HELEN OF TROY LTD
Form 10-Q
January 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 November 30, 2015

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 January 6, 2016
Common Shares, $0.10 par value, per share	28,286,315 shares

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HELEN OF TROY LIMITED AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Balance Sheets (Unaudited)

(in thousands, except shares and par value)

	November 30, 2015	February 28, 2015
Assets		
Assets, current:		
Cash and cash equivalents	$ 21,141	$ 12,295
Receivables - principally trade, less allowances of $8,058 and $5,882	288,979	222,499
Inventory, net	339,397	293,081
Prepaid expenses and other current assets	10,075	9,715
Income taxes receivable	110	417
Deferred tax assets, net	20,688	26,753
Total assets, current	680,390	564,760
Property and equipment, net of accumulated depreciation of $91,100 and $82,154	126,919	126,068
Goodwill	582,812	549,727
Other intangible assets, net of accumulated amortization of $130,991 and $111,627	384,766	398,430
Deferred tax assets, net	1,097	2,132
Other assets, net of accumulated amortization of $10,132 and $9,166	6,488	12,638
Total assets	$ 1,782,472	$ 1,653,755
Liabilities and Stockholders' Equity		
Liabilities, current:		
Accounts payable, principally trade	$ 122,584	$ 98,564
Accrued expenses and other current liabilities	147,602	141,201
Deferred tax liabilities, net	-	200
Long-term debt, current maturities	23,800	21,900
Total liabilities, current	293,986	261,865
Long-term debt, excluding current maturities	450,907	411,307
Deferred tax liabilities, net	43,312	52,711
Other liabilities, noncurrent	26,333	23,307
Total liabilities	814,538	749,190

Commitments and contingencies		
Stockholders' equity:		
Cumulative preferred stock, non-voting, $1.00 par. Authorized 2,000,000 shares; none issued	-	-
Common stock, $0.10 par. Authorized 50,000,000 shares; 28,284,725 and 28,488,411 shares issued and outstanding	2,828	2,849
Additional paid in capital	197,272	179,934
Accumulated other comprehensive income (loss)	1,729	(76)
Retained earnings	766,105	721,858
Total stockholders' equity	967,934	904,565
Total liabilities and stockholders' equity	$ 1,782,472	$ 1,653,755

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Income (Unaudited)

(in thousands, except per share data)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Sales revenue, net	$ 445,503	$ 435,674	$ 1,159,977	$ 1,067,401
Cost of goods sold	262,979	254,263	686,129	632,726
Gross profit	182,524	181,411	473,848	434,675
Selling, general and administrative expense ("SG&A")	126,891	116,368	356,240	312,906
Asset impairment charges	-	-	3,000	9,000
Operating income	55,633	65,043	114,608	112,769
Nonoperating income, net	142	87	233	234
Interest expense	(2,741)	(4,173)	(8,135)	(11,588)
Income before income taxes	53,034	60,957	106,706	101,415
Income tax expense (benefit):				
Current	3,842	9,328	17,564	14,255
Deferred	2,414	(3,748)	(2,498)	(3,454)
Net income	$ 46,778	$ 55,377	$ 91,640	$ 90,614
Earnings per share:				
Basic	$ 1.66	$ 1.95	$ 3.23	$ 3.17
Diluted	$ 1.63	$ 1.92	$ 3.17	$ 3.12
Weighted average shares of common stock used in computing net earnings per share:				
Basic	28,129	28,414	28,361	28,630
Diluted	28,634	28,824	28,903	29,070

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(in thousands)

	Three Months Ended November 30,					
	2015			2014		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
Income	$ 53,034	$ (6,256)	$ 46,778	$ 60,957	$ (5,580)	$ 55,377
Other comprehensive income						
Cash flow hedge activity - interest rate swaps						
Changes in fair market value	-	-	-	-	-	-
Settlements reclassified to income	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	1,841	(270)	1,571	301	(59)	242
Settlements reclassified to income	(263)	100	(163)	(201)	31	(170)
Subtotal	1,578	(170)	1,408	100	(28)	72
Total other comprehensive income	1,578	(170)	1,408	100	(28)	72
Comprehensive income	$ 54,612	$ (6,426)	$ 48,186	$ 61,057	$ (5,608)	$ 55,449

	Nine Months Ended November 30,					
	2015			2014		
	Before Tax	Tax	Net of Tax	Before Tax	Tax	Net of Tax
Income	$ 106,706	$ (15,066)	$ 91,640	$ 101,415	$ (10,801)	$ 90,614
Other comprehensive income						
Cash flow hedge activity - interest rate swaps						
Changes in fair market value	-	-	-	28	(10)	18
Settlements reclassified to income	-	-	-	1,199	(420)	779
Subtotal	-	-	-	1,227	(430)	797
Cash flow hedge activity - foreign currency contracts						
Changes in fair market value	2,653	(480)	2,173	515	(97)	418
Settlements reclassified to income	(503)	135	(368)	15	(11)	4
Subtotal	2,150	(345)	1,805	530	(108)	422

Total other comprehensive income	2,150	(345)	1,805	1,757	(538)	1,219
Comprehensive income	$ 108,856	$ (15,411)	$ 93,445	$ 103,172	$ (11,339)	$ 91,833

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows (Unaudited)

(in thousands)

	Nine Months Ended November 30,	
	2015	2014
Cash provided (used) by operating activities:		
Net income	$ 91,640	$ 90,614
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,946	29,075
Amortization of financing costs	869	1,457
Provision for doubtful receivables	501	417
Non-cash share-based compensation	6,146	4,539
Intangible asset impairment charges	3,000	9,000
Loss on the sale of property and equipment	66	43
Deferred income taxes and tax credits	(3,833)	(3,454)
Changes in operating capital, net of effects of acquisition of businesses:		
Receivables	(66,981)	(76,555)
Inventories	(46,316)	(23,468)
Prepaid expenses and other current assets	(361)	2,946
Other assets and liabilities, net	8,251	4,638
Accounts payable	24,020	19,377
Accrued expenses and other current liabilities	22,892	(113)
Accrued income taxes	919	4,956
Net cash provided by operating activities	72,759	63,472
Cash provided (used) by investing activities:		
Capital and intangible asset expenditures	(12,418)	(4,893)
Proceeds from the sale of property and equipment	7	-
Payments to acquire businesses	(42,750)	(195,943)
Net cash used by investing activities	(55,161)	(200,836)
Cash provided (used) by financing activities:		
Proceeds from line of credit	415,200	694,400
Repayment of line of credit	(371,800)	(254,400)
Repayment of long-term debt	(1,900)	(76,900)
Payment of financing costs	(19)	(2,321)
Proceeds from share issuances under share-based compensation plans, including tax benefits	10,778	5,268
Payment of tax obligations resulting from cashless share award exercises	-	(4,569)
Payment of tax obligations resulting from cashless share settlement of severance obligation	(12,000)	-
Payments for repurchases of common stock	(50,000)	(273,599)

Share-based compensation tax benefit	989	514
Net cash (used) provided by financing activities	(8,752)	88,393
Net increase (decrease) in cash and cash equivalents	8,846	(48,971)
Cash and cash equivalents, beginning balance	12,295	70,027
Cash and cash equivalents, ending balance	$ 21,141	$ 21,056

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

November 30, 2015

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

The accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our consolidated financial position as of November 30, 2015 and February 28, 2015, and the results of our consolidated operations for the interim periods presented. We follow the same accounting policies when preparing quarterly financial data as we use for preparing annual data. These statements should be read in conjunction with the consolidated financial statements and the notes included in our latest annual report on Form 10-K for the fiscal year ended February 28, 2015, 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” refer to the operations of OXO International and certain of its affiliated subsidiaries that comprise our Housewares segment. References to “Kaz” refer to the operations of Kaz, Inc. and its subsidiaries, which comprise a segment within the Company referred to as the Health & Home segment. References to “Healthy Directions” refer to the operations of Healthy Directions, LLC and its subsidiaries, acquired on June 30, 2014, that comprise the Nutritional Supplements segment. 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 (formerly referred to as “Healthcare / Home Environment”), Nutritional Supplements, and Beauty (formerly referred to as “Personal Care”). Our Housewares segment provides a broad range of innovative consumer products for the home. Product offerings include food and beverage preparation tools and appliances, gadgets, 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, 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 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. These reclassifications had no effect on previously reported results of operations, working capital or stockholders' equity.

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.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", which eliminates the current requirement for companies to present deferred tax liabilities and assets as current and non-current in a classified balance sheet. Instead, companies will be required to classify all deferred tax assets and liabilities as non-current. This guidance is effective for annual and interim periods beginning after December 15, 2016. The Company does not expect the provisions of ASU 2015-17 to have a material effect on its 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. ASU 2015-03 is effective for annual periods and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect the provisions of ASU 2015-03 to have a material effect on its consolidated financial position, results of operations or 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 results of operations, cash flows and financial position.

Note 3 – Commitments and Contingencies

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

On November 12, 2015, the Company resolved a lawsuit with its former CEO, which resulted in the payment of severance compensation due under his employment and separation agreements. The severance compensation was previously accrued and disclosed in fiscal year 2014 and was paid through the issuance of common shares of the Company. The Company also transferred ownership of a life insurance policy on the lives of its former CEO and his spouse as part of the settlement. As a result of the transfer of the policy and other expenses incurred in connection with the settlement, the Company recorded CEO succession costs of $6.71 million ($4.64 million after tax), or $0.16 per fully diluted share, in the third quarter of fiscal year 2016.

Notes 7, 10, 12, 13, and 14 to these consolidated condensed financial statements provide additional information regarding certain of our significant commitments and contingencies.

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

ACCRUAL FOR WARRANTY RETURNS

(in thousands)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014 (1)
Beginning balance	$ 20,797	$ 22,492	$ 23,553	$ 19,269
Additions to the accrual	17,127	16,574	43,885	46,088
Reductions of the accrual - payments and credits issued	(14,386)	(13,821)	(43,900)	(40,112)
Ending balance	$ 23,538	$ 25,245	$ 23,538	$ 25,245

(1) Includes opening balance accrual additions totaling $3.19 million and related payments and credits issued of $1.82 million attributed to the Healthy Directions acquisition.

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, and other performance-based share awards. 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 arrangements.

