, 2023					
	Income			Diluted EPS		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
As reported (GAAP)	\$ 154,313	\$ 28,453	\$ 125,860	\$ 6.43	\$ 1.19	\$ 5.25
Bed, Bath & Beyond bankruptcy	4,213	53	4,160	0.18	—	0.17
Gain on sale of distribution and office facilities	(34,190)	(8,787)	(25,403)	(1.42)	(0.37)	(1.06)
Restructuring charges	14,862	185	14,677	0.62	0.01	0.61
Subtotal	139,198	19,904	119,294	5.80	0.83	4.97
Amortization of intangible assets	13,859	1,819	12,040	0.58	0.08	0.50
Non-cash share-based compensation	25,105	1,558	23,547	1.05	0.06	0.98
Adjusted (non-GAAP)	\$ 178,162	\$ 23,281	\$ 154,881	\$ 7.42	\$ 0.97	\$ 6.45

Weighted average shares of common stock used in computing diluted EPS

23,996

Comparison of Third Quarter Fiscal 2025 to Third Quarter Fiscal 2024

Net income was \$49.6 million, compared to \$75.9 million. Diluted EPS was \$2.17, compared to \$3.19. Diluted EPS decreased primarily due to lower operating income and an increase in the effective income tax rate, partially offset by lower interest expense and lower weighted average diluted shares outstanding.

Adjusted income decreased \$5.3 million, or 8.0%, to \$61.1 million, compared to \$66.4 million. Adjusted diluted EPS decreased 4.3% to \$2.67, compared to \$2.79.

Comparison of First Nine Months of Fiscal 2025 to First Nine Months of Fiscal 2024

Net income was \$72.8 million, compared to \$125.9 million. Diluted EPS was \$3.15, compared to \$5.25. Diluted EPS decreased primarily due to lower operating income and an increase in the effective income tax rate, partially offset by lower weighted average diluted shares outstanding and a decrease in interest expense.

Adjusted income decreased \$42.9 million, or 27.7%, to \$112.0 million, compared to \$154.9 million. Adjusted diluted EPS decreased 25.0% to \$4.84, compared to \$6.45.

Liquidity and Capital Resources

We principally rely on our cash flow from operations and borrowings under our Credit Agreement (as defined below) to finance our operations, capital and intangible asset expenditures, acquisitions and share repurchases. Historically, our principal uses of cash to fund our operations have included operating expenses, primarily SG&A, and working capital, predominantly for inventory purchases and the extension of credit to our retail customers. We have typically been able to generate positive cash flow from operations sufficient to fund our operating activities. In the past, we have utilized a combination of available cash and existing, or additional, sources of financing to fund strategic acquisitions, share repurchases and capital investments. We generated \$78.2 million in cash from operations during the first nine months of fiscal 2025 and had \$40.8 million in cash and cash equivalents at November 30, 2024. As of November 30, 2024, the amount of cash and cash equivalents held by our foreign subsidiaries was \$34.4 million. We have no existing activities involving special purpose entities or off-balance sheet financing.

We believe our short-term liquidity requirements will primarily consist of operating and working capital requirements, capital expenditures and interest payments on our debt.

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 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. Subsequent to the end of our third quarter of fiscal 2025, we completed the acquisition of Olive & June, which was funded with cash on hand and a \$235.0 million borrowing under our existing revolving credit facility. We are also obligated to make additional consideration payments of up to \$15.0 million in cash contingent upon Olive & June's performance during calendar years 2025, 2026 and 2027, payable annually. For additional information, see Note 15 to the accompanying condensed consolidated financial statements.

We may also elect to repurchase additional shares of common stock under our Board of Directors' authorization, subject to limitations contained in our debt agreement 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 Stockholder Matters and Issuer Purchases of Equity Securities" in our Form 10-K and Part II, Item 2., "Unregistered Sales of Equity Securities and Use of Proceeds" in this report.

Operating Activities

Operating activities provided net cash of \$78.2 million for the nine months ended November 30, 2024, compared to net cash provided of \$232.5 million for the same period last year. The decrease in cash provided by operating activities was primarily driven by increases in payments for inventory, annual incentive compensation, and income taxes, as well as a decrease in cash earnings, partially offset by decreases in cash used primarily for accounts receivable, restructuring activities and interest payments.

