

HELEN OF TROY LTD
Form 10-K
April 29, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended February 28, 2014

OR

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

Commission file number 001-14669

HELEN OF TROY LIMITED

(Exact name of the registrant as specified in its charter)

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Bermuda
(State or other jurisdiction of
incorporation or organization)

74-2692550
(I.R.S. Employer
Identification No.)

Clarendon House

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)

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

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

Title of each class	Name of each exchange on which registered
Common Shares, \$10 par value per share	The NASDAQ Stock Market, LLC

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

NONE

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant as of August 31, 2013, based upon the closing price of the common shares as reported by The NASDAQ Global Select Market on such date, was approximately \$1,210,686,000.

As of April 21, 2014 there were 28,595,094 common shares, \$.10 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this annual report will be set forth in and incorporated herein by reference into Part III of this report from the Company's definitive Proxy Statement for the 2014 Annual General Meeting of Shareholders.

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CERTAIN CONVENTIONS USED IN THIS REPORT

In this report and accompanying consolidated financial statements and notes thereto, unless the context suggests otherwise or otherwise indicated, references to the Company, our Company, Helen of Troy, we, us, or our refer to Helen of Troy Limited and its subsidiaries, and amounts are expressed in thousands of U.S. Dollars. We refer to the Company's common shares, par value \$0.10 per share, as common stock. References to Kaz refer to the operations of Kaz, Inc. and its subsidiaries. References to OXO refer to the operations of OXO International and certain of its affiliated subsidiaries that comprise our Housewares segment. Product and service names mentioned in this report are used for identification purposes only and may be protected by trademarks, trade names, service marks and / or other intellectual property rights of the Company and other parties in the United States and other jurisdictions. 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 ASC refer to the codification of U.S. GAAP in the Accounting Standards Codification issued by the FASB.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made in this report, in other filings with the Securities and Exchange Commission (SEC), in press releases, and in certain other oral and written presentations. Generally, the words anticipates , believes , expects , plans , may , will , should , seeks , estimates , project , predict , potential , continue , intend identify forward-looking statements. All statements that address operating results, events or developments that we expect or anticipate will occur in the future, including statements related to sales, earnings per share results and statements expressing general expectations about future operating results, are forward-looking statements and are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and assumptions, but there can be no assurance that we will realize our expectations or that our assumptions will prove correct. Forward-looking statements are subject to risks that could cause them to differ materially from actual results. Accordingly, we caution readers not to place undue reliance on forward-looking statements. We believe that these risks include but are not limited to the risks described in this report under Item 1A., Risk Factors and that are otherwise described from time to time in our SEC reports filed after this report. As described later in this report, such risks, uncertainties and other important factors include, among others:

- the departure and recruitment of key personnel;

- our ability to deliver products to our customers in a timely manner and according to their fulfillment standards;

- the costs of complying with the business demands and requirements of large sophisticated customers;

- our relationships with key customers and licensors;

- our dependence on the strength of retail economies and vulnerabilities to any prolonged economic downturn;

- expectations regarding our recent and future acquisitions, including our ability to realize anticipated cost savings, synergies and other benefits along with our ability to effectively integrate acquired businesses;

- foreign currency exchange rate fluctuations;

- disruptions in U.S., Euro zone and other international credit markets;

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- risks associated with weather conditions;
- our dependence on foreign sources of supply and foreign manufacturing, and associated operational risks including but not limited to long lead times, consistent local labor availability and capacity, and timely availability of sufficient shipping carrier capacity;
- the impact of changing costs of raw materials, labor and energy on cost of goods sold and certain operating expenses;
- our geographic concentration of certain U.S. distribution facilities increases our exposure to significant shipping disruptions and added shipping and storage costs;
- difficulties encountered during the transition of certain businesses to our new distribution facility could interrupt our logistical systems and cause shipping disruptions;
- our projections of product demand, sales and net income are highly subjective in nature and future sales and net income could vary in a material amount from such projections;
- circumstances which may contribute to future impairment of goodwill, intangible or other long-lived assets;
- the risks associated with the use of trademarks licensed from and to third parties;
- our ability to develop and introduce a continuing stream of new products to meet changing consumer preferences;
- trade barriers, exchange controls, expropriations, and other risks associated with foreign operations;
- debt leverage and the constraints it may impose on our cash resources and ability to operate our business;
- the costs, complexity and challenges of upgrading and managing our global information systems;
- the risks associated with information security breaches;

- the risks associated with tax audits and related disputes with taxing authorities;

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- the risks of potential changes in laws, including tax laws, health insurance laws and new regulations related to conflict minerals along with the costs and complexities of compliance with such laws; and
- our ability to continue to avoid classification as a controlled foreign corporation.

We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.

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PART I

ITEM 1. BUSINESS

GENERAL

We are a global consumer products company offering creative solutions for our customers through a strong portfolio of well-recognized and widely-trusted brands. We have built our market positions through new product innovation, product quality and competitive pricing. Our products are used every day by people around the world to help meet their household, health and beauty needs. We were incorporated as Helen of Troy Corporation in Texas in 1968 and reincorporated as Helen of Troy Limited in Bermuda in 1994. We have three business segments: Housewares, Healthcare / Home Environment and Personal Care.

Our Housewares segment reports the operations of the OXO family of brands whose product offerings include food preparation tools, gadgets and storage containers, cleaning, organization, and baby and toddler care products. Key brands include OXO, Good Grips, Soft Works, OXO tot, and OXO Steel.

Our Healthcare / Home Environment segment focuses on health care devices such as thermometers, humidifiers, blood pressure monitors, and heating pads; water filtration systems; and small home appliances such as portable heaters, fans, air purifiers, and insect control devices. Key brands include Vicks, Braun, Honeywell, PUR, Febreze, Stinger, Duracraft, and SoftHeat.

Our Personal Care segment's 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. Key brands include Revlon, Vidal Sassoon, Dr. Scholl's, Toni&Guy, Sure, Pert Plus, Infusium 23, Brut, Ammens, Hot Tools, Bed Head, Karina, Sea Breeze, and Gold N Hot.

All three segments sell their products primarily through mass merchandisers, drugstore chains, warehouse clubs, catalogs, grocery stores and specialty stores. In addition, the Personal Care segment sells extensively through beauty supply retailers and wholesalers and the Healthcare / Home Environment 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.

On December 30, 2011, we completed an asset and stock purchase transaction in which we acquired 100 percent of the stock of PUR Water Purification Products, Inc., and certain other assets and liabilities from The Procter & Gamble Company and certain of its affiliates (P&G) for a net cash purchase price of approximately \$160 million. The acquisition was funded entirely with short-term debt. Significant assets acquired include manufacturing equipment, trademarks, customer lists, distribution rights, patents, and the goodwill of the PUR water filtration business. PUR's product lines include faucet mount water filtration systems and filters, pitcher systems and filters, and refrigerator filters. We are operating the PUR business in our Healthcare / Home Environment segment and market its products primarily into retail trade channels in the U.S. We have completed the integration of PUR into our operating structure.

Fiscal Year 2014 Operating Initiatives

In fiscal year 2014, we made the following progress on key initiatives:

- The Healthcare / Home Environment segment converted from its legacy Enterprise Resource Planning (ERP) system onto our global ERP system. We believe this migration will eliminate a number of inefficiencies associated with managing multiple ERP systems and continue to improve uniformity of execution throughout our organization. In addition, we are constantly upgrading and adding functionality to the overall system with key enhancements underway in the product development and finance areas that will further streamline and improve the quality of our back office operations.
- We commenced shipments out of our new 1.3 million square foot distribution facility in Olive Branch, Mississippi during the first week of September 2013. The new facility will consolidate the distribution operations of both our Personal Care and Healthcare / Home Environment segments' appliance businesses. We have completed the move of our domestic Healthcare / Home Environment distribution operation out of its previously

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leased Memphis, Tennessee location and have terminated the lease associated with the facility as of October 31, 2013. We are in the process of completing the transition of our domestic Personal Care segment appliance distribution operation to the new facility, which we expect to complete in the first quarter of fiscal year 2015.

These investments have improved the infrastructure that supports our current business, have staged us for additional operating efficiencies over the foreseeable future and have provided a platform for further growth.