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

WEIGHTED AVERAGE DILUTED SECURITIES

(in thousands)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Weighted average shares outstanding, basic	28,129	28,414	28,361	28,630
Incremental shares from share-based payment arrangements	505	410	542	440
Weighted average shares outstanding, diluted	28,634	28,824	28,903	29,070
Dilutive securities, stock options	505	643	553	686
Dilutive securities, unvested or unsettled share awards	269	278	292	267
Antidilutive securities, stock options	139	245	162	240

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Note 5 – Segment Information

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

THREE MONTHS ENDED

(in thousands)

November 30, 2015	Housewares	Health & Home	Nutritional Supplements	Beauty	Total
Sales revenue, net	$ 87,816	$ 186,418	$ 37,492	$ 133,777	$ 445,503
Asset impairment charges	-	-	-	-	-
Operating income (2)	15,536	18,072	3,034	18,991	55,633
Capital and intangible asset expenditures	406	4,734	865	467	6,472
Depreciation and amortization	1,065	5,281	1,956	2,417	10,719

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

NINE MONTHS ENDED

(in thousands)

November 30, 2015	Housewares	Health & Home	Nutritional Supplements (1)	Beauty	Total
Sales revenue, net	$ 231,850	$ 472,714	$ 114,980	$ 340,433	$ 1,159,977
Asset impairment charges	-	-	-	3,000	3,000
Operating income (2)	41,861	31,298	8,623	32,826	114,608
Capital and intangible asset expenditures	1,022	6,258	2,771	2,367	12,418

Depreciation and amortization	3,148	15,858	5,889	7,051	31,946

November 30, 2014	Housewares	Health & Home	Nutritional Supplements (1)	Beauty	Total
Sales revenue, net	$ 222,377	$ 445,701	$ 63,096	$ 336,227	$ 1,067,401
Asset impairment charges	-	-	-	9,000	9,000
Operating income	45,201	31,919	6,324	29,325	112,769
Capital and intangible asset expenditures	1,275	2,022	388	1,208	4,893
Depreciation and amortization	2,669	15,384	3,391	7,631	29,075

(1) Includes nine- and five-months of operations of the Nutritional Supplements segment for the nine months ending November 30, 2015 and 2014, respectively. The segment was formed upon the acquisition of Healthy Directions on June 30, 2014.

(2) Operating income for the three and nine months ended November 30, 2015 includes each segment's allocated share of CEO succession costs totaling $6.71 million. There was no comparable expense in the same periods last year.

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. In fiscal year 2016, we began making an allocation of shared service and corporate overhead costs to the Nutritional Supplements segment. For the three- and nine-months ended November 30, 2015, those allocations totaled $2.59 and $4.19 million, respectively, which includes an allocation of CEO succession costs referred to above. We do not allocate nonoperating income and expense, including interest or income taxes, to operating segments.

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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 2016 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 28, 2015	$ (76)
Other comprehensive income before reclassification	2,653
Amounts reclassified out of accumulated other comprehensive income	(503)
Tax effects	(345)
Other Comprehensive Income (Loss)	1,805
Balance at November 30, 2015	$ 1,729

(1) Represents activity associated with foreign currency contracts. Balances at November 30, 2015 and February 28, 2015 include net deferred tax (expense) benefits of ($0.31) and $0.03 million, respectively.

Note 7 – Supplemental Balance Sheet Information

PROPERTY AND EQUIPMENT

(in thousands)

	Estimated Useful Lives (Years)	November 30, 2015	February 28, 2015

Land		-		$ 12,800		$ 12,800
Building and improvements	3	-	40	106,960		102,058
Computer, furniture and other equipment	3	-	15	66,992		64,464
Tools, molds and other production equipment	1	-	10	29,074		25,861
Construction in progress		-		2,193		3,039
Property and equipment, gross				218,019		208,222
Less accumulated depreciation				(91,100)		(82,154)
Property and equipment, net				$ 126,919		$ 126,068

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ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

(in thousands)

	November 30, 2015	February 28, 2015
Accrued compensation, benefits and payroll taxes	$ 25,732	$ 44,382
Accrued sales returns, discounts and allowances	35,161	24,271
Accrued warranty returns	23,538	23,553
Accrued advertising	28,042	18,930
Accrued product liability, legal and professional fees	5,718	6,001
Accrued royalties	8,840	7,683
Accrued property, sales and other taxes	10,018	6,850
Derivative liabilities, current	7	240
Liability for uncertain tax positions	536	-
Other	10,010	9,291
Total accrued expenses and other current liabilities	$ 147,602	$ 141,201

OTHER LIABILITIES, NONCURRENT

(in thousands)

	November 30, 2015	February 28, 2015
Deferred compensation liability	$ 6,962	$ 7,091
Liability for uncertain tax positions	10,371	10,295
Other liabilities	9,000	5,921
Total other liabilities, noncurrent	$ 26,333	$ 23,307

Note 8 – Goodwill and Intangible Assets

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.

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

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

GOODWILL AND INTANGIBLE ASSETS

(in thousands)

	November 30, 2015				February 28, 2015			
	Gross Carrying Amount	Cumulative Goodwill Impairments	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Cumulative Goodwill Impairments	Accumulated Amortization	Net Book Value
Housewares:								
Goodwill	$ 166,132	$ -	$ -	$ 166,132	$ 166,132	$ -	$ -	$ 166,132
Trademarks - indefinite	75,200	-	-	75,200	75,200	-	-	75,200
Other intangibles - finite	15,924	-	(13,273)	2,651	15,754	-	(12,331)	3,423
Total Housewares	257,256	-	(13,273)	243,983	257,086	-	(12,331)	244,755
Health & Home:								
Goodwill	284,720	-	-	284,720	251,758	-	-	251,758
Trademarks - indefinite	58,400	-	-	58,400	54,000	-	-	54,000
Licenses - finite	15,300	-	(11,985)	3,315	15,300	-	(9,377)	5,923
Licenses - indefinite	3,000	-	-	3,000	-	-	-	-
Other intangibles - finite	116,330	-	(52,140)	64,190	113,727	-	(43,848)	69,879
Total Health & Home	477,750	-	(64,125)	413,625	434,785	-	(53,225)	381,560
Nutritional Supplements:								
Goodwill	96,609	-	-	96,609	96,486	-	-	96,486
Brand assets - indefinite	65,500	-	-	65,500	65,500	-	-	65,500
	43,800	-	(8,864)	34,936	43,800	-	(4,171)	39,629

Other intangibles - finite								
Total Nutritional Supplements	205,909	-	(8,864)	197,045	205,786	-	(4,171)	201,615
Beauty:								
Goodwill	81,841	(46,490)	-	35,351	81,841	(46,490)	-	35,351
Trademarks - indefinite	51,754	-	-	51,754	54,754	-	-	54,754
Trademarks - finite	150	-	(86)	64	150	-	(82)	68
Licenses - finite	13,696	-	(11,453)	2,243	13,696	-	(11,216)	2,480
Licenses - indefinite	10,300	-	-	10,300	10,300	-	-	10,300
Other intangibles - finite	46,403	-	(33,190)	13,213	47,876	-	(30,602)	17,274
Total Beauty	204,144	(46,490)	(44,729)	112,925	208,617	(46,490)	(41,900)	120,227
Total goodwill and intangible assets	$ 1,145,059	$ (46,490)	$ (130,991)	$ 967,578	$ 1,106,274	$ (46,490)	$ (111,627)	$ 948,157

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The following table summarizes the amortization expense attributable to intangible assets for the periods covered in this quarterly report, as well as our estimated amortization expense for the fiscal years 2016 through 2021.

AMORTIZATION OF INTANGIBLE ASSETS

(in thousands)

Aggregate Amortization Expense	
For the three months ended	
November 30, 2015	$ 6,861
November 30, 2014	$ 6,853
Aggregate Amortization Expense	
For the nine months ended	
November 30, 2015	$ 20,883
November 30, 2014	$ 18,427

Estimated Amortization Expense	
For the fiscal years ended	
February 2016	$ 27,734
February 2017	$ 26,511
February 2018	$ 23,166
February 2019	$ 18,555
February 2020	$ 17,138
February 2021	$ 14,727

Note 9 – Acquisitions

Vicks VapoSteam Acquisition - On March 31, 2015, the Company announced the acquisition of the Vicks VapoSteam U.S. liquid inhalant business from The Procter & Gamble Company ("P&G"), which includes a fully paid-up license of P&G's Vicks VapoSteam trademarks. In a related transaction, the Company acquired a fully paid-up U.S. license of P&G's Vicks VapoPad trademarks for scent pads. The vast majority of Vicks VapoSteam and VapoPads are used in Vicks humidifiers, vaporizers and other health care devices already marketed by the Company. The aggregate purchase price for the two transactions was approximately $42.75 million financed primarily with borrowings under the Credit Agreement, as defined in Note 10 to these consolidated condensed financial statements. VapoSteam operations are reported in the Health & Home segment.

We have completed our analysis of the economic lives of the assets acquired and determined the appropriate allocation of the initial purchase price; however allocated balances are preliminary and may be subject to additional adjustment as we continue to integrate the acquisition. We assigned $7.40 million to trademarks with indefinite economic lives. We assigned $1.20 million to customer relationships and $1.20 million to product formulations and will amortize these assets over expected lives of 19.5 and 20.0 years, respectively. For the customer relationships, we used historical attrition rates to assign an expected life. For product formulations, we used our best estimate of the remaining product life. The trademarks are considered to have indefinite lives that are not subject to amortization. Substantially all the remaining balance of the purchase price was assigned to goodwill, which is expected to be deductible for income tax purposes.The fair values of the intangible assets were estimated by applying income and market approaches. These fair value measurements were based on significant inputs that are not observable in the market. Therefore, they represent Level 3 measurements.

Healthy Directions Acquisition - On June 30, 2014, we completed the acquisition of Healthy Directions, LLC and its subsidiaries ("Healthy Directions"), a leader in the premium branded vitamin, mineral and supplement market, for a total cash purchase price of $195.94 million. The purchase price was funded primarily with borrowings under the Credit Agreement. Significant assets acquired include inventory, property and equipment, customer relationships, brand assets, and goodwill. Acquisition-related expenses incurred during fiscal year 2015

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were approximately $3.61 million ($2.31 million after tax). Healthy Directions reports its operations as the Nutritional Supplements segment.

We accounted for the acquisition as the purchase of a business and recorded the excess purchase price as goodwill. The goodwill recognized is expected to be deductible for income tax purposes. As of February 28, 2015, we completed our analysis of the economic lives of all the assets acquired and determined the appropriate initial allocation of the purchase price. We assigned the acquired brand assets an indefinite economic life and are amortizing the customer relationships over an expected weighted average life of approximately seven years. For the customer relationships, we used historical attrition rates to assign an expected life. Since the brand assets acquired are considered to have an indefinite life, they are not subject to amortization.

The following schedule presents the net assets of Healthy Directions as recognized at the acquisition date.

HEALTHY DIRECTIONS - NET ASSETS RECORDED UPON ACQUISITION AT JUNE 30, 2014

(in thousands)

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

The fair values of the above assets acquired and liabilities assumed were estimated by applying income and market approaches. These fair value measurements are based on significant inputs that are not observable in the market. Therefore, they represent Level 3 measurements. Key assumptions included various discount rates based upon a 14.6 percent weighted average cost of capital, a royalty rate of 5 percent used in the determination of brand assets, and a customer attrition rate of 14 percent per year used in the determination of customer relationship values.

