HELEN OF TROY LTD
Form 10-Q
July 11, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 31, 2016

or

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

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

Commission file number: 001-14669

HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

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

(915) 225-8000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

Class	Outstanding at July 6, 2016
Common Shares, $0.10 par value, per share	27,836,021 shares

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HELEN OF TROY LIMITED AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Balance Sheets (Unaudited)

(in thousands, except shares and par value)

	May 31, 2016	February 29, 2016
Assets		
Assets, current:		
Cash and cash equivalents	$ 23,115	$ 225,800
Receivables - principally trade, less allowances of $4,462 and $5,898	204,544	217,543
Inventory	319,249	301,609
Prepaid expenses and other current assets	13,501	9,780
Income taxes receivable	-	356
Total assets, current	560,409	755,088
Property and equipment, net of accumulated depreciation of $97,130 and $93,926	132,708	130,465
Goodwill	698,494	583,005
Other intangible assets, net of accumulated amortization of $144,356 and $137,174	444,893	375,751
Deferred tax assets, net	2,686	2,484
Other assets, net of accumulated amortization of $1,861 and $1,828	2,326	2,101
Total assets	$ 1,841,516	$ 1,848,894
Liabilities and Stockholders' Equity		
Liabilities, current:		
Accounts payable, principally trade	$ 110,795	$ 103,713
Accrued expenses and other current liabilities	138,351	141,245
Income taxes payable	3,700	-
Long-term debt, current maturities	24,540	22,644
Total liabilities, current	277,386	267,602
Long-term debt, excluding current maturities	562,951	597,270
Deferred tax liabilities, net	24,163	27,364
Other liabilities, noncurrent	20,545	26,615
Total liabilities	885,045	918,851
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; 27,818,575 and 28,488,411 shares issued and outstanding	2,782	2,774
Additional paid in capital	206,989	198,077
Accumulated other comprehensive income (loss)	(19)	665
Retained earnings	746,719	728,527
Total stockholders' equity	956,471	930,043
Total liabilities and stockholders' equity	$ 1,841,516	$ 1,848,894

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Income (Unaudited)

(in thousands, except per share data)

	Three Months Ended May 31, 2016	2015
Sales revenue, net	$ 347,938	$ 345,345
Cost of goods sold	195,511	202,026
Gross profit	152,427	143,319
Selling, general and administrative expense ("SG&A")	122,129	113,776
Asset impairment charges	7,400	3,000
Operating income	22,898	26,543
Nonoperating income, net	149	138
Interest expense	(3,651)	(2,892)
Income before income taxes	19,396	23,789
Income tax expense (benefit):		
Current	3,772	4,014
Deferred	(3,402)	(635)
Net income	$ 19,026	$ 20,410
Earnings per share:		
Basic	$ 0.69	$ 0.72
Diluted	$ 0.68	$ 0.70
Weighted average shares of common stock used in computing net earnings per share:		
Basic	27,773	28,520
Diluted	28,147	29,088

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(in thousands)

	Three Months Ended May 31,					
	2016			2015		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
Income	$ 19,396	$ (370)	$ 19,026	$ 23,789	$ (3,379)	$ 20,410
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	(1,019)	233	(786)	267	(68)	199
Settlements reclassified to income	158	(56)	102	(119)	13	(106)
Total other comprehensive income	(861)	177	(684)	148	(55)	93
Comprehensive income	$ 18,535	$ (193)	$ 18,342	$ 23,937	$ (3,434)	$ 20,503

See accompanying notes to consolidated condensed financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows (Unaudited)

(in thousands)