Recent Developments

On January 14, 2014, the Company and Gerald J. Rubin, our former Chief Executive Officer and President (the former CEO), entered into a separation agreement (the Separation Agreement). Pursuant to the Separation Agreement, the former CEO ceased serving as the Chief Executive Officer and President and resigned as a director of the Company, effective January 14, 2014, but remained an employee of the Company through February 28, 2014. With the former CEO stepping down, the Board of Directors implemented its succession plan, appointing Julien R. Mininberg as Chief Executive Officer of the Company, effective March 1, 2014. The former CEO's employment with the Company was considered a termination without cause under the terms of his employment agreement. As a result, in connection with the termination of his employment, Mr. Rubin will only receive the amounts or payments due to him under the employment agreement for a termination of employment without cause as of February 28, 2014. As a result of the Separation Agreement, the Company recorded a charge of \$16.34 million (after tax) in the fourth quarter of fiscal year 2014, which accrued for liabilities and associated legal costs as a result of the separation.

Mr. Rubin provided exceptional leadership and dedication to the Company for over four decades, guiding Helen of Troy from a small family business to a multinational organization with revenues for fiscal year 2014 exceeding \$1.3 billion. We are very grateful for Mr. Rubin's stewardship and years of service.

For additional financial information regarding Mr. Rubin's departure and the appointment of Mr. Mininberg as the succeeding Chief Executive Officer, see Notes (13), (14) and (15) to the accompanying consolidated financial statements.

On February 6, 2014 the Company announced that based upon a thorough and ongoing evaluation of opportunities to enhance long-term value for shareholders, its Board of Directors had authorized the purchase of \$550 million of its outstanding shares of common stock to return to shareholders capital not otherwise deployed for strategic acquisitions. The repurchase plan represents approximately 28.9 percent of our then outstanding common stock and superseded the previous resolution in place. As part of the initial execution of the repurchase plan, on February 10, 2014, the Company commenced a modified Dutch auction tender offer to repurchase up to \$300 million in value of its shares of common stock, which expired on March 10, 2014. An aggregate of 3,693,816 shares of common stock were tendered at or below the final purchase price of \$66.50 per share for an aggregate purchase price of approximately \$245.64 million (not including fees and expenses relating to the tender offer). The shares repurchased represented approximately 11.5 percent of our outstanding shares of common stock as of February 5, 2014. See Note (21) to the accompanying consolidated financial statements for additional information regarding the completion of the Dutch auction tender offer. Over the next three years, the repurchase plan will allow the additional shares to be repurchased through a variety of methods, including open market purchases, privately negotiated transactions, block trades, accelerated stock repurchase transactions, or any combination of such methods. The number of shares repurchased and the timing of the repurchases will depend on a number of factors, including share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions, financial conditions, any applicable contractual limitations and other factors, including alternative investment opportunities.

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Company Strategy

As we look to the future, we have adopted a new way of looking at our strategic choices to improve the focus of our business segments and corporate shared service organization. These choices will guide us regarding where we will operate and how we will achieve our goals in markets around the world. The overall design of our business and organizational plan is intended to create sustainable growth and improve organizational capability.

- **Invest in our core businesses.** We have developed a portfolio of brands that are clear market leaders or have a path to substantially grow their market position in attractive categories. We believe that prudent investment in new products, new go-to-market plans and new marketing activities can grow them organically. We plan to increase investment in those with the most promising potential.
- **Sharpen our portfolio.** We have a track record of successful acquisition and are continually looking for new businesses and opportunities to expand in categories and geographies where we believe we have critical mass and can develop a competitive advantage. We are also constantly assessing our full suite of businesses to ensure each is a good fit with our long-term plans.
- **Invest in innovation.** We have a long history of developing or acquiring new technologies, new products that improve consumers lives and new designs to differentiate our products from competitors. We are increasing our focus on innovation both in our core categories and product adjacencies. We are also focusing on initiatives that create commercial value for existing leadership products in order to increase their appeal and accelerate their organic growth.
- **Improve our organization and people systems.** Our employees are our most valuable asset. Attracting, retaining and developing talent is a key focus area. To help us deliver strong business results, we are sharpening our organizational structure, compensations systems and building a culture based on the values we believe will help us win in both the short- and long-term.
- **Best-in-class supply chain.** We have developed an outstanding, diversified base of suppliers in North America, China and Mexico. We have also invested heavily in our warehouses and information technology systems. We strive to continuously improve our existing supplier base and infrastructure, and to develop new manufacturing partners to ensure our products are innovative, on time, on cost, and on quality.
- **Asset efficiency.** As we manage our businesses for long-term growth and success in the marketplace, we are also looking to manage our overall base of assets and capital structure to increase shareholder value. We are focused on maximizing cash flow, controlling our costs, increasing the efficiency of the capital we deploy, and optimizing working capital assets such as inventory and accounts receivable through improved systems. We are also optimizing our capital structure, with the selective use of leverage to invest in acquisition and, where appropriate, return of capital to shareholders.

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We present financial information by operating segment in Note (20) to the accompanying consolidated financial statements. The matters discussed in this Item 1., Business, pertain to all existing operating segments, unless otherwise specified.

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We sell certain of our products under trademarks licensed from third parties. We also market products under a number of trademarks that we own. The following is a representative listing of some of the more important trademarks by segment and major product category:

SEGMENT	PRODUCT CATEGORY	OWNED TRADEMARKS	LICENSED TRADEMARKS
Housewares		OXO®, Good Grips®, SoftWorks®, OXO tot®, OXO Steel®	
Healthcare / Home Environment	Healthcare	SoftHeat®, Protec®, SmartTemp®	Braun®, Vicks®
	Water Filtration	PUR®	
	Home Environment	Duracraft®, Stinger®, Nosquito®	Honeywell®, Febreze®
Personal Care	Retail and Professional Appliances and Accessories	PRO Beauty Tools®, Karina®, HOT Tools®, Gold N Hot®, Carel®, Comare®, Shear Technology®, DCNL®	Revlon ® (1), Vidal Sassoon®, Dr. Scholls®, Scholl®, Toni&Guy®, Bed Head®
	Grooming, Skin Care and Hair Care Solutions	Brut®, Infusium 23®, Pert Plus®, Sure®, Ammens®, Ogilvie®, Final Net®	Sea Breeze®

(1) The remaining duration of the Revlon license agreements, including renewal terms, is approximately 50 years.

Licensed Trademarks

The Personal Care and Healthcare / Home Environment segments depend upon the continued use of trademarks licensed under various agreements for a substantial portion of their net sales revenue. New product introductions under licensed trademarks require approval from the respective licensors. The licensors must also approve the product packaging. Many of our license agreements require us to pay minimum royalties, meet minimum sales volumes and some require us to make minimum levels of advertising expenditures. If we decide to renew upon expiration of their current terms, we may be required to pay prescribed renewal fees for certain agreements at the time of that election or we may be unable to renegotiate acceptable terms that will allow for renewal.

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We believe our principal trademarks, both owned and licensed, have high levels of brand name recognition among retailers and consumers throughout the world. In addition, we believe our brands have an established reputation for quality, reliability and value.

Patents, Other Intellectual Property and Infringement Considerations

Helen of Troy maintains utility and design patents in the United States and several foreign countries. We believe the loss of the protection afforded by any one of these patents would not have a material adverse effect on our business as a whole. We also protect certain details about our processes, products and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage.

We monitor and protect our brands against infringement, as we deem practical and appropriate; however, our ability to enforce patents, copyrights, licenses, and other intellectual property is subject to general litigation risks, as well as uncertainty as to the enforceability of various intellectual property rights in various jurisdictions.