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Note 10 – Debt

We have a credit agreement (the “Credit Agreement”) with Bank of America, N.A., as administrative agent, and other lenders that provides for an unsecured total revolving commitment of $650 million as of November 30, 2015. The commitment under the Credit Agreement terminates on January 16, 2020. Borrowings accrue interest under one of two alternative methods as described in the Credit Agreement. With each borrowing against our credit line, we can elect the interest rate method based on our funding needs at the time. We also incur loan commitment fees and letter of credit fees under the Credit Agreement. Outstanding letters of credit reduce the borrowing availability under the Credit Agreement on a dollar-for-dollar basis. As of November 30, 2015, the outstanding revolving loan principal balance was $380.90 million and there were $1.50 million of open letters of credit outstanding against the Credit Agreement. For the fiscal quarter and year-to-date ended November 30, 2015, borrowings under the Credit Agreement incurred interest charges at rates ranging from 1.44 to 3.75 percent and 1.43 to 4.00 percent, respectively. For the fiscal quarter and year-to-date ended November 30, 2014, borrowings under the Credit Agreement incurred interest charges at rates ranging from 1.90 to 4.38 percent for both periods. As of November 30, 2015, the amount available for borrowings under the Credit Agreement was $267.60 million. However, as of November 30, 2015, our debt agreements effectively limited our ability to incur more than $254.95 million of additional debt from all sources, including the Credit Agreement.

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

LONG-TERM DEBT

(in thousands)

	Original Date Borrowed	Interest Rates		Matures	November 30, 2015	February 28, 2015
$37.61 million unsecured loan with the Mississippi Business Finance Corporation (the "MBFC Loan"), interest is set and payable quarterly at a Base Rate, plus a margin of up to 1.00%, or applicable LIBOR plus a margin of up to 2.00%, as determined by the interest rate elected and the Leverage Ratio. Loan subject to holder's call on or after March 1, 2018. Loan can be prepaid without penalty. (1)	03/13	Floating		03/23	$ 33,807	$ 35,707
$100 million unsecured Senior Notes payable at a fixed interest rate of 3.90%.	01/11	3.90	%	01/18	60,000	60,000

Interest payable semi-annually. Annual principal payments of $20 million began in January 2014. Prepayment of notes are subject to a "make whole" premium.					
Credit Agreement	01/15	Floating	01/20	380,900	337,500
Total long-term debt				474,707	433,207
Less current maturities of long-term debt				(23,800)	(21,900)
Long-term debt, excluding current maturities				$ 450,907	$ 411,307

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

The fair market value of the fixed rate debt at November 30, 2015, computed using a discounted cash flow analysis and comparable market rates was $61.18 million, compared to the $60 million book value and represents a Level 2 liability. Our other long-term debt has floating interest rates, and its book value approximates its fair value at November 30, 2015.

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All of our debt is unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. Our debt agreements require the maintenance of certain financial covenants, including maximum leverage ratios, minimum interest coverage ratios and minimum consolidated net worth levels (as each of these terms is defined in the various agreements). Our debt agreements also contain other customary covenants, including among other things, covenants restricting or limiting the Company, except under certain conditions set forth therein, from (1) incurring debt, (2) incurring liens on its properties, (3) making certain types of investments, (4) selling certain assets or making other fundamental changes relating to mergers and consolidations, and (5) repurchasing shares of our common stock and paying dividends. We were in compliance with the terms of these agreements as of November 30, 2015.

Note 11 – Income Taxes

Income tax expense for the fiscal quarter and year-to-date ended November 30, 2015 was 11.8 and 14.1 percent of income before income taxes, respectively, compared to 9.2 and 10.7 percent, respectively, for the same periods last year. The year-over-year increase in our effective tax rates was due to shifts in the mix of taxable income in our various tax jurisdictions and a $7 million pre-tax gain from the amendment of a trademark license agreement in the same period last year, which reduced the effective tax rate by 1.2 and 0.8 percentage points for the fiscal quarter and year-to-date ended November 30, 2014, respectively. Income tax expense for the fiscal quarter and year-to-date periods ended November 30, 2015 includes a tax benefit of $2.44 million due to the finalization of certain tax returns, mostly offset by tax expense of $1.98 million related to the provision for an uncertain tax position in a foreign jurisdiction. The year-to-date comparison of effective tax rates was also impacted by a $2.07 million tax benefit recorded in the same period last year related to the resolution of an uncertain tax position.

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Note 12 – Fair Value

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

	Fair Values at November 30, 2015 (Level 2) (1)	
Assets:		
Money market accounts	$	356
Foreign currency contracts		2,369
Total assets	$	2,725
Liabilities:		
Fixed rate debt (2)	$	61,179
Floating rate debt		414,707
Foreign currency contracts		7
Total liabilities	$	475,893

	Fair Values at February 28, 2015 (Level 2) (1)	
Assets:		
Money market accounts	$	1,692
Foreign currency contracts		129
Total assets	$	1,821
Liabilities:		
Fixed rate debt (2)	$	62,006
Floating rate debt		373,207
Foreign currency contracts		240
Total liabilities	$	435,453

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

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

The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the short maturity of these items. Money market accounts are included in cash and cash equivalents in the accompanying consolidated condensed balance sheets and are classified as Level 2 items.

We classify our fixed and floating rate debt as Level 2 liabilities because the estimation of their fair market value requires the use of discount rates based upon current market rates of interest for debt with comparable terms. These discount rates are significant other observable market inputs. The fair market value of the fixed rate debt was computed using a discounted cash flow analysis and discount rates of 2.06 percent at November 30, 2015 and 2.05 percent at February 28, 2015. All other long-term debt has floating interest rates, and its book value approximates its fair value as of the reporting date.

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We use derivatives for hedging purposes. As of November 30, 2015, our derivatives consist of foreign currency contracts and a cross-currency debt swap. We determine the fair value of our derivative instruments based on Level 2 inputs in the fair value hierarchy. See Notes 6, 7 and 13 to these consolidated condensed financial statements for more information on our hedging activities.

The Company's other non-financial assets include goodwill and other intangible assets, which we classify as Level 3 assets. These assets are measured at fair value on a non-recurring basis as part of the Company's impairment assessments and as circumstances require. As discussed in Note 8 to these consolidated condensed financial statements, in connection with our annual impairment testing during the fiscal quarter ended May 31, 2015, we recorded a non-cash asset impairment charge of $3.00 million ($2.66 million after tax). The charge 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.

Note 13 – Financial Instruments and Risk Management

Foreign Currency Risk - Our functional currency is the U.S. Dollar. By operating internationally, we are subject to foreign currency risk from transactions denominated in currencies other than the U.S. Dollar ("foreign currencies"). Such transactions include sales, certain inventory purchases and operating expenses. As a result of such transactions, portions of our cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies. During the fiscal quarter and year-to-date periods ended November 30, 2015, approximately 16 and 15 percent, respectively, of our net sales revenue was in foreign currencies. During both the fiscal quarter and year-to-date periods ended November 30, 2014, approximately 15 percent of our net sales revenue was in foreign currencies. These sales were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, and Venezuelan Bolivars. We make most of our inventory purchases from the Far East and primarily use the U.S. Dollar for such purchases. In our consolidated condensed statements of income, exchange gains and losses resulting from the remeasurement of foreign taxes receivable, taxes payable, deferred tax assets, and deferred tax liabilities, are recognized in their respective income tax lines, and all other foreign exchange gains and losses from remeasurement of the balance sheet are recognized in SG&A. For the fiscal quarter and year-to-date ended November 30, 2015, we recorded net foreign exchange gains (losses) from remeasurement, including the impact of foreign currency hedges and cross-currency debt swaps, of ($0.44) and ($2.54) million, respectively, in SG&A, and $0.27 and $0.33 million, respectively, in income tax expense. For the fiscal quarter and year-to-date ended November 30, 2014, we recorded net foreign exchange gains (losses) from remeasurement, including the impact of foreign currency hedges, of ($2.21) and ($3.34) million, respectively, in SG&A and $0.18 and $0.28 million, respectively, in income tax expense.

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

Chinese Renminbi Currency Exchange Uncertainties - A significant portion of the products we sell are purchased from third-party manufacturers in China. During fiscal year 2015 and through the end of our first quarter in fiscal year 2016, the Chinese Renminbi remained relatively flat against the U.S. Dollar. During the second quarter of fiscal year 2016, the Chinese Renminbi devalued by approximately 4.4 percent against the U.S. Dollar. During the third quarter of fiscal year 2016, the Chinese Renminbi remained relatively flat against the U.S. Dollar. If China's currency continues to fluctuate against the U.S. Dollar in the short-to-intermediate term, we cannot accurately predict the impact of those fluctuations on our results of operations. Accordingly, there can be no assurance that foreign exchange rates will be stable in the future or that fluctuations in Chinese foreign currency markets will not have a material adverse effect on our business, financial condition and results of operations.

Venezuelan Bolivar Currency Exchange Uncertainties - In February 2013, the Venezuelan government devalued its currency from 4.30 to 6.30 Bolivars per U.S. Dollar for all goods and services. Since that time,

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Venezuela has undergone numerous changes and additions to its currency exchange regimes, but has not eliminated or changed the official rate of 6.30 Bolivars per U.S. Dollar.

In March 2013, the Venezuelan government announced an additional complementary auction-based exchange rate mechanism now known as SICAD, which was made available to certain companies that operate in designated industries. SICAD is being used in limited circumstances, which we believe preclude us from accessing such rates. At November 30, 2015, the SICAD rate was 13.50 Bolivars to the U.S. Dollar.

In February 2015, the Venezuelan government unveiled its latest foreign exchange mechanism known as SIMADI, which is the lowest rate in its current three-tier foreign exchange system. SIMADI is a somewhat less restrictive auction system whose value is determined by market forces. We believe a number of circumstances preclude us from accessing SIMADI. At November 30, 2015, the SIMADI rate was approximately 200 Bolivars to the U.S. Dollar.

Despite the recent changes made by the Venezuelan government, there remains a significant degree of uncertainty as to which exchange markets might be available to the Company. To date, we have not gained access to U.S. Dollars in Venezuela through either SICAD or SIMADI mechanisms, nor do we intend to do so.

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

For the fiscal quarters ended November 30, 2015 and 2014, sales in Venezuela represented approximately

1.6 and 0.9 percent, respectively, of the Company’s consolidated net sales revenue. For the fiscal year-to-date periods ended November 30, 2015 and 2014, sales in Venezuela represented approximately 1.5 and 0.8 percent, respectively, of the Company’s consolidated net sales revenue. For the fiscal quarters ended November 30, 2015 and 2014, operating income in Venezuela was approximately $3.12 and $1.19 million, respectively. For the fiscal year-to-date periods ended November 30, 2015 and 2014, operating income in Venezuela was approximately $6.44 and $2.50 million, respectively. At November 30, 2015, we had a U.S. Dollar based net investment in our Venezuelan business of $16.49 million, consisting almost entirely of working capital. A devaluation in the Venezuela official exchange rate could have a material adverse impact on the reported U.S. Dollar value of this investment and the future profitability of our business there.

Developments within the Venezuelan economy, including any future governmental interventions, are beyond our ability to control or predict. We cannot assess impacts, if any, such events may have on our Venezuelan business. We continue to closely monitor the applicability and viability of the various exchange mechanisms.