	Three Months Ended May 31, 2016	2015
Cash provided (used) by operating activities:		
Net income	$ 19,026	$ 20,410
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,956	10,354
Amortization of financing costs	290	291
Provision for doubtful receivables	347	(46)
Non-cash share-based compensation	5,614	2,061
Non-cash intangible asset impairment charges	7,400	3,000
Loss on the sale of property and equipment	20	-
Deferred income taxes and tax credits	(3,458)	(954)
Changes in operating capital, net of effects of acquisition of businesses:		
Receivables	20,524	12,544
Inventories	(11,160)	(6,219)
Prepaid expenses and other current assets	(3,393)	(1,367)
Other assets and liabilities, net	(4,934)	(2,942)
Accounts payable	4,819	14,820
Accrued expenses and other current liabilities	(7,021)	(10,013)
Accrued income taxes	2,706	(4,121)
Net cash provided by operating activities	41,736	37,818
Cash provided (used) by investing activities:		
Capital and intangible asset expenditures	(5,154)	(2,717)
Proceeds from the sale of property and equipment	2	7
Payments to acquire businesses	(209,258)	(42,750)
Net cash used by investing activities	(214,410)	(45,460)
Cash provided (used) by financing activities:		
Proceeds from line of credit	100,200	121,500
Repayment of line of credit	(129,100)	(114,000)
Repayment of long-term debt	(3,800)	(1,900)
Payment of financing costs	(14)	-
Proceeds from share issuances under share-based compensation plans	3,127	5,009
Payment of tax obligations resulting from cashless share award settlements	(424)	-
Net cash provided (used) by financing activities	(30,011)	10,609
Net increase (decrease) in cash and cash equivalents	(202,685)	2,967
Cash and cash equivalents, beginning balance	225,800	12,295

Cash and cash equivalents, ending balance	$ 23,115	$ 15,262

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

May 31, 2016

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

The accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our consolidated financial position as of May 31, 2016 and February 29, 2016, 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, 2016, and our other reports on file with the Securities and Exchange Commission (the “SEC”).

In this report and the accompanying consolidated condensed financial statements and notes, unless otherwise indicated or the context suggests otherwise, references to “the Company”, “our Company”, “Helen of Troy”, “we”, “us”, or “our” refer to Helen of Troy Limited and its subsidiaries. We refer to the Company's common shares, par value $0.10 per share, as “common stock.” References to “OXO” and “Hydro Flask” refer to businesses that operate together under the Housewares segment. The OXO business includes the operations of OXO International and certain of its subsidiaries. The Hydro Flask business refers to the operations of Steel Technology, LLC, acquired on March 18, 2016. References to “Kaz” refer to the operations of Kaz, Inc. and its subsidiaries that comprise our Health & Home segment. References to “Healthy Directions” refer to the operations of Healthy Directions, LLC and its subsidiaries that comprise our Nutritional Supplements segment. Our Beauty segment was formerly referred to as “Personal Care.” References to “EMEA” refer to the combined geographic markets of Europe, the Middle East and Africa. We use product and service names in this report for identification purposes only and they may be protected in the United States and other jurisdictions by trademarks, trade names, service marks, and other intellectual property rights of the Company and other parties. The absence of a specific attribution in connection with any such mark does not constitute a waiver of any such right. All trademarks, trade names, service marks, and logos referenced herein belong to their respective owners. References to “the FASB” refer to the Financial Accounting Standards Board. References to “GAAP” refer to U.S. generally accepted accounting principles. References to “ASU” refer to the codification of GAAP in the Accounting Standards Updates issued by the FASB. References to “ASC” refer to the codification of GAAP in the Accounting Standards Codification issued by the FASB.

We incorporated as Helen of Troy Corporation in Texas in 1968 and were reorganized as Helen of Troy Limited in Bermuda in 1994. We are a global designer, developer, importer, marketer, and distributor of an expanding portfolio of brand-name consumer products. We have four segments: Housewares, Health & Home, Nutritional Supplements, and Beauty. Our Housewares segment provides a broad range of innovative consumer products for the home. Product offerings include food preparation tools and appliances, insulated stainless steel food and beverage containers, gadgets and storage containers, cleaning, organization, and baby and toddler care products. The Health & Home segment focuses on healthcare devices such as thermometers, humidifiers, blood pressure monitors, and heating pads; water filtration systems; and small home appliances such as portable heaters, fans, air purifiers, and insect control devices. Our Nutritional Supplements segment is a leading provider of premium branded vitamins, minerals and supplements, as well as other health products sold directly to consumers. Our Beauty segment products include electric hair care, beauty care and wellness appliances; grooming tools and accessories; and liquid-, solid- and powder-based personal care and grooming products.