Investing Activities

Investing activities used net cash of \$23.6 million during the nine months ended November 30, 2024, compared to net cash provided of \$14.0 million for the same period last year. The increase in cash used by investing activities was primarily due to the comparative impact of proceeds received from the sale of the El Paso facility in the prior year period, partially offset by a decrease in capital and intangible asset expenditures during the first three quarters of fiscal 2025. The decrease in capital and intangible asset expenditures was primarily due to the construction of our new two million square foot distribution facility, for which we incurred higher capital expenditures during the prior year period. Capital and intangible asset expenditures during both periods also included expenditures for computer, furniture and other equipment and tooling, molds, and other production equipment.

Financing Activities

Financing activities used net cash of \$32.4 million during the nine months ended November 30, 2024, compared to net cash used of \$250.3 million for the same period last year. The decrease in cash used by financing activities is primarily due to net borrowings on our revolving loans of \$72.0 million to help fund payments for repurchases of common stock of \$103.2 million during the nine months ended November 30, 2024 in comparison to net repayments of \$195.0 million and payments for repurchases of common stock of \$54.8 million during the same period last year.

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 aggregate commitments of \$1.5 billion, which are available through (i) a \$1.0 billion revolving credit facility, which includes a \$50 million sublimit for the issuance of letters of credit, (ii) a \$250 million term loan facility, and (iii) a committed \$250 million delayed draw term loan facility, which may be borrowed in multiple drawdowns until August 15, 2025. Proceeds can be used for working capital and other general corporate purposes, including funding permitted acquisitions. At the closing date, February 15, 2024, we borrowed \$457.5 million under the revolving credit facility and \$250.0 million under the term loan facility and utilized the proceeds to repay all debt outstanding under our prior credit agreement. The Credit Agreement matures on February 15, 2029. The Credit Agreement includes an accordion feature, which permits the Company to request to increase its borrowing capacity by an additional \$300 million plus an unlimited amount when the Leverage Ratio (as defined in the Credit Agreement) on a pro-forma basis is less than 3.25 to 1.00. The term loans are payable at the end of each fiscal quarter in equal installments of 0.625% through February 28, 2025, 0.9375% through February 28, 2026, and 1.25% thereafter of the original principal balance of the term loans, which began in the first quarter of fiscal 2025, with the remaining balance due at the maturity date. Borrowings under the Credit Agreement bear floating interest at either the Base Rate or Term SOFR (as defined in the Credit Agreement), plus a margin based on the Net Leverage Ratio (as defined in the Credit Agreement) of 0% to 1.125% and 1.0% to 2.125% for Base Rate and Term SOFR borrowings, respectively.

The floating interest rates on our borrowings under the Credit Agreement are hedged with interest rate swaps to effectively fix interest rates on \$550 million and \$500 million of the outstanding principal balance under the Credit Agreement as of November 30, 2024 and February 29, 2024, respectively. For additional information regarding our interest rate swaps, see Notes 9, 10, and 11 to the accompanying condensed consolidated financial statements.

As of November 30, 2024, the outstanding Credit Agreement principal balance was \$739.2 million (excluding prepaid financing fees), the balance of outstanding letters of credit was \$9.5 million and the amount available for revolving loans under the Credit Agreement was \$496.6 million. Covenants in the Credit Agreement limit the amount of total indebtedness we can incur. As of November 30, 2024, these covenants effectively limited our ability to incur more than \$298.8 million of additional debt from all sources, including the Credit Agreement, or \$496.6 million in the event a qualified acquisition is consummated.

As of November 30, 2024, we were in compliance with all covenants as defined under the terms of the Credit Agreement.