Interest Rate Risk – Interest on our outstanding debt as of November 30, 2015 is both floating and fixed. Fixed rates are in place on $60 million of 3.90% Senior Notes due January 2018, while floating rates are in place on the balance of all other debt outstanding, which totaled $414.71 million as of November 30, 2015. If short-term interest rates increase, we will incur higher interest rates on any outstanding balances under our Credit Agreement and the MBFC Loan.

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The fair values of our derivative instruments are as follows:

FAIR VALUES OF DERIVATIVE INSTRUMENTS

(in thousands)

	November 30, 2015					
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
Foreign currency contracts - sell Canadian Dollars	Cash flow	8/2016	$ 8,250	$ 387	$ -	$ -
Foreign currency contracts - sell Euro	Cash flow	2/2017	€ 23,250	1,511	147	-
Foreign currency contracts - sell Pounds	Cash flow	2/2016	£ 3,000	-	-	7
Subtotal				1,898	147	7
Derivatives not designated under hedge accounting						
Foreign currency contracts - cross-currency debt swap	(1)	1/2018	$ 5,000	-	324	-
Total fair value				$ 1,898	$ 471	$ 7

(1) During the fiscal quarter ended November 30, 2015 we entered into a foreign currency contract referred to above as a "cross-currency debt swap", which in effect adjusts the currency denomination of $5 million of our 3.90% Senior Notes due January 2018 to the Euro, creating an economic hedge against currency movements. On this contract, we have not elected hedge accounting.

(1)

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
	February 28, 2015					
Foreign currency contracts - sell Euro	Cash flow	1/2016	€ 10,000	$ 129	$ -	$ -
Foreign currency contracts - sell Pounds	Cash flow	2/2016	£ 6,900	-	-	240
Total fair value				$ 129	$ -	$ 240

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

PRE-TAX EFFECT OF DERIVATIVE INSTRUMENTS

(in thousands)

	Three Months Ended November 30,							
	Gain / (Loss) Recognized in OCI (effective portion)		Gain / (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income			Gain / (Loss) Recognized As Income		
	2015	2014	Location	2015	2014	Location	2015	2014
Currency contracts - cash flow hedges	$ 1,841	$ 301	SG&A	$ 263	$ 201		$ -	$-
Interest rate swaps - cash flow hedges	-	-		-	-		-	-
Currency contracts - cross-currency debt swaps	-	-		-	-	SG&A	324	-
Total	$ 1,841	$ 301		$ 263	$ 201		$ 324	$-

	Nine Months Ended November 30,							
	Gain / (Loss) Recognized in OCI (effective portion)		Gain / (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income			Gain / (Loss) Recognized As Income		
	2015	2014	Location	2015	2014	Location	2015	2014
Currency contracts - cash flow hedges	$ 2,653	$ 515	SG&A	$ 503	$ (15)		$ -	$-

Interest rate swaps - cash flow hedges	-	28	Interest expense	-	(1,199)		-	-
Currency contracts - cross-currency debt swaps	-	-		-	-	SG&A	324	-
Total	$ 2,653	$ 543		$ 503	$ (1,214)		$ 324	$-

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We expect net gains of $1.89 million associated with foreign currency contracts currently reported in accumulated other comprehensive income, to be reclassified into income over the next twelve months. The amount ultimately realized, however, will differ as exchange rates change and the underlying contracts settle.

Counterparty Credit Risk - Financial instruments, including foreign currency contracts, expose us to counterparty credit risk for nonperformance. We manage our exposure to counterparty credit risk by only dealing with counterparties who are substantial international financial institutions with significant experience using such derivative instruments. Although our theoretical credit risk is the replacement cost at the then-estimated fair value of these instruments, we believe that the risk of incurring credit losses is remote.

Note 14 – Repurchase of Helen of Troy Common Stock

As of November 30, 2015, we were authorized by our Board of Directors to purchase up to $209.02 million of common stock in the open market or through private transactions. Our current equity-based compensation plans include provisions that allow for the “net exercise” of stock options by all plan participants. In a net exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from the option holder can be paid for by having the option holder tender back to the Company a number of shares at fair value equal to the amounts due. These transactions are accounted for by the Company as a purchase and retirement of shares and are included in the table below as common stock received in connection with share-based compensation.

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

SHARE REPURCHASES

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014
Common stock repurchased on the open market or through tender offer				
Number of shares	-	-	556,591	4,102,143 (2)
Aggregate value of shares (in thousands)	$ -	$-	$ 50,000	$ 273,599
Average price per share	$ -	$-	$ 89.83	$ 66.70

Common stock received in connection with share-based compensation										
Number of shares		116,012	(1)	-		117,294		70,079	(3)
Aggregate value of shares (in thousands)	$	6,292	(1)	$-	$	6,411	$	4,686	
Average price per share	$	54.24	(1)	$-	$	54.66	$	66.87	

(1) On November 17, 2015, in connection with the settlement of the lawsuit previously discussed in Note 3 to the accompanying consolidated condensed financial statements, the Company issued 276,548 shares of common stock as payment of separation compensation due to our former CEO under his employment and separation agreements. Our former CEO tendered 116,012 shares back to the Company as payment for related federal tax obligations. Under the terms of the settlement, employment and separation agreements, the number of shares issued and tendered was computed based upon a value of $54.24 per share. This was the fair value of the shares on September 4, 2014, the date the compensation payment would have been made, if payment had not been delayed by the associated dispute. The Company previously accrued and disclosed the separation compensation in fiscal year 2014.

(2) Includes a modified "Dutch auction" tender offer completed on March 14, 2014, resulting in the repurchase of 3,693,816 shares of our outstanding common stock at a total cost of $247.83 million, including tender offer transaction-related costs.

(3) Includes 68,086 shares of common stock having a market value of $67.10 per share, or $4.57 million in the aggregate, which were tendered by our former CEO as payment for related federal tax obligations arising from the vesting and settlement of performance-based restricted stock units and restricted stock awards.

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Note 15 – Share-Based Compensation Plans

We have share-based awards outstanding under several share-based compensation plans. During the fiscal quarter and year-to-date periods ended November 30, 2015, the Company had the following share-based compensation activity:

- We granted options to purchase 4,500 and 167,000 shares of common stock, respectively, to certain officers and employees. For the fiscal year-to-date, the fair values of these options were estimated using the Black-Scholes option pricing model to estimate fair values ranging from $24.34 to $31.41 for grants with terms of four and five years. The following assumptions were used for the grants issued during the fiscal year-to-date: expected lives ranging from 4.05 to 4.35 years; risk-free interest rates ranging from 0.86 to 1.46 percent; zero dividend yield; and expected volatilities ranging from 36.77 to 39.72 percent.

- We issued 1,498 and 4,459 restricted shares, respectively, to non-employee Board members with total grant date fair values of $0.12 and $0.37 million, respectively, and average share prices of $82.04 and $82.64, respectively.

- During the fiscal quarter ended May 31, 2015, we issued 2,000 shares of common stock to our CEO at a fair value of $89.12 per share.

- Employees exercised stock options to purchase 29,602 and 175,056 shares of common stock, respectively.

- During the fiscal quarter ended August 31, 2015, employees purchased 12,155 shares of common stock for $0.79 million through our employee stock purchase plan.

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

SHARE-BASED PAYMENT EXPENSE

(in thousands, except per share data)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2015	2014	2015	2014

Stock options	$ 718	$ 869	$ 2,055	$ 2,483
Directors stock compensation	175	175	525	641
Performance based and other stock awards	1,368	336	3,500	1,441
Employee stock purchase plan	-	-	223	167
Share-based payment expense	2,261	1,380	6,303	4,732
Less income tax benefits	(396)	(141)	(989)	(514)
Share-based payment expense, net of income tax benefits	$ 1,865	$ 1,239	$ 5,314	$ 4,218
Earnings per share impact of share based payment expense:				
Basic	$ 0.07	$ 0.04	$ 0.19	$ 0.15
Diluted	$ 0.07	$ 0.04	$ 0.18	$ 0.15

Note 16 – Subsequent Event

On January 7, 2016, the Company entered into an Amended and Restated Employment Agreement with Julien Mininberg, the Company's CEO. The new agreement, among other things, extends the term of Mr. Mininberg's employment from March 1, 2016 through February 28, 2019.

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

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

Throughout this MD&A, we refer to certain measures used by management to evaluate financial performance. We also may refer to a number of financial measures that are not defined under GAAP, but have corresponding GAAP-based measures. Where non-GAAP measures appear, we provide tables reconciling these to their corresponding GAAP-based measures and make reference to a discussion of their use. We believe these measures provide investors with important information that is useful in understanding our business results and trends. Please see "Explanation of Certain Terms and Measures Used in MD&A" beginning on page 48 for more information on the use and calculation of certain GAAP-based and non-GAAP financial measures.

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 global designer, developer, importer, marketer, and distributor of an expanding portfolio of brand-name consumer products. We operate our business under four segments: Housewares, Health & Home (formerly referred to as "Healthcare / Home Environment"), Nutritional Supplements, and Beauty (formerly referred to as "Personal Care"). Our Housewares segment provides a broad range of innovative consumer products for the home. Product offerings include food and beverage preparation tools and appliances, gadgets, 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, 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.

The Nutritional Supplements segment sells directly to consumers. Our other segments sell their products primarily through mass merchandisers, drugstore chains, warehouse clubs, catalogs, grocery stores, and specialty stores. In addition, the Beauty segment sells extensively through beauty supply retailers and wholesalers, and the Health & Home segment sells certain of its product lines through medical distributors and other products through home improvement stores. We purchase our products from unaffiliated manufacturers, most of which are located in China, Mexico and the United States.

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.

Our business is dependent upon discretionary consumer demand for most of our products and primarily operates within mature and highly developed consumer markets. The principal driver of our operating performance is the strength of the U.S. retail economy, as approximately 79 percent of our fiscal year 2015 net sales revenue was from U.S. shipments. We believe that domestic macroeconomic conditions continue to improve the prospects for our business. However, we believe consumer sentiment remains cautious. Consequently, we expect the current holiday retail season to show moderate domestic growth when compared to the prior year, with traditional retailers, our primary sales channel, garnering less of the share of growth and internet channels

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continuing to grow in mid to high single digits, year-over-year. Internationally, the strength of the U.S. Dollar continued to have a negative impact by lowering reported U.S. Dollar consolidated net sales revenue by $8.78 and $25.13 million, respectively, during the fiscal quarter and year-to-date periods ended November 30, 2015, compared to the same periods last year. In addition, Eurozone, and to some extent Latin America, retail economies continue to underperform relative to the U.S. While Chinese currency devaluations may lower product material costs over time for the goods we source from China, we believe there is a possibility that local commodity and labor inflation could offset any product cost decreases arising from these or any future Chinese currency devaluations.