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We market and sell Personal Care, Housewares and Healthcare / Home Environment products that we acquire, design and develop. The following table summarizes the types of products we sell by business segment:

SEGMENT	PRODUCT CATEGORY	SIGNIFICANT PRODUCTS
Housewares		Food preparation tools and gadgets, food storage containers, cutlery, household cleaning tools, tea, coffee and hydration products, bathroom accessories, storage and organization products, and baby and toddler care products
Healthcare / Home Environment	Healthcare	Thermometers, blood pressure monitors, humidifiers, heating pads, and hot / cold wraps
	Water Filtration	Faucet mount water filtration systems, pitcher based water filtration systems and refrigerator filters
	Home Environment	Air purifiers, heaters, fans, humidifiers, dehumidifiers, and insect control
Personal Care	Retail and Professional Appliances and Accessories	Curling irons, straightening irons, hot air brushes, hand-held dryers, hard and soft-bonnet hair dryers, hair setters, facial and skin care appliances, foot care appliances, hair clippers and trimmers, hand held and lighted mirrors, hair brushes, hair styling implements, and decorative hair accessories
	Grooming, Skin Care and Hair Care Solutions	Liquid hair styling products, treatments, conditioners, shampoos, liquid and / or medicated skin care products, fragrances, deodorants, and antiperspirants

Innovation is a core strategy of the Company. We continue to develop new products, respond to market innovations and enhance existing products with the objective of improving our market positions. Overall, in fiscal year 2014, we shipped 430 new products across all of our categories. Currently, approximately 440 additional new products are in our product development pipeline for expected introduction in fiscal year 2015.

SALES AND MARKETING

We now market our products in approximately 85 countries throughout the world. Sales within the United States comprised 77, 79 and 77 percent of total net sales revenue in fiscal years 2014, 2013 and 2012, respectively. We sell our products through mass merchandisers, drugstore chains, warehouse clubs, home improvement stores, catalogs, grocery stores, specialty stores, beauty supply retailers, e-commerce retailers, wholesalers, and various types of distributors, as well as directly online to end user consumers. We collaborate extensively with our retail customers and in many instances produce specific versions of our product lines with exclusive designs and packaging for their stores, which are appropriately priced for their respective customer bases.

We market products principally through the use of outside sales representatives and our own internal sales staff, supported by our internal marketing, category management, engineering, creative services, and customer and consumer service staff. These groups work closely together to develop pricing and distribution strategies, to design packaging and to help develop product line extensions and new products.

Regional sales and business unit managers work with our inside and outside sales representatives. Our sales managers are organized by product group and geographic area and, in some cases, key customers. Our regional managers are responsible for customer relations management, pricing programs, distribution strategies, and sales generation.

The companies from whom we license many of our brand names promote those names extensively. The Honeywell, Braun, Vicks, Febreze, Revlon, Vidal Sassoon, Dr. Scholl's, Scholl, Bed Head, and Toni&Guy trademarks are widely recognized because of the licensor's advertising and the sale of a variety of products in categories other than ours.

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We believe we benefit from the name recognition associated with a number of our licensed trademarks and seek to further improve the name recognition and perceived quality of all trademarks under which we sell products through our own advertising and product development efforts. We also promote our non-licensed products through television advertising and various media, including consumer and trade magazines, extensive in-store and customer cooperative advertising, company websites, social media websites, other digital media and various industry trade shows.

MANUFACTURING AND DISTRIBUTION

We contract with unaffiliated manufacturers in the Far East, primarily in China, to manufacture a significant portion of our products in the Personal Care segment appliance and accessories, Housewares segment product categories, Healthcare, Water Filtration and Home Environment segment product categories. Our mix of Far East manufacturing has declined since fiscal year 2012 as the Healthcare / Home Environment segment has become a larger part of our business. This segment sources a higher proportion of its products in both the U.S. and Mexico. For a discussion regarding our dependency on third-party manufacturers, see Item 1A., Risk Factors. For fiscal years 2014, 2013 and 2012, cost of goods sold manufactured by vendors in the Far East comprised approximately 67, 66 and 78 percent, respectively, of consolidated cost of goods sold.

Many of our key Far East manufacturers have been doing business with us for over 30 years. In some instances, we are now working with the second generation of entrepreneurs from the same families. We believe these relationships give us a stable and sustainable advantage over many of our competitors.

Manufacturers who produce our products use formulas, molds and certain other tooling, some of which we own, in manufacturing those products. We employ numerous technical and quality control personnel responsible for ensuring high product quality. Most of our products manufactured outside the countries in which they are sold are subject to import duties, which increase the amount we pay to obtain such products.

Our customers seek to minimize their inventory levels and often demand that we fulfill their orders within relatively short time frames. Consequently, our policy is to maintain several months of supply of inventory in order to meet our customers' needs. Accordingly, we order products substantially in advance of the anticipated time of their sale to our customers. While we have limited formal long-term arrangements with our suppliers, in most instances, we place purchase orders for products several months in advance of receipt of orders from our customers. Our relationships and arrangements with most of our manufacturers allow for some flexibility in modifying the quantity, composition and delivery dates of orders. Most purchase orders are in U.S. Dollars. Because of our long lead times, from time to time, we must discount end of model product or sell it through closeout sales channels to eliminate excess inventories.

In total, we occupy approximately 3,381,000 square feet of distribution space in various locations to support our operations, which includes a 1,200,000 square foot distribution center in Southaven, Mississippi, and a 1,300,000 square foot distribution center in Olive Branch, Mississippi, used to support a significant portion of our domestic distribution. We began shipping Healthcare / Home Environment segment appliance products out of the Olive Branch facility during the first week of September 2013. This facility will consolidate the distribution operations of both our Personal Care and Healthcare / Home Environment segments' appliance businesses. We moved the domestic Healthcare / Home Environment segment distribution operation out of its previously leased Memphis, Tennessee location during fiscal year 2014 and have terminated the lease associated with the facility as of October 31, 2013. We are in the process of completing the transition of our domestic Personal Care segment appliance distribution operation to the new facility in the first quarter of fiscal year 2015. The project remains on schedule and on budget. Approximately 68 percent of our consolidated gross sales volume shipped from these three facilities in fiscal year 2014.

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For a further discussion of the risks associated with our distribution capabilities, see Item 1A., Risk Factors.

Products that are manufactured in the Far East and sold in North America are shipped to the West Coast of the United States and Canada. The products are then shipped by truck or rail service to distribution centers in El Paso, Texas; Southaven, Mississippi; Olive Branch, Mississippi; and Toronto, Canada, or directly to customers. We ship substantially all products to North American customers from these distribution centers by ground transportation services. Products sold outside the United States and Canada are shipped from manufacturers, primarily in the Far East, to distribution centers in Belgium, the United Kingdom, Mexico, Hong Kong or directly to customers. We then ship products stored at these international distribution centers to distributors or retailers.

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CUSTOMERS

Sales to Wal-Mart Stores, Inc. (including its worldwide affiliates) accounted for approximately 19, 19 and 20 percent of our consolidated net sales revenue in fiscal years 2014, 2013 and 2012, respectively. Sales to our second largest customer, Target Corporation, in the United States and Canada, accounted for approximately 11 percent of our consolidated net sales revenue in fiscal years 2014, 2013 and 2012, respectively. No other customers accounted for 10 percent or more of consolidated net sales revenue during those fiscal years. Sales to our top five customers accounted for approximately 43, 42 and 44 percent of our consolidated net sales revenue in fiscal years 2014, 2013 and 2012, respectively.

ORDER BACKLOG

When placing orders, our retail and wholesale customers usually request that we ship the related products within a short time frame. As such, there usually is no significant backlog of orders in any of our distribution channels.

COMPETITIVE CONDITIONS

The markets in which we sell our products are very competitive and mature. The rapid growth of large mass merchandisers, together with changes in consumer shopping patterns, have contributed to a significant consolidation of the consumer products retail industry and the formation of dominant multi-category retailers with strong negotiating power. The growth in internet sales both by traditional retailers and pure online retailers such as Amazon.com have begun to erode market share at brick-and-mortar retailers. Current trends among retailers include fostering high levels of competition among suppliers, insistence on maintaining or reducing prices and the requirement to deliver products in shorter lead times, and significant closings of domestic locations by underperforming retail chains. Certain retailers continue to source and sell products under their own private label brands that compete with our Company's products. We believe that we have certain key competitive advantages, such as well recognized brands, engineering expertise and innovation, sourcing and supply chain know-how, and productive co-development relationships with our Far East manufacturers, some of which have been built over 30 years or more of working together. We believe these advantages allow us to bring our retailers a value proposition in our products that can significantly out-perform private label products in most categories. Maintaining and gaining market share depends heavily on product development and enhancement, pricing, quality, performance, packaging and availability, brand name recognition, patents, and rapidly adaptive marketing and distribution approaches.