Subsequent to the end of our third quarter of fiscal 2025, we completed the acquisition of Olive & June, an innovative, omni-channel nail care brand. In connection with the acquisition, we provided notice of a qualified acquisition and borrowed \$235.0 million under our Credit Agreement to fund the acquisition initial cash consideration inclusive of amounts for cash acquired. The exercise of the qualified acquisition notice triggered temporary adjustments to the maximum leverage ratio, which was 3.50 to 1.00 before the impact of the qualified acquisition notice. As a result of the qualified acquisition notice, commencing at the beginning of our fourth quarter of fiscal 2025, the maximum leverage ratio is 4.50 to 1.00 through November 30, 2025 and 3.50 to 1.00 thereafter. After giving effect to the borrowing on December 16, 2024, the remaining amount available for borrowings under our Credit Agreement was \$253.6 million and the amount available per the maximum leverage ratio was \$449.6 million. Covenants in our Credit Agreement effectively limited our ability to incur additional debt from all sources to no more than \$253.6 million, the lesser of the two borrowing limitations. For additional information on the acquisition, see Note 15 to the accompanying condensed consolidated financial statements.

Critical Accounting Policies and Estimates

The SEC defines critical accounting estimates as those made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on a company's financial condition or results of operations. For a discussion of the estimates that we consider to meet this definition and represent our more critical estimates and assumptions used in the preparation of our consolidated financial statements, see the section entitled "Critical Accounting Policies and Estimates" in our Form 10-K. Since the filing of our Form 10-K, there have been no material changes in our critical accounting policies and estimates from those disclosed therein, except as described below:

During the second quarter of fiscal 2025, we concluded that a goodwill impairment triggering event had occurred primarily due to a sustained decline in our stock price. Additional factors that contributed to this conclusion included current macroeconomic trends and uncertainty surrounding inflation and high interest rates, which negatively impact consumer disposable income, credit availability, spending and overall consumer confidence, all of which had and may continue to adversely impact our sales, results of operations and cash flows. These factors were applicable to all of our reporting units which resulted in us performing quantitative goodwill impairment testing on all of our reporting units. We considered whether these events and circumstances would affect any other assets and concluded we should perform quantitative impairment testing on our indefinite-lived trademark licenses and trade names and our definite-lived trademark licenses, trade names and customer relationships and lists. During the third quarter of fiscal 2025, we determined no changes in circumstances or conditions or events have occurred that would indicate the carrying value of our goodwill and intangible assets may not be recoverable.

Impairment of Goodwill

We review goodwill for impairment on an annual basis or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If such circumstances or conditions exist, we perform a qualitative assessment to determine whether it is more likely than not that the assets are impaired. We evaluate goodwill at the reporting unit level (operating segment or one level below an operating segment). We operate two reportable segments, Home & Outdoor and Beauty & Wellness, which are comprised of seven reporting units, one of which does not have any goodwill recorded. If the results of the qualitative assessment indicate that it is more likely than not that the assets are impaired, further steps are required in order to determine whether the carrying value of the reporting unit exceeds its fair market value. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. We perform our annual impairment testing for goodwill as of the beginning of the fourth quarter of our fiscal year.

As described above, during the second quarter of fiscal 2025, we concluded that a goodwill impairment triggering event had occurred, and our qualitative assessment resulted in us performing quantitative goodwill impairment testing on all of our reporting units. We use an enterprise premise to determine the fair value and carrying amount of our reporting units. All assets and liabilities that are employed in or relate to the operations of a reporting unit and will be considered in determining the fair value of the reporting unit are included in the carrying value of the reporting unit. Our reporting units' net assets primarily consist of goodwill and intangible assets, which are assigned to a reporting unit upon acquisition, and accounts receivable and inventory which are directly identifiable. Assets and liabilities employed in or related to the operations of multiple reporting units as well as corporate assets and liabilities are primarily allocated to the reporting units based on specific identification or a percentage of net sales revenue.

We estimate the fair value of our reporting units using an income approach based upon projected future discounted cash flows ("DCF Model"). Under the DCF Model, the fair value of each reporting unit is determined based on the present value of estimated future cash flows, discounted at a risk-adjusted rate of return. We use internal forecasts and strategic long-term plans to estimate future cash flows, including

net sales revenue, gross profit margin, and earnings before interest and taxes margins. Our internal strategic long-term plans were developed in tandem with our Elevate for Growth Strategy, which provides the Company's strategic roadmap through fiscal 2030. Our internal forecasts and strategic long-term plans take into consideration historical and recent business results, industry trends and macroeconomic conditions. Other key estimates used in the DCF Model include, but are not limited to, discount rates, statutory tax rates, terminal growth rates, as well as working capital and capital expenditures needs. The discount rates are based on a weighted-average cost of capital utilizing industry market data of our peer group companies. Our goodwill impairment analysis also includes a reconciliation of the aggregate estimated fair values of our reporting units to the Company's total market capitalization.