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

Our consolidated condensed financial statements are prepared in U.S. Dollars and in accordance with GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those

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

Note 2 – New Accounting Pronouncements

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

Not yet adopted:

In February 2016, the FASB issued ASU 2016-02, “Leases.” ASU 2016-02 will require lessees to recognize on their balance sheets “right-of-use assets” and corresponding lease liabilities, measured on a discounted basis over the lease term. Virtually all leases will be subject to this treatment except leases that meet the definition of a “short-term lease.” For expense recognition, the dual model requiring leases to be classified as either operating or finance leases has been retained from the prior standard. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. Classification will use criteria very similar to those applied in current lease accounting, but without explicit bright lines. The new lease guidance will essentially eliminate off-balance sheet financing. The guidance is effective for fiscal years beginning after December 15, 2019. The new standard must be adopted using a modified retrospective transition that provides for certain practical expedients and requires the new guidance to be applied at the beginning of the earliest comparative period presented. We are currently evaluating the effect this new accounting guidance may have on our consolidated financial position, results of operations and cash flows.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”, issued as a new Topic, ASC Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB affirmed its proposal to defer the effective date of the standard to annual reporting periods beginning after December 15, 2017 (and interim reporting periods within those years). Accordingly, we will be required to adopt the new standard in our fiscal year 2019 and can adopt either retrospectively or as a cumulative effect adjustment as of the date of adoption. We are currently evaluating the effect this new accounting guidance may have on our consolidated financial position, results of operations and cash flows.

New pronouncements adopted:

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which changes the accounting for certain aspects of share-based payments to employees. The provisions of the new guidance affecting the Company require excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled; remove the requirement to include hypothetical excess tax benefits in the application of the treasury stock method when computing earnings per share; and provided for a new policy election to either (1) continue applying forfeiture rate estimates in the determination of compensation cost, or (2) account for forfeitures as a reduction of share-based compensation cost as they occur. The new guidance also requires cash flows related to excess tax benefits to be classified as an operating activity in the cash flow statement and now requires shares withheld for tax withholding purposes to be classified as a financing activity.

We elected to early adopt the new guidance in the first quarter of fiscal year 2017. This required us to reflect any adjustments as of March 1, 2016. The primary impact of adoption was the recognition of excess tax benefits in our provision for income taxes rather than additional paid-in capital for all periods after fiscal year 2016. We elected to change our accounting policy regarding forfeitures. Previously, we estimated forfeitures expected to occur in the determination of compensation costs. Going forward we will now recognize forfeitures in the period

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they occur. The cumulative effect adjustments made upon adoption were not material. For the fiscal quarter ended May 31, 2016, we recognized additional share-based compensation expense of $0.23 million from the change in accounting for forfeitures of share-based awards, and we recognized $1.11 million of excess tax benefits in income tax expense rather than additional paid-in capital. The excess tax benefits were also reported as an increase to cash provided by operations and a reduction to cash provided (used) by financing activities.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes”, which eliminates the requirement for companies to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, upon adoption, companies are required to classify all deferred tax assets and liabilities as non-current. We elected to early adopt the new guidance in the first quarter of fiscal year 2017 and have made the necessary conforming reclassifications to the accompanying February 29, 2016 consolidated condensed balance sheet. The application of the provisions of ASU 2015-17 did not have a material effect on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs”. ASU 2015-03 changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an asset. We adopted the new guidance in the first quarter of fiscal year 2017 and have made the necessary conforming reclassifications to the accompanying February 29, 2016 consolidated condensed balance sheet and related footnote disclosures. The application of the provisions of ASU 2015-03 did not have a material effect on our consolidated financial position, results of operations or cash flows.