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The following table summarizes our primary competitors by business segment:

SEGMENT	PRODUCT CATEGORY	PRIMARY COMPETITORS
Housewares		Lifetime Brands, Inc. (KitchenAid), Zyliss AG, Wilton Industries, Inc. (Copco), Simplehuman LLC, Casabella Holdings LLC, Interdesign, Inc., Boon Inc., Ignite USA, LLC (Contigo), PMI (Aladdin), Munchkin, Inc., Skip Hop, Inc., Chef n, Progressive International and Stokke AS.
Healthcare / Home Environment	Healthcare	Phillips Electronics N.V., Microlife AG Swiss Corporation, Omron Corporation, Medisana AG, Beurer GmbH, Exergen Corporation, Paul Hartmann AG, and Visiomed Group SA (Thermoflash)
	Water Filtration	The Clorox Company (Brita), 3M Company (Filtrete)
	Home Environment	Panasonic Corporation, Sharp Corporation, Jarden Corporation (Sunbeam, Bionair and Holmes), Lasko Products, Inc., and De'Longhi S.p.A.
Personal Care	Retail and Professional Appliances and Accessories	Conair, Farouk Systems Inc. (CHI), T3 Micro, Inc., International Consulting Associates (InfraShine), FHI Heat, Inc., Jamella Limited (GHD), Turbo Ion, Inc. (Croc Hair Products), Spectrum Brands, Inc. (Remington), Goody Products, Inc. a division of Newell Rubbermaid, Inc., Wahl Clipper Corporation, BaByliss S.A., AST Systems, LLC (SalonTech), John Paul Mitchell Systems, Inc. and Homedics-U.S.A., Inc.
	Grooming, Skin Care and Hair Care Solutions	The Procter & Gamble Company, L'Oréal Group, Unilever N.V., Colgate-Palmolive Company, Beiersdorf AG, Coty Inc., and KAO Brands Company

Some of these competitors have significantly greater financial and other resources than we do.

SEASONALITY

The following table shows our seasonality over the latest three fiscal years.

SEASONALITY AS A PERCENTAGE OF ANNUAL NET SALES REVENUE

Fiscal Quarter Ended	2014	Fiscal Years Ended 2013	2012
May	23.1%	23.3%	23.0%
August	24.3%	22.3%	23.5%
November	28.9%	29.1%	28.7%
February	23.7%	25.3%	24.9%

The third fiscal quarter normally produces the highest net sales revenue during the fiscal year. Seasonality in fiscal year 2012 was impacted by the inclusion of two months of net sales revenue from PUR following its acquisition on December 30, 2011. Because of the impact of the seasonality of our net sales revenues, our working capital needs fluctuate during the year.

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GOVERNMENTAL REGULATION AND ENVIRONMENTAL MATTERS

Our operations are subject to national, state, local, and provincial jurisdictions' environmental, and health and safety laws and regulations. These laws and regulations impose workplace standards and regulate the discharge of pollutants into the environment. In addition, they establish various standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of materials, and substances including solid and hazardous wastes.

Many of the products we sell are subject to a number of product safety laws and regulations in various jurisdictions. These laws and regulations specify the maximum allowable levels of certain materials that may be contained in our products, provide statutory prohibitions against misbranded and adulterated products, establish ingredients and manufacturing procedures for certain products, specify product safety testing requirements, and set product identification and labeling requirements.

Additionally, an emerging trend with both governments and our retail customers is to prescribe public and private social accountability reporting requirements regarding our worldwide business activities. In our product space, some requirements have already been mandated and we believe others may become required. Examples of current requirements include conflict minerals content reporting and reporting of foreign fair labor practices in connection with our supply chain vendors.

We believe that we are in material compliance with these laws, regulations and other reporting requirements. Further, the cost of maintaining compliance has not had a material adverse effect on our business, consolidated results of operations and consolidated financial condition, nor do we expect it to do so in the foreseeable future. Due to the nature of our operations and the frequently changing nature of compliance and social reporting standards and technology, we cannot predict with any certainty that future material capital or operating expenditures will not be required in order to comply with all applicable laws, regulations and other reporting mandates.

EMPLOYEES

As of February 28, 2014, we employed 1,495 full-time employees world-wide. We also use temporary, part-time and seasonal employees as needed. None of our U.S. employees are covered by a collective bargaining agreement. Certain of our employees in Europe are covered by collective arrangements in accordance with local practice. We have never experienced a work stoppage, and we believe that we have satisfactory working relations with our employees.

GEOGRAPHIC AND SEGMENT INFORMATION

Note (20) to our accompanying consolidated financial statements contains geographic and segment information concerning our net sales revenue, long-lived assets and operating income.

AVAILABLE INFORMATION

We maintain our main Internet site at the following address: <http://www.hotus.com>. The information contained on this website is not included as a part of, or incorporated by reference into, this report. We make available on or through our main website's Investor Relations page under the heading "SEC Filings" certain reports and amendments to those reports that we file with, or furnish to, the SEC in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statements on Schedule 14A, amendments to these reports, and the reports required under Section 16 of the Exchange Act of transactions in Company shares by directors and officers. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. Also, on the Investor Relations page, under the heading "Corporate Governance", are the Company's Code of Ethics, Corporate Governance Guidelines and the Charters of the Committees of the Board of Directors.

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ITEM 1A. RISK FACTORS

The ownership of our common stock involves a number of risks and uncertainties. When evaluating us and our business before making a decision regarding investment in our securities, potential investors should carefully consider the risk factors and uncertainties described below, together with other information contained in this report. If any of the events or circumstances described below or elsewhere in this report actually occur, they could adversely effect our business and operating results. The risks listed below are not the only risks that we face. Additional risks that are presently unknown to us or that we currently believe are not significant may also impact our business operations.

We rely on our Chief Executive Officer and a limited number of other key senior officers to operate our business. The loss of any of these individuals could have a material adverse effect on our business.

The loss of our Chief Executive Officer or any of our key senior officers could have a material adverse effect on our business, financial condition and results of operations, particularly if we are unable to hire or relocate and integrate suitable replacements on a timely basis or at all. Further, in order to continue to grow our business, we will need to expand our senior management team. We may be unable to attract or retain these persons. This could hinder our ability to grow our business and could disrupt our operations or otherwise have a material adverse effect on our business.

Our ability to deliver products to our customers in a timely manner and to satisfy our customers' fulfillment standards are subject to several factors, some of which are beyond our control.

Retailers place great emphasis on timely delivery of our products for specific selling seasons, especially during our third fiscal quarter, and on the fulfillment of consumer demand throughout the year. We cannot control all of the various factors that might affect product delivery to retailers. Vendor production delays, difficulties encountered in shipping from overseas, customs clearance delays, and operational issues with any of the third-party logistics providers we use in certain countries are on-going risks of our business. We also rely upon third-party carriers for our product shipments from our distribution centers to customers. In certain circumstances, we rely on the shipping arrangements our suppliers have made in the case of products shipped directly to retailers from the suppliers. Accordingly, we are subject to risks, including labor disputes, inclement weather, natural disasters, possible acts of terrorism, availability of shipping containers, and increased security restrictions associated with such carriers' ability to provide delivery services to meet our shipping needs. Failure to deliver products to our retailers in a timely and effective manner, often under special vendor requirements to use specific carriers and delivery schedules, could damage our reputation and brands and result in loss of customers or reduced orders.

Our results of operations are dependent on sales to several large customers and the loss of, or substantial decline in, sales to a top customer could have a material adverse effect on our revenues and profitability.

A few customers account for a substantial percentage of our net sales revenue. Our financial condition and results of operations could suffer if we lost all or a portion of the sales to any one of these customers. In particular, sales to our first and second largest customers accounted for approximately 19 and 11 percent, respectively, of our consolidated net sales revenue in fiscal year 2014. While only two customers individually accounted for 10 percent or more of our consolidated net sales revenue in fiscal year 2014, sales to our top five customers accounted for approximately 43 percent of fiscal year 2014 consolidated net sales revenue. We expect that a small group of customers will continue to account

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for a significant portion of our net sales revenue. Although we have long-standing relationships with our major customers, we generally do not have written agreements that require these customers to buy from us or to purchase a minimum amount of our products. A substantial decrease in sales to any of our major customers could have a material adverse effect on our financial condition and results of operations.