Considerable management judgment is necessary to estimate expected future cash flows for our reporting units, including evaluating the impact of operational and external economic factors on our future cash flows, all of which are subject to uncertainty. The assumptions and estimates used in determining the fair value of our reporting units involve significant elements of subjective judgment and analysis by management. Certain future events and circumstances, including deterioration of retail economic conditions, higher cost of capital, a decline in actual and expected consumer demand, among others, could result in changes to these assumptions and judgements. A revision of these estimates and assumptions could cause the fair values of the reporting units to fall below their respective carrying values, resulting in impairment charges, which could have a material adverse effect on our results of operations.

The quantitative assessments performed during the second quarter of fiscal 2025 did not result in impairment of our goodwill. All of our reporting units had a fair value that exceeded their carrying value by at least 10%.

Some of the inherent estimates and assumptions used in determining the fair value of our reporting units are outside of the control of management, including interest rates, cost of capital, tax rates, strength of retail economies and industry growth. While we believe that the estimates and assumptions we use are reasonable at the time made, it is possible changes could occur. The recoverability of our goodwill is dependent upon discretionary consumer demand and the execution of our Elevate for Growth Strategy, which includes investing in our brands, growing internationally, new product introductions and expanded distribution to drive revenue growth and profitability and achieve our projections. The net sales revenue and profitability growth rates used in our projections are management's estimate of the most likely results over time, given a wide range of potential outcomes. Actual results may differ from those assumed in forecasts, which could result in material impairment charges. We will continue to monitor our reporting units for any triggering events or other signs of impairment including consideration of changes in the macroeconomic environment, significant declines in operating results, further significant sustained decline in market capitalization from current levels, and other factors, which could result in impairment charges in the future.

Impairment of Intangible Assets

We review our indefinite-lived intangible assets for impairment on an annual basis or more frequently whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If such circumstances or conditions exist, we perform a qualitative assessment to determine whether it is more likely than not that the assets are impaired. If the results of the qualitative assessment indicate that it is more likely than not that the assets are impaired, further steps are required in order to determine whether the carrying values of the indefinite-lived intangible assets exceeds their fair values. We perform our annual impairment testing for our indefinite-lived intangible assets as of the beginning of the fourth quarter. We review our definite-lived intangible assets if a triggering event occurs during the reporting period. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of each of the individual assets exceeds its fair market value.

As described above, during the second quarter of fiscal 2025, we concluded that an impairment triggering event had occurred and concluded to perform quantitative impairment analyses on our indefinite-lived intangible assets, which include trademark licenses and trade names and our definite-lived trademark licenses, trade names, and customer relationships and lists. Our intangible asset impairment test compares the fair value of our intangible assets with their carrying amount and an impairment loss is recognized for the amount by which the carrying amount exceeds the fair value.

We estimate the fair value of our trade names and trademark licenses using the relief from royalty method income approach which is based upon a DCF Model. The relief-from-royalty method estimates the fair value of a trade name or trademark license by discounting the hypothetical avoided royalty payments to their present value over the economic life of the asset. We estimate the fair value of our customer relationships and lists using the distributor method income approach which is based upon a DCF Model. The distributor method uses financial margin information for distributors within the applicable industry and most representative of the Company to estimate a royalty rate. The determination of fair value using these methods entails a significant number of estimates and assumptions, which require management judgment, and include net sales revenue growth rates, discount rates, royalty rates, residual growth rates (as applicable) and customer attrition rates (as applicable). We use internal forecasts and strategic long-term plans (which are described above) to estimate net sales revenue growth rates and royalty rates. We utilize a constant growth model to determine the residual growth rates which are based upon long-term industry growth expectations and long-term expected inflation.

The assumptions and estimates used in determining the fair value of our intangible assets involve significant elements of subjective judgment and analysis by management. Certain future events and circumstances, including deterioration of retail economic conditions, higher cost of capital, a decline in actual and expected consumer demand, could result in changes to these assumptions and judgements. A revision of these estimates and assumptions could cause the fair values of the intangible assets to fall below their respective carrying values, resulting in impairment charges, which could have a material adverse effect on our results of operations.