We continue to believe that the growth in the internet as a sales channel is reducing market share in the traditional "brick and mortar" channels. We believe it will become increasingly important to leverage our domestic distribution capabilities to meet the logistical challenge of higher frequency, smaller order size shipments. We also believe our acquisition of Healthy Directions has brought additional internet and direct-to-consumer expertise to our Company, which we hope will provide us with future operational scale to further develop the internet channel across other product lines.

Significant Recent Development

- On November 12, 2015, the Company settled a lawsuit with its former CEO, which resulted in the payment of severance compensation due under his employment and separation agreements. The severance compensation was previously accrued and disclosed in fiscal year 2014 and was paid through the issuance of 276,548 common shares of the Company on November 17, 2015. Our former CEO tendered 116,012 shares back to the Company as payment for related federal income tax withholding obligations. The shares issued and tendered were valued at the September 4, 2014 closing price of $54.24, which was the date that the payment would have been made under the employment and separation agreements, if payment had not been delayed by the dispute. The Company also transferred ownership of a life insurance policy on the lives of its former CEO and his spouse as part of the settlement. As a result of the transfer of the policy and other expenses incurred in connection with the settlement, the Company recorded CEO succession costs of $6.71 million ($4.64 million after tax), or $0.16 per fully diluted share, in the third quarter of fiscal year 2016.

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Financial Performance Highlights

Consolidated net sales revenue for the fiscal quarter and year-to-date periods ended November 30, 2015 increased $9.83 and $92.58 million, or 2.3 and 8.7 percent, respectively to $445.50 and $1,159.98 million, respectively, compared to $435.67 and $1,067.40 million, respectively, for the same periods last year. Core business net sales revenue increased $6.91 and $35.32 million, or 1.6 and 3.3 percent, for the fiscal quarter and year-to-date periods ended November 30, 2015, respectively, compared to the same periods last year. Net sales revenue for the fiscal quarter and year-to-date periods ended November 30, 2015 includes the unfavorable impact of net foreign exchange fluctuations of $8.78 and $25.13 million, respectively, compared to the same periods last year, most of which impacted the Health & Home and Beauty segments. Net sales revenue in our Housewares segment increased $1.83 and $9.47 million for the fiscal quarter and year-to-date periods ended November 30, 2015 or 2.1 and 4.3 percent, respectively, compared to the same periods last year. Net sales revenue in our Health & Home segment increased $9.42 and $27.01 million for the fiscal quarter and year-to-date periods ended November 30, 2015, or 5.3 and 6.1 percent, respectively, compared to the same periods last year. Net sales revenue in our Nutritional Supplements segment decreased $0.97 million, or 2.5 percent, for the fiscal quarter ended November 30, 2015, compared to the same period last year. The fiscal quarter ended November 30, 2015 was the Nutritional Supplement segment's first full fiscal quarter of comparative operating results. Accordingly, no comparable information is provided on a year-to-date basis. The Nutritional Supplements segment contributed net sales revenue of $37.49 and $114.98 million for the fiscal quarter and year-to-date periods ended November 30, 2015, respectively. Net sales revenue in our Beauty segment decreased $0.46 million and increased $4.21 million for the fiscal quarter and year-to-date periods ended November 30, 2015, respectively, for a decrease of 0.3 percent and an increase of 1.3 percent, respectively, compared to the same periods last year.

In addition to our net sales revenue performance discussed above, key results for the fiscal quarter and year-to-date ended November 30, 2015 include the following:

· Consolidated gross profit margin decreased 0.6 percentage points to 41.0 percent for the fiscal quarter ended November 30, 2015, compared to 41.6 percent for the same period last year. Consolidated gross profit margin increased 0.1 percentage points to 40.8 percent for the fiscal year-to-date ended November 30, 2015, compared to 40.7 percent for the same period last year.

· Our SG&A ratio increased 1.8 percentage points to 28.5 percent for the fiscal quarter ended November 30, 2015 compared to 26.7 percent for the same period last year. Our SG&A ratio increased 1.4 percentage points to 30.7 percent for the fiscal year-to-date ended November 30, 2015, compared to 29.3 percent for the same period last year.

· Operating income was $55.63 and $114.61 million, respectively, for the fiscal quarter and year-to-date periods ended November 30, 2015, compared to $65.04 and $112.77 million for the same periods last year. Operating income for the year-to-date period ended November 30, 2015 includes non-cash intangible asset impairment charges of $3.00 million, compared to $9.00 million for the same period last year. Operating income for the fiscal quarter and year-to-date ended November 30, 2015 includes CEO succession costs of $6.71 million, with no comparable expense in the same periods last year.

- Adjusted operating margin decreased 0.8 percentage points to 16.0 percent for the fiscal quarter ended November 30, 2015, compared to 16.8 percent for the same period last year. Adjusted operating margin decreased 0.9 percentage points to 13.0 percent for the year-to-date ended November 30, 2015, compared to 13.9 percent for the same period last year.

- Income tax expense was $6.26 and $15.07 million, or 11.8 and 14.1 percent of income before taxes, respectively, for the fiscal quarter and year-to-date periods ended November 30, 2015, compared to $5.58 and $10.80 million, or 9.2 and 10.7 percent of income before taxes, respectively, for the same periods last year.

- Net income was $46.78 and $91.64 million, respectively, for the fiscal quarter and year-to-date periods ended November 30, 2015, compared to $55.38 and $90.61 million, respectively, for the same periods last year.

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Diluted earnings per share was $1.63 and $3.17, respectively, for the fiscal quarter and year-to-date periods ended November 30, 2015, compared to $1.92 and $3.12, respectively, for the same periods last year.

- Adjusted income was $59.17 and $122.21 million, respectively, for the fiscal quarter and year-to-date periods ended November 30, 2015, compared to $62.56 and $121.87 million, respectively, for the same periods last year. Our adjusted diluted EPS was $2.07 and $4.23, respectively, for the fiscal quarter and year-to-date periods ended November 30, 2015, compared to $2.17 and $4.19, respectively, for the same periods last year.

Adjusted operating income, adjusted operating margin, adjusted income, and adjusted diluted EPS are non-GAAP financial measures as contemplated by SEC Regulation G, Rule 100. These measures are discussed further, and reconciled to their applicable GAAP-based measures on pages 32 through 34 for the fiscal quarter and 39 through 42 for the fiscal year-to-date period.

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RESULTS OF OPERATIONS

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

SELECTED OPERATING DATA (1) (2)

(in thousands)

	Three Months Ended November 30, 2015	Three Months Ended November 30, 2014	$ Change	% Change	% of Sales Revenue, net 2015	% of Sales Revenue, net 2014
Sales revenue by segment, net						
Housewares	$ 87,816	$ 85,984	$ 1,832	2.1 %	19.7 %	19.7 %
Health & Home	186,418	176,994	9,424	5.3 %	41.8 %	40.6 %
Nutritional Supplements	37,492	38,462	(970)	(2.5) %	8.4 %	8.8 %
Beauty	133,777	134,234	(457)	(0.3) %	30.0 %	30.8 %
Total sales revenue, net	445,503	435,674	9,829	2.3 %	100.0 %	100.0 %
Cost of goods sold	262,979	254,263	8,716	3.4 %	59.0 %	58.4 %
Gross profit	182,524	181,411	1,113	0.6 %	41.0 %	41.6 %
Selling, general and administrative expense	126,891	116,368	10,523	9.0 %	28.5 %	26.7 %
Asset impairment charges	-	-	-	0.0 %	0.0 %	0.0 %
Operating income	55,633	65,043	(9,410)	(14.5) %	12.5 %	14.9 %
Nonoperating income, net	142	87	55	63.2 %	0.0 %	0.0 %
Interest expense	(2,741)	(4,173)	1,432	(34.3) %	(0.6) %	(1.0) %
Total other expense	(2,599)	(4,086)	1,487	(36.4) %	(0.6) %	(0.9) %
Income before income taxes	53,034	60,957	(7,923)	(13.0) %	11.9 %	14.0 %
Income tax expense	6,256	5,580	676	12.1 %	1.4 %	1.3 %
Net income	$ 46,778	$ 55,377	$ (8,599)	(15.5) %	10.5 %	12.7 %

	Nine Months Ended November 30, 2015	Nine Months Ended November 30, 2014	$ Change	% Change	% of Sales Revenue, net 2015	% of Sales Revenue, net 2014
Sales revenue by segment, net						
Housewares	$ 231,850	$ 222,377	$ 9,473	4.3 %	20.0 %	20.8 %
Health & Home	472,714	445,701	27,013	6.1 %	40.8 %	41.8 %
Nutritional Supplements	114,980	63,096	51,884	*	9.9 %	5.9 %
Beauty	340,433	336,227	4,206	1.3 %	29.3 %	31.5 %
Total sales revenue, net	1,159,977	1,067,401	92,576	8.7 %	100.0 %	100.0 %
Cost of goods sold	686,129	632,726	53,403	8.4 %	59.2 %	59.3 %
Gross profit	473,848	434,675	39,173	9.0 %	40.8 %	40.7 %

Selling, general and administrative expense	356,240	312,906	43,334	13.8	%	30.7	%	29.3	%
Asset impairment charges	3,000	9,000	(6,000)	(66.7)	%	0.3	%	0.8	%
Operating income	114,608	112,769	1,839	1.6	%	9.9	%	10.6	%
Nonoperating income, net	233	234	(1)	(0.4)	%	0.0	%	0.0	%
Interest expense	(8,135)	(11,588)	3,453	(29.8)	%	(0.7)	%	(1.1)	%
Total other expense	(7,902)	(11,354)	3,452	(30.4)	%	(0.7)	%	(1.1)	%
Income before income taxes	106,706	101,415	5,291	5.2	%	9.2	%	9.5	%
Income tax expense	15,066	10,801	4,265	39.5	%	1.3	%	1.0	%
Net income	$ 91,640	$ 90,614	$ 1,026	1.1	%	7.9	%	8.5	%

(1) Healthy Directions was acquired on June 30, 2014 and its operations are reported under the Nutritional Supplements segment. Results reported include three-months for each fiscal quarter presented, and nine- and five-months, respectively, for the year-to-date periods ended November 30, 2015 and 2014.

(2) The VapoSteam business was acquired on March 31, 2015 and its operations are reported under the Health & Home segment. Results reported include three- and eight-months, respectively, for the fiscal quarter and year-to-date periods ended November 30, 2015

* Calculation is not meaningful or comparable.

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Third Quarter of Fiscal Year 2016 Compared to Third Quarter of Fiscal Year 2015

Consolidated net sales revenue:

Consolidated net sales revenue for the fiscal quarter ended November 30, 2015 increased $9.83 million to $445.50 million, compared to $435.67 million for the same period last year, an increase of 2.3 percent. Net sales revenue in our Housewares segment increased $1.83 million, or 2.1 percent, compared to the same period last year. Net sales revenue in our Health & Home segment increased $9.42 million, or 5.3 percent, compared to the same period last year, despite an unfavorable impact of $4.93 million from foreign currency fluctuations, or 2.8 percent, compared to the same period last year. Net sales revenue in our Nutritional Supplements segment decreased $0.97 million, or 2.5 percent, compared to the same period last year. Net sales revenue in our Beauty segment decreased $0.46 million, or 0.3 percent, compared to the same period last year. Foreign currency fluctuations reduced U.S. Dollar reported net sales revenue for the Beauty segment by $3.54 million, or 2.6 percent, compared to the same period last year.