With the continuing trend towards retail trade consolidation, we are increasingly dependent upon key customers whose bargaining strength is substantial and growing. We may be negatively affected by changes in the policies of our customers, such as on-hand inventory reductions, limitations on access to shelf space, use of private label brands, price demands and other conditions, which could negatively impact our financial condition and results of operations.

A significant deterioration in the financial condition of our major customers could have a material adverse effect on our sales and profitability. We regularly monitor and evaluate the credit status of our customers and attempt to adjust sales terms as appropriate. Despite these efforts, a bankruptcy filing by a key customer could have a material adverse effect on our business, financial condition and results of operations.

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Large sophisticated customers may take actions that adversely affect our gross profit and results of operations.

In recent years, we have observed a consumer trend away from traditional grocery and drugstore channels and toward mass merchandisers, which includes super centers and warehouse club stores. In addition, the growth in internet sales both by large traditional retailers and pure online retailers such as Amazon.com has begun to reach a critical mass. This trend has resulted in the increased size and influence of these types of customers. Additionally, certain of these customers source and sell products under their own private label brands that compete with our products. As certain large customers and online retailers grow even larger and become more sophisticated, they may continue to demand lower pricing, special packaging, shorter lead times for the delivery of products, smaller more frequent shipments, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. If we do not effectively respond to these demands, these customers could decrease their purchases from us. A reduction in the demand for our products by these customers and the costs of complying with their business demands could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks related to our dependence on the strength of retail economies and may be vulnerable in the event of a prolonged economic downturn.

Our business depends on the strength of the retail economies in various parts of the world, primarily in North America and to a lesser extent Europe, Asia and Latin America. These retail economies are affected primarily by factors such as consumer demand and the condition of the retail industry, which, in turn, are affected by general economic conditions and specific events such as natural disasters, terrorist attacks and political unrest. Consumer spending in any geographic region is generally affected by a number of factors, including local economic conditions, government actions, inflation, interest rates, energy costs, unemployment rates, gasoline prices and consumer confidence, all of which are beyond our control. Consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower, and may impact sales of our products. As a result of a prolonged recovery from the most recent global recession, many consumers have less money for discretionary purchases as a result of job losses, foreclosures, bankruptcies, reduced access to credit, recent increases in U.S. payroll and income taxes, the expiration of extended unemployment and food stamp benefits in the U.S. and similar such government program curtailments in certain European countries, a lack of clarity for many U.S. consumers regarding their personal health care costs, and slow-to-recover housing prices, among other things. The modest and protracted recovery from the recession in the United States, the United Kingdom, Canada, Mexico or any of the other countries in which we conduct significant business may continue to cause significant readjustments in both the volume and mix of our product sales, which could materially and adversely affect our business, financial condition and results of operations.

The impact of these external factors and the extent to which they may continue is difficult to predict, and one or more of the factors could adversely impact our business. In recent years, the retail industry in the U.S., and increasingly elsewhere, has been characterized by intense competition among retailers and the growth in internet sales both by traditional retailers and pure online retailers such as Amazon.com. Because such competition, particularly when weak retail economies exist, can cause retailers to struggle or fail, we must continuously monitor, and adapt to changes in, the profitability, creditworthiness and pricing policies of our customers. A deterioration of any of our key retail economies, could have a material adverse effect on our business, financial condition and results of operations.

Expectations regarding past acquisitions, and any future acquisitions, including our ability to realize anticipated cost savings, synergies and other benefits along with our ability to effectively integrate acquired businesses, may adversely affect the price of our common stock.

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We continue to look for opportunities to make complementary strategic business and / or brand acquisitions. Past and future acquisitions, if not favorably received by consumers, shareholders, analysts, and others in the investment community, could have a material adverse effect on the price of our common stock. In addition, any acquisition involves numerous risks, including:

- difficulties in the assimilation of the operations, technologies, products, and personnel associated with the acquisitions;
- difficulties in integrating distribution channels;

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- diversion of management's attention from other business concerns;
- difficulties in transitioning and preserving customer, contractor, supplier, and other important third-party relationships;
- difficulties realizing anticipated cost savings, synergies and other benefits related to an acquisition;
- risks associated with subsequent operating asset write-offs, contingent liabilities and impairment of related acquired intangible assets;
- risks of entering markets in which we have no or limited experience; and
- potential loss of key employees associated with the acquisitions.

Any difficulties encountered with acquisitions could have a material adverse effect on our business, financial condition and results of operations.

Our operating results may be adversely affected by foreign currency exchange rate fluctuations.

Our functional currency is the U.S. Dollar. Changes in the relation of other foreign currencies to the U.S. Dollar will affect our sales and profitability and can result in exchange losses because the Company has operations and assets located outside the United States. The Company transacts a significant portion of its business in currencies other than the U.S. Dollar (foreign currencies). Such transactions include sales, certain inventory purchases and operating expenses. As a result, portions of our cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies. Accordingly, foreign operations will continue to expose us to foreign currency fluctuations, both for purposes of actual conversion and financial reporting purposes. Additionally, we purchase a substantial amount of our products from Chinese manufacturers. During fiscal years 2014 and 2012, the Chinese Renminbi appreciated against the U.S. Dollar approximately 3 and 4 percent, respectively. During fiscal year 2013, the Chinese Renminbi remained relatively flat against the U.S. Dollar. Although our purchases from China are in U.S. Dollars, if the Chinese Renminbi continues to appreciate against the U.S. Dollar, the costs of our products will likely rise over time because of the impact the fluctuations will have on our suppliers, and we may not be able to pass on any or all of these price increases to our customers.

Where operating conditions permit, we seek to reduce foreign currency risk by purchasing most of our inventory with U.S. Dollars and by converting cash balances denominated in foreign currencies to U.S. Dollars. We have also historically hedged against certain foreign currency exchange rate-risk by using a series of forward contracts designated as cash flow hedges to protect against the foreign currency exchange risk inherent in our forecasted transactions denominated in currencies other than the U.S. Dollar. In these transactions, we execute a forward currency contract that will settle at the end of a forecasted period. Because the size and terms of the forward contract are designed so that its fair

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market value will move in the opposite direction and approximate magnitude of the underlying foreign currency's forecasted exchange gain or loss during the forecasted period, a hedging relationship is created. To the extent we forecast the expected foreign currency cash flows from the period the forward contract is entered into until the date it will settle with reasonable accuracy, we significantly lower or materially eliminate a particular currency's exchange risk exposure over the life of the related forward contract. We enter into these types of agreements where we believe we have meaningful exposure to foreign currency exchange risk and the hedge pricing appears reasonable. It is not practical for us to hedge all our exposures, nor are we able to project in any meaningful way the possible effect and interplay of all foreign currency fluctuations on translated amounts or future net income. This is due to our constantly changing exposure to various currencies, the fact that each foreign currency reacts differently to the U.S. Dollar and the significant number of currencies involved.

The impact of future exchange rate fluctuations on our results of operations cannot be accurately predicted. Accordingly, there can be no assurance that U.S. Dollar foreign exchange rates will be stable in the future or that fluctuations in foreign currency markets will not have a material adverse effect on our business, financial condition and results of operations.

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Disruptions in U.S., Euro zone and other international credit markets may adversely affect our business, financial condition and results of operations.

Disruptions in national and international credit markets could result in limitations on credit availability, tighter lending standards, higher interest rates on consumer and business loans, and higher fees associated with obtaining and maintaining credit availability. Disruptions may also materially limit consumer credit availability and restrict credit availability to our customer base and the Company. In addition, in the event of disruptions in the financial markets, current or future lenders may become unwilling or unable to continue to advance funds under any agreements in place, increase their commitments under existing credit arrangements or enter into new financing arrangements. The failure of our lenders to provide sufficient financing may constrain our ability to operate or grow the business and to make complementary strategic business and / or brand acquisitions. This could have a material adverse effect on our business, financial condition and results of operations.

Our business continues to become more subject to weather conditions which can cause our operating results to vary from quarter to quarter.