The quantitative assessments performed during the second quarter of fiscal 2025 did not result in any impairment of these intangible assets. All of our indefinite-lived intangible assets had a fair value that exceeded their carrying value by at least 10%. All of our definite-lived trademark licenses, trade names, and customer relationships and lists had a fair value that exceeded their carrying value by at least 10%. The fair value of our Drybar definite-lived trade name, within our Beauty & Wellness reportable segment, represented 110.7% of its carrying value as of the end of our second quarter of fiscal 2025. We performed a sensitivity analysis on key assumptions used in the valuation. A hypothetical adverse change of 10% in the forecasted sales used to estimate the fair value of the Drybar trade name would have resulted in an impairment charge of approximately \$0.8 million against its carrying value of \$20.8 million as of the end of our second quarter of fiscal 2025.

The estimates and assumptions inherent in determining the fair value of our intangible assets are subject to the same risks described above for determining the fair value of our goodwill. Further declines in anticipated consumer spending or an inability to achieve expected revenue growth and profitability in line with our Elevate for Growth Strategy could result in declines in the fair value that may result in impairment charges to our intangible assets. We will continue to monitor our intangible assets for any triggering events or other signs of impairment including consideration of changes in the macroeconomic environment, significant declines in sales or operating results, and other factors, which could result in impairment charges in the future. For additional information, refer to Note 1 to the accompanying condensed consolidated financial statements.

Information Regarding Forward-Looking Statements

Certain statements in this report, including those in documents and our other filings with the SEC referenced herein, may constitute “forward-looking statements” as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words “anticipates”, “assumes”, “believes”, “expects”, “plans”, “may”, “will”, “might”, “would”, “should”, “seeks”, “estimates”, “project”, “predict”, “potential”, “currently”, “continue”, “intends”, “outlook”, “forecasts”, “targets”, “reflects”, “could”, and other similar words identify forward-looking statements. All statements that address operating results, events or developments that we expect or anticipate may occur in the future, including statements related to sales, expenses, EPS results, and statements expressing general expectations about future operating results, are forward-looking statements and are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and assumptions, but there can be no assurance that we will realize our expectations or that our assumptions will prove correct. Forward-looking statements are only as of the date they are made and 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 or referenced 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:

- the geographic concentration of certain U.S. distribution facilities which increases our risk to disruptions that could affect our ability to deliver products in a timely manner;
- the occurrence of cyber incidents, or failure by us or our third-party service providers to maintain cybersecurity and the integrity of confidential internal or customer data;
- a cybersecurity breach, obsolescence or interruptions in the operation of our central global Enterprise Resource Planning systems and other peripheral information systems;
- our ability to develop and introduce a continuing stream of innovative new products to meet changing consumer preferences;
- actions taken by large customers that may adversely affect our gross profit and operating results;
- our dependence on sales to several large customers and the risks associated with any loss of, or substantial decline in, sales to top customers;
- our dependence on third-party manufacturers, most of which are located in Asia, and any inability to obtain products from such manufacturers;
- our ability to deliver products to our customers in a timely manner and according to their fulfillment standards;
- the risks associated with trade barriers, exchange controls, expropriations, and other risks associated with domestic and foreign operations including uncertainty and business interruptions resulting from political changes and events in the U.S. and abroad, and volatility in the global credit and financial markets and economy;
- our dependence on the strength of retail economies and vulnerabilities to any prolonged economic downturn, including a downturn from the effects of macroeconomic conditions, any public health crises or similar conditions;
- the risks associated with weather conditions, the duration and severity of the cold and flu season and other related factors;
- our reliance on our CEO and a limited number of other key senior officers to operate our business;
- the risks associated with the use of licensed trademarks from or to third parties;
- our ability to execute and realize expected synergies from strategic business initiatives such as acquisitions, including Olive & June, divestitures and global restructuring plans, including Project Pegasus;
- the risks of potential changes in laws and regulations, including environmental, employment and health and safety and tax laws, and the costs and complexities of compliance with such laws;