We have provided the table below, which summarizes the impact of each of the adopted accounting changes to the accompanying consolidated condensed financial statements.

IMPACT OF RECENT ACCOUNTING CHANGES

(in thousands)

			Increase (Decrease)	
	Standard	Transition Method	May 31, 2016	February 29, 2016
Consolidated Balance Sheets				
Current deferred tax assets, net	ASU 2015-17	Retrospective	$ (18,921)	$ (17,636)
Long-term deferred tax assets, net	ASU 2015-17	Retrospective	$ 1,127	$ 879
Long-term deferred tax assets, net	ASU-2016-09	Modified retrospective	$ (232)	$ -
Other assets - debt issuance costs	ASU 2015-03	Retrospective	$ (12,630)	$ (12,618)
Other assets - accumulated amortization	ASU 2015-03	Retrospective	$ (8,914)	$ (8,625)
Long-term debt, current maturities	ASU 2015-03	Retrospective	$ (1,160)	$ (1,156)

Long-term deferred tax liabilities, net	ASU 2015-17	Retrospective	$ (17,795)	$ (16,757)
Long-term debt, excluding current maturities	ASU 2015-03	Retrospective	$ (2,556)	$ (2,837)
Additional paid-in capital	ASU-2016-09	Modified retrospective	$ 588	$ -
Retained earnings	ASU-2016-09	Modified retrospective	$ (820)	$ -

	Standard	Transition Method	Increase (Decrease) Three Months Ended May 31, 2016	2015
Consolidated Statements of Income				
Share-based compensation expense	ASU-2016-09	Modified retrospective	$ 229	$ -
Current income tax expense	ASU-2016-09	Modified retrospective	$ (1,110)	$ -
Consolidated Statements of Cash Flows				
Cash provided by operating activities:				
Accrued income taxes	ASU-2016-09	Retrospective	$ 1,110	$ 319
Cash provided by financing activities:				
Share-based compensation tax benefit	ASU-2016-09	Retrospective	$ (1,110)	$ (319)

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Note 3 – Commitments and Contingencies

On January 22, 2016, a jury ruled against the Company in a case that involved claims by Exergen Corporation. The case dealt with the alleged patent infringement related to two forehead thermometer models sold by our subsidiary, Kaz USA, Inc., in the United States. As a result of the jury verdict, the Company recorded a charge in the fiscal quarter ended February 29, 2016, including legal fees and other related expenses of $17.83 million ($17.79 million, after tax). On June 8, 2016, certain post-trial motions were concluded with Exergen Corporation being awarded an additional $1.47 million of pre-judgment compensation. We accrued this additional amount in the fiscal quarter ended May 31, 2016. On July 6, 2016, the Company appealed the judgment to the United States Court of Appeals for the Federal Circuit. The Company intends to vigorously pursue its appellate rights and defend against the underlying judgment.

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

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

ACCRUAL FOR WARRANTY RETURNS

(in thousands)

	Three Months Ended May 31,	
	2016	2015
Beginning balance	$ 20,622	$ 23,553
Additions to the accrual	14,523	13,514
Reductions of the accrual - payments and credits issued	(16,164)	(16,173)
Ending balance	$ 18,981	$ 20,894

Notes 7, 10, 12 and 13 to these consolidated condensed financial statements provide additional information regarding certain of our significant commitments and contingencies.

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Note 4 – 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 stock options, issued and contingently issuable unvested restricted share units (“RSUs”), and performance-based restricted share units (“PSUs”). Options for common stock are excluded from the computation of diluted earnings per share if their effect is antidilutive. See Note 15 to these consolidated condensed financial statements for more information regarding share-based payment awards.