With the acquisition and growth of our Healthcare / Home Environment segment, our sales have become more subject to weather conditions. Sales volumes for thermometry, humidifiers and heating appliances are higher during and subject to the severity of the cold weather months, while sales of fans, dehumidifiers and insect control devices are higher during and subject to weather conditions in spring and summer months. Weather conditions can also more broadly impact sales across the organization. For instance, natural disasters (i.e., hurricanes and ice storms) or unusually severe winter weather may result in temporary unanticipated reductions in retail traffic and consumer demand. These factors could have a material adverse effect on our business, results of operations and financial condition.

We are dependent on third-party manufacturers, most of which are located in the Far East, and any inability to obtain products from such manufacturers could have a material adverse effect on our business, financial condition and results of operations.

All of our products are manufactured by unaffiliated companies, most of which are in the Far East, principally in China. This concentration exposes us to risks associated with doing business globally, including: changing international political relations; labor availability and cost; changes in laws, including tax laws, regulations and treaties; changes in labor laws, regulations and policies; changes in customs duties and other trade barriers; changes in shipping costs; currency exchange fluctuations; local political unrest; an extended and complex transportation cycle; the impact of changing economic conditions; and the availability and cost of raw materials and merchandise. The political, legal and cultural environment in the Far East is rapidly evolving, and any change that impairs our ability to obtain products from manufacturers in that region, or to obtain products at marketable rates, could have a material adverse effect on our business, financial condition and results of operations.

With most of our manufacturers located in the Far East, our production lead times are relatively long. Therefore, we must commit to production in advance of customer orders. If we fail to forecast customer or consumer demand accurately, we may encounter difficulties in filling customer orders on a timely basis or in liquidating excess inventories. We may also find that customers are canceling orders or returning products. Any of these results could have a material adverse effect on our business, financial condition and results of operations.

Historically, labor in China has been readily available at relatively low cost as compared to labor costs in North America, Europe and other countries. China has experienced rapid social, political and economic change in recent years. There is no assurance labor will continue to be available in China at costs consistent with historical levels or that changes in labor or other laws will not be enacted which would have a material

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adverse effect on the cost of products manufactured in China. Many of our suppliers in China continue to experience labor shortages, which could result in future supply delays and disruptions and have resulted in a substantial increase in labor costs over the last three fiscal years. Similarly, evolving government labor regulations and associated compliance standards could cause our product costs to rise or could cause manufacturing partners we rely on to exit the business. This could have an adverse impact on product availability and quality. The Chinese economy has experienced rapid expansion and highly fluctuating rates of inflation. Higher general inflation rates will require manufacturers to continue to seek increased product prices. During fiscal years 2014 and 2012, the Chinese Renminbi appreciated against the U.S. Dollar approximately 3 and 4 percent, respectively. During fiscal year 2013, the Chinese Renminbi remained relatively flat against the U.S. Dollar. If the

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Chinese Renminbi appreciates with respect to the U.S. Dollar in the future, the Company may experience cost increases on such purchases, and this can adversely impact profitability. Future interventions by China may result in further currency appreciation and increase our product costs over time. The Company may not be successful at implementing customer pricing or other actions in an effort to mitigate the related effects of the product cost increases. Although China currently enjoys most favored nation trading status with the U.S., the U.S. government has in the past proposed to revoke such status and to impose higher tariffs on products imported from China. There is no assurance that our business will not be affected by any of the aforementioned risks, each of which could have a material adverse effect on our business, financial condition and results of operations.

High costs of raw materials and energy may result in increased cost of goods sold and certain operating expenses and adversely affect our results of operations and cash flow.

Significant variations in the costs and availability of raw materials and energy may negatively affect our results of operations. Our suppliers purchase significant amounts of metals and plastics to manufacture our products. In addition, they also purchase significant amounts of electricity to supply the energy required in their production processes. Changes in the cost of fuel as a result of Middle East tensions and related political instabilities may continue to drive up fuel prices resulting in higher transportation prices and product costs. The cost of these raw materials and energy, in the aggregate, represents a significant portion of our cost of goods sold and certain operating expenses. Our results of operations could be adversely affected by future increases in these costs. We have had some success in implementing price increases to our customers or passing on product cost increases by moving customers to newer product models with enhancements that justify higher prices, and we intend to continue these efforts. We can make no assurances that these efforts will be successful in the future or will materially offset the cost increases we may incur.

Certain of our U.S. distribution facilities are geographically concentrated and operate during peak shipping periods at or near capacity. These factors increase our risk that disruptions could occur and significantly affect our ability to deliver products to our customers in a timely manner. Such disruptions could have a material adverse effect on our business.

To make our distribution operations more efficient, we have consolidated most of our U.S. distribution, receiving and storage functions into two distribution facilities in northern Mississippi. Approximately 68 percent of our consolidated gross sales volume shipped from facilities in this region in fiscal year 2014. For this reason, any disruption in our distribution process in either of these facilities, even for a few days, could adversely effect our business and operating results.

Additionally, our U.S. distribution operations may incur capacity constraints during peak shipping periods as we continue to grow our sales revenue through a combination of organic growth and acquisitions. These and other factors described above could cause delays in the delivery of our products and increases in shipping and storage costs that could have a material and adverse effect on our business, financial condition and results of operations.

Any difficulties encountered during the first quarter of fiscal year 2015 transition of certain Personal Care appliance inventories and staffing from a former facility to a new facility in Olive Branch, Mississippi, could interrupt our logistical systems and could have a material adverse impact on our business.

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As previously discussed in further detail under Item 1. Business, Manufacturing and Distribution, we commenced shipments out of our new 1.3 million square foot distribution facility in Olive Branch, Mississippi during the first week of September 2013. The new facility will consolidate the distribution operations of both our Personal Care and Healthcare / Home Environment appliance businesses. We have moved the domestic Healthcare / Home Environment distribution operation out of its previously leased Memphis, Tennessee location and have terminated the lease associated with the facility. We expect to complete the transition of our domestic Personal Care appliance distribution operation to the new facility in the first quarter of fiscal year 2015. During these transitions, there is a risk for warehouse order processing and shipment delays as a result of the impacts of new software installations, adapting to new equipment and processes, and the training of new employees. Any resulting interruption in our logistical systems could impact our ability to procure our products from our factories and suppliers, transport them to our distribution facilities, and store and deliver them to our customers on time and in the correct amounts. These and other factors described above could have a material and adverse affect on our business, financial condition and results of operations.

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Our projections of product demand, sales and net income are highly subjective in nature and our future sales and net income could vary in a material amount from our projections.

From time to time, we may provide projections to our shareholders, lenders, investment community, and other stakeholders of our future sales and net income. Since we do not require long-term purchase commitments from our major customers and the customer order and ship process is very short, it is difficult for us to accurately predict the demand for many of our products, or the amount and timing of our future sales and related net income. Our projections are based on management's best estimate of sales using historical sales data and other information deemed relevant. These projections are highly subjective since sales to our customers can fluctuate substantially based on the demands of their retail customers and due to other risks described in this report. Additionally, changes in retailer inventory management strategies could make our inventory management more difficult. Because our ability to forecast product demand and the timing of related sales includes significant subjective input, our future sales and net income could vary materially from our projections.

If our goodwill, indefinite-lived intangible assets or other long-term assets become impaired, we will be required to record impairment charges, which may be significant.

A significant portion of our long-term assets continues to consist of goodwill and other indefinite-lived intangible assets recorded as a result of past acquisitions. We do not amortize goodwill and indefinite-lived intangible assets, but rather review them for impairment on an annual basis or more frequently whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of each of the individual assets exceeds its fair market value. If analysis indicates that an individual asset's carrying value does exceed its fair market value, the next step is to record a loss equal to the excess of the individual asset's carrying value over its fair value. The steps required by GAAP entail significant amounts of judgment and subjectivity.