- the risks associated with increased focus and expectations on climate change and other environmental, social and governance matters;
- the risks associated with significant changes in or our compliance with regulations, interpretations or product certification requirements;
- the risks associated with global legal developments regarding privacy and data security that could result in changes to our business practices, penalties, increased cost of operations, or otherwise harm our business;
- the risks of significant tariffs or other restrictions being placed on imports from China, Mexico or Vietnam or any retaliatory trade measures taken by China, Mexico or Vietnam;
- our dependence on whether we are classified as a “controlled foreign corporation” for U.S. federal income tax purposes which impacts the tax treatment of its non-U.S. income;
- the risks associated with legislation enacted in Bermuda and Barbados in response to the European Union’s review of harmful tax competition;
- the risks associated with accounting for tax positions and the resolution of tax disputes;
- the risks associated with product recalls, product liability and other claims against us;
- associated financial risks including but not limited to, increased costs of raw materials, energy and transportation;
- significant impairment of our goodwill, indefinite-lived and definite-lived intangible assets or other long-lived assets;
- the risks associated with foreign currency exchange rate fluctuations;
- the risks to our liquidity or cost of capital which may be materially adversely affected by constraints or changes in the capital and credit markets, interest rates and limitations under our financing arrangements; and
- projections of product demand, sales and net income, which are highly subjective in nature, and from which future sales and net income could vary by a material amount.

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 our risk management activities can be found in Notes 8, 9 and 10 to the accompanying condensed consolidated financial statements.

ITEM 4. CONTROLS AND PROCEDURES

Based on their evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, our Company’s Chief Executive Officer and Chief Financial Officer have concluded that our Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) are effective at the reasonable assurance level. During the period covered by this Quarterly Report on Form 10-Q, there were no changes in our internal control over financial reporting that have materially affected, or are 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, except as described in Part 1, Item 3. “Legal Proceedings” of our Form 10-K. Since the filing of our Form 10-K, there have been no material changes in our legal proceedings from those disclosed therein except as updated herein in the discussion in Note 7 to the accompanying condensed consolidated financial statements.

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 Form 10-K. Since the filing of our 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

In August 2024, our Board of Directors authorized the repurchase of up to \$500 million of our outstanding common stock. The authorization became effective August 20, 2024, for a period of three years, and replaced our former repurchase authorization, of which approximately \$245.3 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. See Note 5 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)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) (2)
September 1 through September 30, 2024	59	\$ 87.89	59	\$ 499,967
October 1 through October 31, 2024	389	63.07	389	499,942
November 1 through November 30, 2024	—	—	—	499,942
Total	448	\$ 66.34	448	

- (1) The number of shares includes shares of common stock acquired from associates 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 periods presented, there were no common stock open market repurchases.
- (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 5 to the accompanying condensed consolidated financial statements.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three month period ended November 30, 2024, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

ITEM 6. EXHIBITS

(a) Exhibits

<u>31.1*</u>	<u>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.</u>
<u>31.2*</u>	<u>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.</u>
<u>32**</u>	<u>Joint certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended November 30, 2024, formatted in Inline eXtensible Business Reporting Language ("iXBRL"): (i) Condensed Consolidated Balance Sheets, (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, Interactive Data File formatted in iXBRL and contained in Exhibit 101.

* Filed herewith.

** Furnished herewith.

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: January 8, 2025

/s/ Noel M. Geoffroy

Noel M. Geoffroy

Chief Executive Officer,
Director and Principal Executive Officer

Date: January 8, 2025

/s/ Brian L. Grass

Brian L. Grass

Chief Financial Officer, Principal Financial Officer
and Principal Accounting Officer

CERTIFICATION

I, Noel M. Geoffroy, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended November 30, 2024 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: January 8, 2025

/s/ Noel M. Geoffroy

Noel M. Geoffroy

Chief Executive Officer,

Director and Principal Executive Officer

CERTIFICATION

I, Brian L. Grass, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended November 30, 2024 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: January 8, 2025

/s/ Brian L. Grass

Brian L. Grass

Chief Financial Officer, Principal Financial
Officer and Principal Accounting Officer

CERTIFICATION

In connection with the quarterly report of Helen of Troy Limited (the “Company”) on Form 10-Q for the fiscal quarter ended November 30, 2024, 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: January 8, 2025

/s/ Noel M. Geoffroy

Noel M. Geoffroy

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.