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

WEIGHTED AVERAGE DILUTED SECURITIES

(in thousands)

	Three Months Ended May 31,	
	2016	2015
Weighted average shares outstanding, basic	27,773	28,520
Incremental shares from share-based payment arrangements	374	568
Weighted average shares outstanding, diluted	28,147	29,088
Dilutive securities, stock options	425	798
Dilutive securities, unvested or unsettled stock awards	333	294
Antidilutive securities, stock options	143	197

Note 5 – Segment Information

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

THREE MONTHS ENDED

(in thousands)

May 31, 2016	Housewares (1)	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 84,603	$ 146,355	$ 35,940	$ 81,040	$ 347,938
Asset impairment charges	-	-	5,000	2,400	7,400
Operating income	15,500	9,604	(5,272)	3,066	22,898
Capital and intangible asset expenditures	589	1,189	1,562	1,814	5,154
Depreciation and amortization	1,329	5,233	1,960	2,434	10,956

May 31, 2015	Housewares	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 65,186	$ 143,042	$ 39,440	$ 97,677	$ 345,345
Asset impairment charges	-	-	-	3,000	3,000
Operating income	11,183	8,418	2,620	4,322	26,543
Capital and intangible asset expenditures	325	300	1,131	961	2,717
Depreciation and amortization	1,008	5,063	1,968	2,315	10,354

(1) Includes approximately two and a half months of operating results of Hydro Flask, acquired on March 18, 2016, with no comparable results in the same period last year. See Notes 8 and 9 to these consolidated condensed financial statements for further information regarding the acquisition.

We compute segment operating income based on net sales revenue, less cost of goods sold, SG&A, and any asset impairment charges associated with the segment. The SG&A used to compute each segment’s operating income is directly associated with the segment, plus shared service and corporate overhead expenses that are allocable to the segment. The two and a half months of operating results of Hydro Flask do not include any allocation of corporate or shared service costs. As the new acquisition is further integrated into our operating structure, we expect to make such allocations to its operations. When we decide such allocations are appropriate, there may be some

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reduction in the operating income of the Housewares segment offset by increases in operating income of our other segments. The extent of this operating income impact between the segments has not yet been determined. We do not allocate nonoperating income and expense, including interest or income taxes, to operating segments.

Note 6 – Comprehensive Income (Loss)

The table below presents the changes in accumulated other comprehensive income (loss) by component and the amounts reclassified out of accumulated other comprehensive income (loss) for the 2017 fiscal year-to-date:

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

(in thousands)

	Unrealized Holding Gains (Losses) on Cash Flow Hedges (1)
Balance at February 29, 2016	$ 665
Other comprehensive income before reclassification	(1,019)
Amounts reclassified out of accumulated other comprehensive income	158
Tax effects	177
Other comprehensive income (loss)	(684)
Balance at May 31, 2016	$ (19)

(1) Represents activity associated with certain foreign currency contracts. Balances at May 31, 2016 and February 29, 2016 include net deferred tax (expense) benefits of $0.18 and $0.00 million, respectively.

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Note 7 – Supplemental Balance Sheet Information

PROPERTY AND EQUIPMENT

(in thousands)

	Estimated Useful Lives (Years)	May 31, 2016	February 29, 2016
Land	-	$ 12,800	$ 12,800
Building and improvements	3 - 40	108,278	108,509
Computer, furniture and other equipment	3 - 15	71,407	70,778
Tools, molds and other production equipment	1 - 10	29,242	28,254
Construction in progress	-	8,111	4,050
Property and equipment, gross		229,838	224,391
Less accumulated depreciation		(97,130)	(93,926)
Property and equipment, net		$ 132,708	$ 130,465

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

(in thousands)

	May 31, 2016	February 29, 2016
Accrued compensation, benefits and payroll taxes	$ 18,836	$ 28,912
Accrued sales returns, discounts and allowances	29,135	27,530
Accrued warranty returns	18,981	20,622
Accrued advertising	22,889	22,087
Accrued legal fees and settlements	17,634	16,699
Accrued royalties	8,187	7,961
Accrued property, sales and other taxes	8,447	6,938
Accrued product liability	1,824	2,098
Derivative liabilities, current	943	495
Liability for uncertain tax positions	-	536
Other	11,475	7,367
Total accrued expenses and other current liabilities	$ 138,351	$ 141,245