Impact of acquisitions on net sales revenue:

Because we are an acquisition-oriented company, we provide an analysis of our net sales revenue in terms of growth from our core business and growth from acquisitions. Our most recent acquisitions of Healthy Directions and Vicks VapoSteam occurred on June 30, 2014 and March 31, 2015, respectively. For further information about these acquisitions, see Note 9 to the accompanying consolidated condensed financial statements.

IMPACT OF ACQUISITIONS ON NET SALES REVENUE

(in thousands)

	Three Months Ended November 30,	
	2015	2014
Prior year's sales revenue, net	$ 435,674	$ 380,730
Components of sales revenue change, net		
Core business	6,905	16,482
Incremental net sales revenue from acquisitions (non-core business):		
Healthy Directions (three months in fiscal year 2015)	-	38,462
Vicks VapoSteam (three months in fiscal year 2016)	2,924	-
Change in sales revenue, net	9,829	54,944
Total sales revenue, net	$ 445,503	$ 435,674
Total net sales revenue growth	2.3 %	14.4 %

Core business	1.6	%	4.3	%
Acquisitions	0.7	%	10.1	%

Impact of foreign currencies on net sales revenue:

During the fiscal quarters ended November 30, 2015 and 2014, approximately 16 and 15 percent, respectively, of our net sales revenue was denominated in foreign currencies. These transactions were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, and Venezuelan Bolivars. For the fiscal quarter ended November 30, 2015, the impact of net foreign currency exchange rate fluctuations negatively impacted our consolidated U.S. Dollar reported net sales revenue by approximately $8.78 million. In our Beauty segment, where our Canadian and Latin American operations comprise a higher proportion of foreign revenues than other regions, foreign exchange fluctuations had a $3.54 million unfavorable impact on U.S. Dollar reported net sales revenue. In our Housewares and Health & Home segments, where our European, Canadian and U.K. operations comprise a high proportion of foreign revenues, foreign exchange fluctuations had unfavorable impacts of $0.31 and $4.93 million, respectively, on U.S. Dollar reported net sales revenue.

Segment net sales revenue:

Housewares Segment - Net sales revenue in the Housewares segment for the fiscal quarter ended November 30, 2015 increased $1.83 million, or 2.1 percent, to $87.82 million, compared to $85.98 million for the same period last year. Higher average unit selling prices contributed approximately 3.7 percent to the segment's net sales revenue growth, which was partially offset by an approximate 1.6 percent decrease in unit volumes. The increase in net sales revenue was primarily due to new product introductions, particularly the launches of small kitchen electrics and metal bakeware products, and increases in sales to internet retailers. These net sales revenue increases were partially offset by higher overall promotional program spending to support new product launches, certain promotional programs and associated placement that did not repeat and inventory reductions at a key retailer. We expect year-over-year growth to return to more normalized levels in the mid-single digits for the full fiscal year. In addition to the new launches, the segment continued to experience year-over-year gains from infant and toddler care products and its recently introduced Greensaver storage products designed to prolong the storage life of produce. We expect OXO's longer-term growth to continue to be driven by new products, category expansion, expanded shelf space and assortments at key traditional and internet retailers, and new distribution gains in international markets.

Health & Home Segment - Net sales revenue in the Health & Home segment for the fiscal quarter ended November 30, 2015 increased $9.42 million, or 5.3 percent, to $186.42 million, compared to $176.99 million for the same period last year. Higher unit volumes contributed approximately 1.8 percent to the segment's growth, and an overall increase in average unit selling prices contributed approximately 3.5 percent, despite the impact of unfavorable foreign currency exchange fluctuations of $4.93 million, or 2.8 percent, compared to last year. The segment's largest net sales revenue gains continue to be realized in its healthcare category, as a result of recent new product introductions, particularly in thermometry and humidification, which includes the VapoSteam acquisition. Sales gains were offset somewhat by lower heater sales as a result of warmer fall and early winter temperatures, and lower water filtration sales. Additionally, because U.S. cough/cold/flu incidence is below historical averages, replenishment orders in the fourth quarter of fiscal year 2016 and the first quarter of fiscal year 2017 could be negatively impacted.

Nutritional Supplements Segment - The Nutritional Supplements segment includes the operating results of Healthy Directions, which we acquired on June 30, 2014. Net sales revenue for the fiscal quarter ended November 30, 2015 decreased $0.97 million, or 2.5 percent, to $37.49 million, compared to $38.46 million for the same period last year. Higher unit volumes contributed approximately 1.4 percent to the segment's growth, offset by an approximate 3.9 percent decrease in average unit selling prices. The decline in sales was driven by an increase in promotional pricing to develop new buyer growth in selected categories, lower average order values and a decline in the print newsletter subscription business, which we have de-emphasized as a growth strategy in the segment's business model.

Beauty Segment - Net sales revenue in the Beauty segment for the fiscal quarter ended November 30, 2015 decreased $0.46 million, or 0.3 percent, to $133.78 million, compared to $134.23 million for the same period last year. Higher unit volumes contributed approximately 3.4 percent to the segment's growth, which was offset by an approximate 3.7 percent decrease in average unit selling prices. Gains in sales of pedicure appliances and curling, straightening and specialty styling irons were partially offset by declines in personal care sales due to continued competitive pressures and some lost distribution at retail. In addition, foreign currency fluctuations had the effect of reducing U.S. Dollar reported net sales revenue for the Beauty segment by $3.54 million, or 2.6 percent, compared to the same period last year. Beauty segment net sales revenue includes year-over-year growth of $3.44 million from our operations in Venezuela, which is a highly inflationary economy. See Part 1, Item 3. “Quantitative and Qualitative Disclosures About Market Risk” and Note 13 to the accompanying consolidated condensed financial statements for a discussion of uncertainties related to the Venezuelan economy and currency exchange rates. While we believe we continue to make progress to stabilize recent segment sales declines in the face of foreign currency headwinds, we do not expect meaningful sales growth in this segment for the full fiscal year 2016.

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Consolidated gross profit margin:

Consolidated gross profit as a percentage of net sales revenue for the fiscal quarter ended November 30, 2015 decreased 0.6 percentage points to 41.0 percent, compared to 41.6 percent for the same period last year. The decrease in consolidated gross profit margin is primarily due to the unfavorable impact of foreign currency fluctuations.

A significant portion of the products we sell are purchased from third-party manufacturers in China. During fiscal year 2015 and through the end of our first quarter in fiscal year 2016, the Chinese Renminbi remained relatively flat against the U.S. Dollar. During the second quarter of fiscal year 2016, the Chinese Renminbi devalued by approximately 4.4 percent against the U.S. Dollar. During the third quarter of fiscal year 2016, the Chinese Renminbi remained relatively flat against the U.S. Dollar. If China's currency continues to fluctuate against the U.S. Dollar in the short-to-intermediate term, we cannot accurately predict the impact of those fluctuations on our results of operations. Accordingly, there can be no assurance that foreign exchange rates will be stable in the future or that fluctuations in Chinese foreign currency markets will not have a material adverse effect on our business, financial condition and results of operations.

Selling, general and administrative expense:

Our consolidated SG&A ratio increased 1.8 percentage points to 28.5 percent for fiscal quarter ended November 30, 2015, compared to 26.7 percent for the same period last year. The increase was primarily due to:

- the impact of $6.71 million of CEO succession costs recorded during the third quarter of fiscal year 2016 as result of the lawsuit settlement with our former CEO, which increased the SG&A ratio by 1.5 percentage points;

- the unfavorable comparison resulting from a $7 million gain from the amendment of a trademark license agreement recorded in the third quarter of fiscal year 2015, which decreased the comparative period SG&A ratio by 1.6 percentage points; and

- a $2.22 million decrease in product liability estimates recorded in the third quarter of fiscal year 2015.

These factors were partially offset by:

- lower year-over-year foreign currency revaluation losses, partially due to cash flow hedges and a $5 million U.S. Dollar to Euro cross-currency debt swap;

- lower outbound freight costs; and

- the impact that higher overall net sales had on operating leverage.

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Operating income by segment:

The following table sets forth segment operating income, for the periods covered below:

OPERATING INCOME BY SEGMENT

(in thousands)

	Three Months Ended November 30,				% of Sales Revenue, net	
	2015	2014	$ Change	% Change	2015	2014
Housewares	$ 15,536	$ 18,275	$ (2,739)	(15.0) %	17.7 %	21.3 %
Health & Home (1) (2)	18,072	18,694	(622)	(3.3) %	9.7 %	10.6 %
Nutritional Supplements	3,034	6,214	(3,180)	(51.2) %	8.1 %	16.2 %
Beauty	18,991	21,860	(2,869)	(13.1) %	14.2 %	16.3 %
Total operating income	$ 55,633	$ 65,043	$ (9,410)	(14.5) %	12.5 %	14.9 %

(1) The VapoSteam business was acquired on March 31, 2015 and its operations are reported under the Health & Home segment. Results reported include three months for the fiscal quarter ended November 30, 2015, with no comparable results in the same period last year.

(2) Operating Income for the three months ended November 30, 2014 includes a $7 million gain from the amendment of a trademark license agreement.

In the discussion that follows, our usage of the terms operating margin, operating expense ratio and operating leverage are further described and explained beginning on page 48.

Housewares Segment - Operating income for the fiscal quarter ended November 30, 2015 decreased $2.74 million, or 15.0 percent, compared to the same period last year. Operating margin decreased 3.6 percentage points to 17.7, compared to 21.3 percent for the same period last year. The decrease in operating margin was due to higher promotional spending, higher media advertising in support of new products and categories, lower margin kitchen electric sales, and CEO succession costs, which had an unfavorable impact of 1.5 percentage points on operating margin.

Health & Home Segment - Operating income for the fiscal quarter ended November 30, 2015 decreased $0.62 million, or 3.3 percent, compared to the same period last year. Operating margin decreased 0.9 percentage points to 9.7 percent, compared to 10.6 percent for the same period last year. The decrease in operating margin is primarily due to the unfavorable impact of foreign currency fluctuations on U.S. Dollar reported net sales revenue and CEO succession costs, which had an unfavorable impact of 1.5 percentage points on operating margin. The year-over-year comparison was also negatively impacted by a $7.00 million gain from the amendment of a trademark license agreement recorded in the same period last year. These factors were partially offset by the impact that higher overall net sales had on the segment's operating leverage.

Nutritional Supplements Segment - Operating income for the fiscal quarter decreased $3.18 million, or 51.2 percent, compared to the same period last year. Operating margin decreased to 8.1 percent, compared to 16.2 percent for the same period last year. The segment's operating income now includes allocations of shared service and corporate overhead expenses that were not made in fiscal year 2015, the year of acquisition. For the fiscal quarter ended November 30, 2015, these allocations totaled $1.88 million, which reduced operating margin by 5.0 percentage points. Operating margin was also impacted by CEO succession costs, which had an unfavorable impact of 1.9 percentage points. The remaining decrease is due to the year-over-year reduction in sales and increases in investments to drive new buyer growth and further develop the online sales channel.