We complete our analysis of the carrying value of our goodwill and other intangible assets during the first quarter of each fiscal year, or more frequently, whenever events or changes in circumstances indicate their carrying value may not be recoverable. Events and changes in circumstances that may indicate there is impairment and which may indicate interim impairment testing is necessary include, but are not limited to: strategic decisions to exit a business or dispose of an asset made in response to changes in economic, political and competitive conditions, the impact of the economic environment on our customer base and on broad market conditions that drive valuation considerations by market participants, our internal expectations with regard to future revenue growth and the assumptions we make when performing our impairment reviews, a significant decrease in the market price of our assets, a significant adverse change in the extent or manner in which our assets are used, a significant adverse change in legal factors or the business climate that could affect our assets, an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset, and significant changes in the cash flows associated with an asset. We analyze these assets at the individual asset, reporting unit and company levels. As a result of such circumstances, we may be required to record a significant charge to net income in our financial statements during the period in which any impairment of our goodwill, indefinite-lived intangible assets or other long-term assets is determined. Any such impairment charges could have a material adverse effect on our business, financial condition and results of operations.

We rely on licensed trademarks with third parties and license certain trademarks to third parties in exchange for royalty income, the loss of which could have a material adverse effect on our revenues and profitability.

We are dependent on our various licensed trademarks as a substantial portion of our sales revenue comes from selling products under licensed trademarks. As a result, we are dependent upon the continued use of these trademarks, including the Revlon, Vicks, Braun, Honeywell, and

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Vidal Sassoon trademarks. Additionally, we now license certain trademarks, including OXO and PUR, to third parties in exchange for royalty income. It is possible that certain actions taken by the Company, its licensors, licensees, or other third parties might diminish greatly the value of any of our licensed trademarks. Additionally, some of our licensors and licensees have the ability to terminate their license agreements with us at their option subject to each parties' right to continue the license for a limited period of time following notice of termination. If we or our licensees were unable to sell products under these licensed trademarks, or one or more of our license agreements are terminated or the value of the trademarks were diminished by the Company, a licensor, or licensee due to any inability to perform under the terms of the agreements or other reasons, or due to the

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actions of third parties, the effect on our business, financial condition and results of operations could be both negative and material.

To compete successfully, we must develop and introduce a continuing stream of innovative new products to meet changing consumer preferences.

Our long-term success in the competitive retail environment depends on our ability to develop and commercialize a continuing stream of innovative new products that meet changing consumer preferences and take advantage of opportunities sooner than our competition. We face the risk that our competitors will introduce innovative new products that compete with our products. Our core initiatives include fostering our culture of innovation and new product development, enhancing and extending our existing product categories and developing new allied product categories. There are numerous uncertainties inherent in successfully developing and commercializing new products on a continuing basis and new product launches may not deliver expected growth in sales or operating income. If we are unable to develop and introduce a continuing stream of new products, it may have an adverse effect on our business, financial condition and results of operations.

Our operating results may be adversely affected by trade barriers, exchange controls, expropriations, and other risks associated with foreign operations.

The economies of foreign countries important to our operations, including countries in Asia, Europe and Latin America, could suffer slower economic growth or economic, social and / or political instability or hyperinflation in the future. Our international operations in countries in Asia, Europe and Latin America, including manufacturing and sourcing operations (and the international operations of our customers), are subject to inherent risks which could adversely affect us, including, among other things:

- protectionist policies restricting or impairing the manufacturing, sales or import and export of our products;
- new restrictions on access to markets;
- lack of developed infrastructure;
- inflation (including hyperinflation) or recession;
- changes in, and the burdens and costs of compliance with, a variety of foreign laws and regulations, including tax laws, accounting standards, environmental laws and occupational health and safety laws;

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- social, political or economic instability;
- acts of war and terrorism;
- natural disasters or other crises;
- reduced protection of intellectual property rights in some countries;
- increases in duties and taxation;
- restrictions on transfer of funds or exchange of currencies;
- currency devaluations;
- expropriation of assets; and
- other adverse changes in policies, including monetary, tax or lending policies, encouraging foreign investment or foreign trade by our host countries.

Should any of these events occur, our ability to sell or export our products or repatriate profits could be impaired, we could experience a loss of sales and profitability from our international operations, and / or we could experience a substantial impairment or loss of assets, any of which could materially and adversely affect our business, financial condition and results of operations.

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We incurred significant debt and may incur additional debt to fund future acquisitions, share repurchases and capital expenditures, which could have an adverse impact on our business and profitability.

Our debt levels can adversely affect our financial condition and can add constraints on our ability to operate our business. Our indebtedness can, among other things:

- increase our vulnerability to general adverse economic conditions;

- limit our ability to obtain necessary financing and to fund future working capital, capital expenditures and other general corporate requirements;

- require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and capital expenditures, and for other general corporate purposes;

- subject us to higher interest expense (the majority of our debt is fixed or effectively fixed through the use of interest rate swaps and these rates may produce higher interest expense than would be available with floating rate debt, as is currently the case with decreased market interest rates);

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit our ability to pursue acquisitions or sell assets; and

- limit our ability to borrow additional funds.

Any of these events could have a material adverse effect on us. In addition, our debt agreements contain restrictive financial and operational covenants. Significant restrictive covenants include limitations on, among other things, our ability under certain circumstances to:

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- incur additional debt, including guarantees;
- grant certain types of liens;
- sell or otherwise dispose of assets;
- engage in mergers, acquisitions or consolidations;
- pay dividends on our common stock;
- repurchase our common stock;
- enter into substantial new lines of business; and
- enter into certain types of transactions with our affiliates.

Our failure to comply with these and other restrictive covenants could result in an event of default, which if not cured or waived, could have a material adverse effect on us.

We rely on central Global Enterprise Resource Planning (ERP) systems and other peripheral information systems. Obsolescence or interruptions in the operation of our computerized systems or other information technologies could have a material adverse effect on our operations and profitability.

We now conduct most of our businesses under a single ERP system. Our operations are largely dependent on this system. We continuously make adjustments to improve the effectiveness of the ERP and other peripheral information systems, including the installation of significant new subsystems. In fiscal years 2011 and 2012, we converted our ERP systems to a more updated version of our software provider's system. During that timeframe, all significant operating units within the Personal Care and Housewares segments converted to the new version. During fiscal year 2014, our Healthcare / Home Environment segment converted from its legacy ERP system onto our global ERP system. We are constantly upgrading and adding functionality to the overall system with key enhancements currently underway in the

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product development and finance areas. Testing of any new subsystems before active deployment often requires significant additional effort across much of our organization. Complications or delays in completing these projects could cause considerable disruptions to our business and may result in higher implementation costs than planned, along with a concurrent reallocation of human resources.

Any failures or disruptions in the ERP and other information systems or any complications resulting from ongoing adjustments to our systems could cause interruption or loss of data in our information or logistical systems that could materially impact our ability to procure products from our factories and suppliers, transport them to our distribution centers, and store and deliver them to our customers on time and in the correct amounts. In addition, natural disasters or other extraordinary events may disrupt our information systems and other infrastructure, and our data recovery processes may not be sufficient to protect against loss. Furthermore, application program bugs, system conflict crashes, user error, data integrity issues, customer data conflicts, and integration issues all pose significant risks.

We rely on certain outside vendors to assist us with the upgrade of our software, the ongoing implementation of new enhancements to our information systems and to assist us in maintaining some of our infrastructure. Should any of these vendors fail to perform as expected, it could adversely affect our service levels and restrict our ability to conduct business.

Information security breaches and any related operational interruptions could have a material adverse effect on our operations and profitability.

Information systems require constant updates to their security policies and hardware systems to reduce the risk of unauthorized access, malicious destruction of data or information theft. We rely on commercially available systems, software, tools, and monitoring to provide security for processing, transmission and storage of confidential information. Improper activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries and other events or developments may facilitate or result in a compromise or breach of our computer systems, some of which may go undetected for extended periods.

Any such compromise or breach could cause interruptions in our operations, damage to our reputation and might require us to spend significant management time and money investigating the event and dealing with local and federal law enforcement. In addition, we could become the subject of litigation and various claims from our customers, employees, suppliers, service providers, and shareholders. Regardless of the merits and ultimate outcome of these matters, litigation and proceedings of this type are expensive to respond to and defend, and we could be forced to devote substantial resources and time responding to and defending them, which could have a material adverse effect on our business, financial condition and results of operations.

Audits and related disputes with taxing authorities could have an adverse impact on our business.