OTHER LIABILITIES, NONCURRENT

(in thousands)

	May 31, 2016	February 29, 2016
Deferred compensation liability	$ 4,398	$ 8,298
Liability for uncertain tax positions	6,851	8,201
Other liabilities	9,296	10,116
Total other liabilities, noncurrent	$ 20,545	$ 26,615

Note 8 – Goodwill and Intangible Assets

Annual Impairment Testing in the First Quarter of Fiscal Year 2017 - We performed our annual evaluation of goodwill and indefinite-lived intangible assets for impairment during the first quarter of fiscal year 2017. As a result of our testing of indefinite-lived trademarks, we recorded non-cash asset impairment charges of $7.40 million ($5.10 million after tax). The charges were related to certain brand assets and trademarks in our Beauty and Nutritional Supplements segments, which were written down to their estimated fair values, determined on the basis of future discounted cash flows using the relief from royalty valuation method.

Impairments in the Fourth Quarter of Fiscal Year 2016 – We performed certain interim impairment testing in the fourth quarter of fiscal year 2016 for certain of our brands as a result of revised growth outlooks. As a result of our testing, we recorded a non-cash impairment charge of $3.00 million ($2.66 million after tax). The charge was

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related to a trademark in our Beauty segment, which was written down to fair value, determined on the basis of future discounted cash flows using the relief from royalty valuation method.

Annual Impairment Testing in the First Quarter of Fiscal Year 2016 - We performed our annual evaluation of goodwill and indefinite-lived intangible assets for impairment during the first quarter of fiscal year 2016. As a result of our testing of indefinite-lived trademarks, we recorded a non-cash asset impairment charge of $3.00 million ($2.66 million after tax). The charge was related to a trademark in our Beauty segment, which was written down to its estimated fair value, determined on the basis of future discounted cash flows using the relief from royalty valuation method.

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

GOODWILL AND INTANGIBLE ASSETS

(in thousands)

	May 31, 2016				February 29, 2016			
	Gross Carrying Amount	Cumulative Goodwill Impairments	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Cumulative Goodwill Impairments	Accumulated Amortization	Net Book Value
Housewares:								
Goodwill (1)	$ 281,621	$ -	$ -	$ 281,621	$ 166,132	$ -	$ -	$ 166,132
Trademarks - indefinite (1)	134,200	-	-	134,200	75,200	-	-	75,200
Other intangibles - finite (1)	40,078	-	(13,553)	26,525	15,448	-	(12,916)	2,532
Total Housewares	455,899	-	(13,553)	442,346	256,780	-	(12,916)	243,864
Health & Home:								
Goodwill	284,913	-	-	284,913	284,913	-	-	284,913
Trademarks - indefinite	54,000	-	-	54,000	54,000	-	-	54,000
Licenses - finite	15,300	-	(13,515)	1,785	15,300	-	(12,750)	2,550

Licenses - indefinite	7,400	-	-	7,400	7,400	-	-	7,400
Other intangibles - finite	116,669	-	(57,687)	58,982	116,575	-	(54,913)	61,662
Total Health & Home	478,282	-	(71,202)	407,080	478,188	-	(67,663)	410,525
Nutritional Supplements:								
Goodwill	96,609	-	-	96,609	96,609	-	-	96,609
Brand assets - indefinite	60,520	-	-	60,520	65,520	-	-	65,520
Other intangibles - finite	44,180	-	(12,002)	32,178	44,180	-	(10,431)	33,749
Total Nutritional Supplements	201,309	-	(12,002)	189,307	206,309	-	(10,431)	195,878
Beauty:								
Goodwill	81,841	(46,490)	-	35,351	81,841	(46,490)	-	35,351
Trademarks - indefinite	46,354	-	-	46,354	48,754			