Beauty Segment - Operating income for the fiscal quarter ended November 30, 2015 decreased $2.87 million to $18.99 million, compared to $21.86 million for the same period last year. Operating margin decreased 2.1 percentage points to 14.2 percent, compared to 16.3 percent for the same period last year. The decrease in operating margin is primarily due to the unfavorable impact of foreign currency fluctuations on U.S. Dollar reported net sales revenue and CEO succession costs, which had an unfavorable impact of 1.4 percentage points on operating margin. Beauty segment operating income includes year-over-year growth of $1.92 million from our operations in Venezuela, which is a highly inflationary economy. See Part 1, Item 3. "Quantitative and Qualitative

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Disclosures About Market Risk" and Note 13 to the accompanying consolidated condensed financial statements for a discussion of uncertainties related to the Venezuelan economy and currency exchange rates.

ADJUSTED OPERATING INCOME AND OPERATING MARGIN

(in thousands)

	Three Months Ended November 30, 2015									
	Housewares		Health & Home		Nutritional Supplements		Beauty		Total	
Operating income, as reported (GAAP)	$ 15,536	17.7%	$ 18,072	9.7 %	$ 3,034	8.1 %	$ 18,991	14.2%	$ 55,633	12.5%
CEO succession costs (1)	1,348	1.5 %	2,722	1.5 %	704	1.9 %	1,933	1.4 %	6,707	1.5 %
Subtotal	16,884	19.2%	20,794	11.2%	3,738	10.0%	20,924	15.6%	62,340	14.0%
Amortization of intangible assets (2)	326	0.4 %	3,532	1.9 %	1,564	4.2 %	1,439	1.1 %	6,861	1.5 %
Non-cash share-based compensation (3)	303	0.3 %	657	0.4 %	398	1.1 %	851	0.6 %	2,209	0.5 %
Adjusted operating income (non-GAAP)	$ 17,513	19.9%	$ 24,983	13.4%	$ 5,700	15.2%	$ 23,214	17.4%	$ 71,410	16.0%

	Three Months Ended November 30, 2014									
	Housewares		Health & Home		Nutritional Supplements		Beauty		Total	
Operating income, as reported (GAAP)	$ 18,275	21.3%	$ 18,694	10.6%	$ 6,214	16.2%	$ 21,860	16.3%	$ 65,043	14.9%
CEO succession costs (1)	-	- %	-	- %	-	- %	-	- %	-	- %
Subtotal	18,275	21.3%	18,694	10.6%	6,214	16.2%	21,860	16.3%	65,043	14.9%
Amortization of intangible assets (2)	338	0.4 %	3,466	2.0 %	1,485	3.9 %	1,564	1.2 %	6,853	1.6 %

Non-cash share-based compensation (3)	111	0.1 %	230	0.1 %	-	- %	986	0.7 %	1,327	0.3 %
Adjusted operating income (non-GAAP)	$ 18,724	21.8 %	$ 22,390	12.7 %	$ 7,699	20.0 %	$ 24,410	18.2 %	$ 73,223	16.8 %

In the tables above, footnote references (1) to (3) correspond to the notes beginning on page 33 under the table entitled "Adjusted Income and EPS".

Adjusted operating income and operating margin, as discussed in the preceding tables, may be considered non-GAAP financial measures as set forth in SEC Regulation G, Rule 100. An explanation of the reasons why the Company believes the non-GAAP financial information is useful and the nature and limitations of the non-GAAP financial measures is furnished on page 42.

Interest expense:

Interest expense for the fiscal quarter ended November 30, 2015 was $2.74 million, compared to $4.17 million for the same period last year. Interest expense was lower compared to the same period last year principally due to a combination of more favorable interest rates under the Credit Agreement and a reduction in the average debt balance for the fiscal quarter ended November 30, 2015.

Income tax expense:

Income tax expense for the fiscal quarter ended November 30, 2015 was 11.8 percent of income before

income taxes, compared to 9.2 percent for the same period last year. The year-over-year increase in our effective tax rate was primarily due to shifts in the mix of taxable income in our various tax jurisdictions and a $7 million pre-tax gain from the amendment of a trademark license agreement in the same period last year, which reduced the effective tax rate by 1.2 percentage point for the fiscal quarter ended November 30, 2014. Income tax expense for the fiscal quarter ended November 30, 2015 includes a tax benefit of $2.44 million due to the finalization of certain tax returns, mostly offset by tax expense of $1.98 million related to the provision for an uncertain tax position in a foreign jurisdiction.

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Net income:

Net income for the fiscal quarter ended November 30, 2015 decreased by $8.60 million, compared to the same period last year. Our diluted earnings per share decreased $0.29 to $1.63 compared to $1.92 for the same period last year.

Adjusted income and EPS:

In order to provide a better understanding of the impact of certain items on our net income and EPS, the analysis that follows reports the comparative after tax impact of CEO succession costs, amortization of intangible assets and non-cash share-based compensation on our net income, and basic and diluted EPS for the periods covered below.

ADJUSTED INCOME AND EPS

(in thousands, except per share data)

	Three Months Ended November 30,		Basic EPS		Diluted EPS	
	2015	2014	2015	2014	2015	2014
Net income as reported (GAAP) (4)	$ 46,778	$ 55,377	$ 1.66	$ 1.95	$ 1.63	$ 1.92
CEO succession costs, net of tax (1)	4,645	-	0.17	-	0.16	-
Subtotal	51,423	55,377	1.83	1.95	1.80	1.92
Amortization of intangible assets, net of tax (2)	5,936	5,993	0.22	0.21	0.21	0.21
Non-cash share-based compensation, net of tax (3)	1,813	1,187	0.06	0.04	0.06	0.04
Adjusted income (non-GAAP) (4)	$ 59,172	$ 62,557	$ 2.10	$ 2.20	$ 2.07	$ 2.17
Weighted average shares of common stock used in computing basic and diluted EPS			28,129	28,414	28,634	28,824

(1) CEO succession costs of $6.71 million ($4.64 million after tax) incurred in connection with the settlement of a lawsuit with our former CEO. For additional information see "-Significant Recent Developments" on page 24.

(2) For the fiscal quarters ended November 30, 2015 and 2014, amortization of intangible assets was $6.86 million ($5.94 million after tax) and $6.85 million ($5.99 million after tax), respectively.

(3) For the fiscal quarters ended November 30, 2015 and 2014, non-cash share based compensation was $2.21 million ($1.81 million after tax) and $1.33 million ($1.19 million after tax), respectively.

(4) The fiscal quarters ended November 30, 2015 and 2014 include net income from our operations in Venezuela of $2.87 and $0.95 million, respectively, or diluted EPS of $0.10 and $0.03, respectively.

Adjusted income for the fiscal quarter ended November 30, 2015 decreased $3.39 million compared to the same period last year. The decrease in adjusted income was primarily due to:

- the unfavorable impact of foreign currency fluctuations;
- the comparative impact of a $6.98 million after tax gain from the amendment of a trademark license agreement recorded in the same period last year; and
- higher tax expense.

These factors were partially offset by:

- higher sales and improved operating leverage;
- the impact of earnings growth from our operations in Venezuela, which is a highly inflationary economy; and
- lower interest expense.

Adjusted diluted EPS was $2.07 for the fiscal quarter ended November 30, 2015, compared to $2.17 for the same period last year. Adjusted diluted EPS decreased due to the impact of lower earnings partially offset by slightly lower weighted average diluted shares outstanding for the fiscal quarter ended November 30, 2015 compared to the same period last year.

Adjusted income and EPS, as discussed in the preceding tables, may be considered non-GAAP financial measures as set forth in SEC Regulation G, Rule 100. An explanation of the reasons why the Company believes the non-GAAP financial information is useful and the nature and limitations of the non-GAAP financial measures is furnished on page 42.

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First Nine Months of Fiscal Year 2016 Compared to First Nine Months of Fiscal Year 2015

Consolidated net sales revenue:

Consolidated net sales revenue for the nine months ended November 30, 2015 increased $92.58 million to $1,159.98 million, compared to $1,067.40 million for the same period last year, an increase of 8.7 percent. Net sales revenue in our Housewares segment increased $9.47 million, or 4.3 percent, compared to the same period last year. Net sales revenue in our Health & Home segment increased $27.01 million, or 6.1 percent, compared to the same period last year, despite an unfavorable impact of $15.78 million from foreign currency fluctuations, or 3.5 percent, compared to the same period last year. The Nutritional Supplements segment contributed net sales revenue of $114.98 million. The fiscal quarter ended November 30, 2015 was the Nutritional Supplement segment's first full fiscal quarter of comparative operating results, accordingly no comparable information is provided on a year-to-date basis. Net sales revenue in our Beauty segment increased $4.21 million, or 1.3 percent, compared to the same period last year. Foreign currency fluctuations reduced U.S. Dollar reported net sales revenue for the Beauty segment by $8.32 million, or 2.5 percent, compared to the same period last year.

Impact of acquisitions on net sales revenue:

Because we are an acquisition-oriented company, we provide an analysis of our net sales revenue in terms of growth from our core business and growth from acquisitions. Our most recent acquisitions of Healthy Directions and Vicks VapoSteam occurred on June 30, 2014 and March 31, 2015, respectively. For further information about these acquisitions, see Note 9 to the accompanying consolidated condensed financial statements.

IMPACT OF ACQUISITIONS ON NET SALES REVENUE

(in thousands)

	Nine Months Ended November 30,	
	2015	2014
Prior year's sales revenue, net	$ 1,067,401	$ 1,004,633
Components of sales revenue change, net		
Core business	35,317	(328)
Incremental net sales revenue from acquisitions (non-core business):		
Healthy Directions (four months in fiscal year 2016, five months in fiscal year 2015)	52,885	63,096
Vicks VapoSteam (eight months in fiscal year 2016)	4,374	-
Change in sales revenue, net	92,576	62,768

Total sales revenue, net	$ 1,159,977	$ 1,067,401
Total net sales revenue growth	8.7 %	6.2 %
Core business	3.3 %	- %
Acquisitions	5.4 %	6.2 %

Impact of foreign currencies on net sales revenue:

During the nine months ended November 30, 2015 and 2014, approximately 15 percent of our net sales revenue was denominated in foreign currencies for both periods. These transactions were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, and Venezuelan Bolivars. For the nine months ended November 30, 2015, the impact of net foreign currency exchange rate fluctuations negatively impacted our consolidated U.S. Dollar reported net sales revenue by approximately $25.13 million. In our Beauty segment, where our Canadian and Latin American operations comprise a higher proportion of foreign revenues than other regions, foreign exchange fluctuations had a $8.32 million unfavorable impact on U.S. Dollar reported net sales revenue. In our Housewares and Health & Home segments, where our European, Canadian and U.K. operations comprise a high proportion of foreign revenues, foreign exchange fluctuations had unfavorable impacts of $1.03 and $15.78 million, respectively, on U.S. Dollar reported net sales revenue.

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Segment net sales revenue:

Housewares Segment - Net sales revenue in the Housewares segment for the nine months ended November 30, 2015 increased $9.47 million, or 4.3 percent, to $231.85 million, compared to $222.38 million for the same period last year. Higher unit volumes contributed approximately 5.7 percent to the segment's growth, which was partially offset by an approximate 1.4 percent decrease in average unit selling price, largely due to sales mix. The increase in net sales revenue was primarily due to new product introductions, particularly the launches of small kitchen electrics and metal bakeware products, and increases in sales to internet retailers. These net sales revenue increases were partially offset by higher overall promotional program spending, inventory reductions at a key retailer, and lower sales in the club channel. In addition to the new launches, the segment continued to experience year-over-year gains from infant and toddler care products, growth in hydration category sales, and shipments of its recently introduced Greensaver storage products designed to prolong the storage life of produce. We expect year-over-year growth to remain in the mid-single digits for the full fiscal year. We expect OXO's longer-term growth to continue to be driven by new products, category expansion, expanded shelf space and assortments at key traditional and internet retailers, and new distribution gains in international markets.

Health & Home Segment - Net sales revenue in the Health & Home segment for the nine months ended November 30, 2015 increased $27.01 million, or 6.1 percent, to $472.71 million, compared to $445.70 million for the same period last year. Higher unit volumes contributed approximately 4.7 percent to the segment's growth, and an increase in the average unit selling price contributed approximately 1.4 percent despite an unfavorable foreign currency impact of $15.78 million, or 3.5 percent, compared to the same period last year. The segment's largest net sales revenue gains continue to be realized in its healthcare category, as a result of recent new product introductions, particularly in thermometry and humidification, which includes the VapoSteam acquisition. In the home environment category, fan shipments achieved high sell-through in the U.S., Canada and Europe due to sustained high summer temperatures. Fan sales gains were offset by declines in air purification and water filtration sales, as well as lower heater sales as a result of warmer fall and early winter temperatures. Additionally, because U.S. cough/cold/flu incidence is below historical averages, replenishment orders in the fourth quarter of fiscal year 2016 and the first quarter of fiscal year 2017 could be negatively impacted.

Nutritional Supplements Segment - The Nutritional Supplements segment includes the operating results of Healthy Directions, which we acquired on June 30, 2014. Net sales revenue for the nine months ended November 30, 2015 was $114.98 million, compared to $63.10 million for the five months for which comparable information was reported in the same period last year. The fiscal quarter ended November 30, 2015 was the Nutritional Supplement segment's first full fiscal quarter of comparative operating results. Accordingly no comparable information is provided on a year-to-date basis for the segment.

Beauty Segment - Net sales revenue in the Beauty segment for the nine months ended November 30, 2015 increased $4.21 million, or 1.3 percent, to $340.43 million, compared to $336.23 million for the same period last year. Higher unit volumes contributed approximately 3.7 percent to the segment's growth, which was partially offset by an approximate 2.6 percent decrease in average unit selling price. Gains in sales of pedicure appliances, curling, straightening and specialty styling irons were partially offset by declines in personal care sales due to continued competitive pressures and some lost distribution at retail. The segment experienced sales growth despite foreign currency fluctuations, which had the effect of reducing U.S. Dollar reported net sales revenue by $8.32 million, or 2.5 percent, compared to the same period last year. Beauty segment net sales revenue includes year-over-year growth of $8.59 million from our operations in Venezuela, which is a highly inflationary economy. See Part 1, Item 3. "Quantitative and Qualitative Disclosures About Market Risk" and Note 13 to the accompanying consolidated condensed financial statements for a discussion of uncertainties related to the Venezuelan economy and currency exchange rates. While we believe we continue to make progress to stabilize recent segment sales declines in the face of foreign currency headwinds, we do not expect meaningful sales growth in this segment for the full fiscal year 2016.

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Consolidated gross profit margin:

Consolidated gross profit as a percentage of net sales revenue for the nine months ended November 30, 2015 increased 0.1 percentage point to 40.8 percent, compared to 40.7 percent for the same period last year. The increase in consolidated gross profit margin is primarily due to the addition of the Nutritional Supplements segment, partially offset by the unfavorable impact of foreign currency fluctuations and a lower margin product and channel sales mix. For the nine months ended November 30, 2015 and 2014, the nine-and five-months of operating results of the Nutritional Supplements segment in each period increased the gross profit margin by 3.9 and 2.0 percentage points, respectively.

A significant portion of the products we sell are purchased from third-party manufacturers in China. During fiscal year 2015 and through the end of our first quarter in fiscal year 2016, the Chinese Renminbi remained relatively flat against the U.S. Dollar. During the second quarter of fiscal year 2016, the Chinese Renminbi devalued by approximately 4.4 percent against the U.S. Dollar. During the third quarter of fiscal year 2016, the Chinese Renminbi remained relatively flat against the U.S. Dollar. If China's currency continues to fluctuate against the U.S. Dollar in the short-to-intermediate term, we cannot accurately predict the impact of those fluctuations on our results of operations. Accordingly, there can be no assurance that foreign exchange rates will be stable in the future or that fluctuations in Chinese foreign currency markets will not have a material adverse effect on our business, financial condition and results of operations.

Selling, general and administrative expense:

Our consolidated SG&A ratio increased 1.4 percentage points to 30.7 percent for nine months ended November 30, 2015, compared to 29.3 percent for the same period last year. The year-over-year increase was primarily due to:

- the impact of $6.71 million of CEO succession costs recorded during the third quarter of fiscal year 2016 as result of the lawsuit settlement with our former CEO, which increased the SG&A ratio by 0.6 percentage points;

- the unfavorable comparison resulting from a $7 million gain from the amendment of a trademark license agreement in the third quarter of fiscal year 2015, which decreased the comparative period SG&A ratio by 0.7 percentage points;

- an additional four months of operating results from the Nutritional Supplements segment, which operates with a higher SG&A ratio than our other segments; and

- proportionally higher investment in advertising, marketing, new products, and channel development as a percentage of net sales revenue.

These factors were partially offset by:

- lower year-over-year foreign currency revaluation losses, partially due to cash flow hedges and a $5 million U.S. Dollar to Euro cross-currency debt swap;

- lower outbound freight costs; and

- the impact that higher overall net sales had on operating leverage.

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Asset impairment charges:

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. We recorded a similar charge of $9.00 million ($8.16 million after tax) during the first quarter of fiscal year 2015.

Operating income by segment:

The following table sets forth segment operating income for the periods covered below:

OPERATING INCOME BY SEGMENT

(in thousands)

	Nine Months Ended November 30,				% of Sales Revenue, net	
	2015	2014	$ Change	% Change	2015	2014
Housewares	$ 41,861	$ 45,201	$ (3,340)	(7.4) %	18.1 %	20.3 %
Health & Home (1) (2)	31,298	31,919	(621)	(1.9) %	6.6 %	7.2 %
Nutritional Supplements (3)	8,623	6,324	2,299	*	7.5 %	10.0 %
Beauty	32,826	29,325	3,501	11.9 %	9.6 %	8.7 %
Total operating income	$ 114,608	$ 112,769	$ 1,839	1.6 %	9.9 %	10.6 %

(1) The VapoSteam business was acquired on March 31, 2015 and its operations are reported under the Health & Home segment. Results reported include eight months for the fiscal year-to-date period ended November 30, 2015, with no comparable results in the same period last year.

(2) Operating Income for the year-to-date period ended November 30, 2014 includes a $7 million gain from the amendment of a trademark license agreement.

(3) Healthy Directions was acquired on June 30, 2014 and its operations are reported under the Nutritional Supplements segment. Results reported include nine- and five-months, respectively, for the year-to-date periods ended November 30, 2015 and 2014.

* Calculation is not meaningful or comparable.

In the discussion that follows, our usage of the terms operating margin, operating expense ratio and operating leverage are further described and explained beginning on page 48.

Housewares Segment - Operating income for the nine months ended November 30, 2015 decreased $3.34 million, or 7.4 percent, compared to the same period last year. Operating margin decreased 2.2 percentage points to 18.1 percent, compared to 20.3 percent for the same period last year. The decrease in operating margin was due to higher promotional spending, higher media advertising in support of new products and categories, higher compensation expense incurred to expand into new categories and increase operating capacity, lower margin kitchen electric sales, and CEO succession costs, which had an unfavorable impact of 0.6 percentage points on operating margin.

Health & Home Segment - Operating income for the nine months ended November 30, 2015 decreased $0.62 million, or 1.9 percent, compared to the same period last year. Operating margin decreased 0.6 percentage points to 6.6 percent compared to 7.2 percent for the same period last year. The decrease in operating margin is primarily due to the unfavorable impact of foreign currency fluctuations on U.S. Dollar reported net sales and CEO succession costs, which had an unfavorable impact of 0.6 percentage points on operating margin. The year-over-year comparison was also negatively impacted by a $7.00 million gain from the amendment of a trademark license agreement recorded in the same period last year. These factors were partially offset by the impact that higher overall net sales had on the segment’s operating leverage.

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Nutritional Supplements Segment - The Nutritional Supplements segment's operating income reflects operating results from Healthy Directions, which we acquired on June 30, 2014. Operating income for the nine months ended November 30, 2015 was $8.62 million, resulting in an operating margin of 7.5 percent, compared to an operating margin of 10.0 percent for the five months of operating results included in the same period last year. The decline in operating margin is primarily due to:

- A decline of 3.0 percentage points from an allocation of shared service and corporate overhead expenses that were not made in fiscal year 2015, the year of acquisition;
- An unfavorable impact of 0.6 percentage points from CEO succession costs; and
- Increased investments in promotions, advertising, customer acquisition and online sales channel development.

These factors were partially offset by the comparative impact of $3.61 million of acquisition-related expenses recorded in the same period last year, which reduced operating margin by 5.7 percentage points for the nine month period ended November 30, 2014.

Beauty Segment - Operating income for the nine months ended November 30, 2015 increased $3.50 million to $32.83 million, compared to $29.33 million for the same period last year. Operating margin increased 0.9 percentage points to 9.6 percent, compared to 8.7 percent for the same period last year. Operating income includes non-cash intangible asset impairment charges of $3.00 and $9.00 million in the nine months ended November 30, 2015 and 2014, respectively, resulting in a favorable year-over-year impact of 1.8 percentage points for the nine months ended November 30, 2015 compared to the same period last year. The increases in operating margin were partially offset by CEO succession costs of $1.93 million for the nine months ended November 30, 2015, which had an unfavorable impact of 0.6 percentage points on operating margin, and the unfavorable impact of foreign currency fluctuations on U.S. Dollar reported net sales revenue.

ADJUSTED OPERATING INCOME AND OPERATING MARGIN

(in thousands)

Nine Months Ended November 30, 2015			
Housewares	Health & Home	Nutritional Supplements	Beauty