We are involved in tax audits and related disputes in various taxing jurisdictions. The acquisitions of Kaz and PUR have added considerable complexity to our tax structure, and the risk of liability for past activities under prior ownership. We believe that we have complied with all applicable reporting and tax payment obligations. However, in the past we have sometimes disagreed with taxing authority positions on various issues. Historically, we have vigorously defended our tax positions through available administrative and judicial avenues. Based on currently available information, we have established reserves for our best estimate of the probable tax liabilities. Future actions by taxing authorities may result in tax liabilities that are significantly higher or lower than the reserves established, which could have a material effect on our consolidated

results of operations or cash flows. For more information about tax audits and related disputes, see Note (10) to the accompanying consolidated financial statements.

Potential changes in laws, including tax laws, and the costs and complexities of compliance with such laws could have an adverse impact on our business.

The impact of future legislation in the U.S. or abroad, including such things as employment and health insurance laws, climate change related legislation, tax legislation, regulations or treaties, including any that would affect the companies or subsidiaries that comprise our consolidated group, is always uncertain. The U.S. Congress continues to consider certain proposed changes in the tax laws, and new energy and environmental legislation that, if enacted, may increase our costs of doing business.

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Under current tax law, favorable tax treatment of our non-U.S. net income is dependent on our ability to avoid classification as a Controlled Foreign Corporation. Changes in the composition of our stock ownership could have an impact on our classification. If our classification were to change, it could have a material adverse effect on the largest U.S. shareholders and, in turn, on the Company's business.

A non-U.S. corporation, such as ours, will constitute a controlled foreign corporation or CFC for U.S. federal income tax purposes if its largest U.S. shareholders (i.e., those owning 10 percent or more of its shares) together own more than 50 percent of the stock outstanding. If the IRS or a court determined that we were a CFC, then each of our U.S. shareholders who own (directly, indirectly, or constructively) 10 percent or more of the total combined voting power of all classes of our stock on the last day of our taxable year would be required to include in gross income for U.S. federal income tax purposes its pro rata share of our subpart F income (and the subpart F income of any our subsidiaries determined to be a CFC) for the period during which we (and our non-U.S. subsidiaries) were a CFC. In addition, any gain on the sale of our shares realized by such a shareholder may be treated as ordinary income to the extent of the shareholder's proportionate share of our and our CFC subsidiaries undistributed earnings and profits accumulated during the shareholder's holding period of the shares while we are a CFC.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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The Company owns, leases or otherwise utilizes through third-party management service agreements, a total of 42 facilities, which include selling, procurement, research and development, administrative, and distribution facilities worldwide. All facilities operated by the Company are adequate for the purpose for which they are intended. Summarized information regarding the location, number, type and use, segment, ownership and approximate size of our principal and other facilities as of February 28, 2014 is provided in the table below:

Location	Type and Use	Business Segment	Approximate Size (Square Feet / Acres)
<u>Owned Facilities</u>			
El Paso, Texas, USA	Land & Building - U.S. Headquarters	All Segments	135,000
El Paso, Texas, USA	Land - Held for Future Expansion	All Segments	4 Acres
Southaven, Mississippi, USA	Land - Held for Future Expansion	All Segments	31 Acres
El Paso, Texas, USA	Land & Building - Distribution Facility	All Segments	408,000
Sheffield, England	Land & Building - Office Space	All Segments	10,000
Olive Branch, Mississippi, USA	Land & Building - Distribution Facility	Personal Care & Healthcare / Home Environment	1,300,000
Southaven, Mississippi, USA	Land & Building - Distribution Facility	Personal Care & Housewares	1,200,000
Mexico City, Mexico	Office Space - Latin American Headquarters	Personal Care & Healthcare / Home Environment	3,900
<u>Leased Facilities</u>			
3 - Facilities in China	Office Space - Primarily Supply Chain Operations	All Segments	33,350
7 - Facilities Worldwide	Office Space	Personal Care	26,400
7 - Facilities Worldwide	Distribution Facilities	Personal Care	141,850
3 - Facilities Worldwide	Office Space	Housewares	32,150
1 - Facility, Hong Kong, China	Distribution Facility	Housewares	3,500
1 - Facility, Darwen, England	Distribution Facility	Personal Care & Housewares	100,000
10 - Facilities Worldwide	Office Space	Healthcare / Home Environment	75,550
3 - Facilities Worldwide	Distribution Facilities	Healthcare / Home Environment	227,600

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ITEM 3. LEGAL PROCEEDINGS

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

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ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****PRICE RANGE OF COMMON STOCK**

Our common stock is listed on the NASDAQ Global Select Market (NASDAQ) [symbol: HELE]. The following table sets forth, for the periods indicated, in dollars per share, the high and low sales prices of the common stock as reported on the NASDAQ. These quotations reflect the inter-dealer prices, without retail markup, markdown or commission and may not necessarily represent actual transactions.

	High		Low
FISCAL YEAR 2014			
First quarter	\$ 40.31	\$	33.35
Second quarter	44.49		37.36
Third quarter	49.11		39.88
Fourth quarter	65.94		46.76
FISCAL YEAR 2013			
First quarter	\$ 35.35	\$	30.63
Second quarter	35.00		29.20
Third quarter	34.45		28.02
Fourth quarter	37.55		30.65

APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS OF RECORD

Our common stock is our only class of equity security outstanding at February 28, 2014. As of April 21, 2014, there were 199 holders of record of the Company's common stock. A substantially greater number of holders of the Company's common stock are street name or beneficial holders whose shares are held of record by banks, brokers and other financial institutions.

CASH DIVIDENDS

Our current policy is to retain earnings to provide funds for the operation and expansion of our business, common stock repurchases and for potential acquisitions. We have not paid any cash dividends on our common stock since inception. Our current intention is to pay no cash dividends in fiscal year 2015. Any change in dividend policy will depend upon future conditions, including earnings and financial condition, general business conditions, any applicable contractual limitations, and other factors deemed relevant by our Board of Directors. Generally, our revolving credit facility limits our ability to declare or pay cash dividends to our shareholders if, after giving effect to the dividends or share

repurchases, the Leverage Ratio (as defined in the revolving credit facility) is greater than (i) 2.75 to 1.00 prior to May 29, 2015, and (ii) 2.50 to 1.00 thereafter.

ISSUER PURCHASES OF EQUITY SECURITIES

On February 6, 2014, our Board of Directors approved a resolution to repurchase \$550 million of the Company's outstanding common stock in keeping with its stated intention to return to shareholders excess capital not otherwise deployed for strategic acquisitions. This resolution superseded the previous resolution in place, which allowed the purchase of up to 2,907,637 shares of common stock as of February 6, 2014. On February 10, 2014, as part of the \$550 million repurchase program, the Company announced the commencement of a modified Dutch auction tender offer (the "tender offer") to repurchase up to \$300 million of its common stock at a price not greater than \$66.50 per share nor less than \$57.75 per share. The tender offer expired at 12:00 midnight, New York City time, on Monday, March 10, 2014, resulting in the Company accepting for payment 3,693,816 shares of common stock properly tendered for an aggregate purchase price of approximately \$245.64 million. See Note (21) to the accompanying consolidated financial statements for additional information regarding the completion of the tender offer.

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Subsequent repurchases may include open market purchases, privately negotiated transactions, block trades, accelerated stock repurchase transactions, or any combination of such methods. The number of shares purchased and the timing of the purchases will depend on a number of factors, including share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions, financial conditions, any applicable contractual limitations and other factors, including alternative investment opportunities.

Our current equity 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 option or other share-based award holders can be paid for by having the holder tender back to the Company a number of shares at fair value equal to the amounts due. Net exercises are accounted for by the Company as a purchase and retirement of shares. For the periods covered in the accompanying consolidated financial statements, open market repurchase activity and common stock option exercises resulted in the following share repurchases:

SHARE REPURCHASES

	Fiscal Years Ended		
	2014	2013	2012
Common stock repurchased on the open market			
Number of shares	33,862	61,426	-
Aggregate market value of shares (in thousands)	\$ 1,311	\$ 1,759	\$ -
Average price per share	\$ 38.71	\$ 28.64	\$ -
Common stock received in settlement of share-based compensation			
Number of shares	112,677	49,126	1,124,563
Aggregate market value of shares (in thousands)	\$ 6,937	\$ 1,627	\$ 40,047
Average price per share	\$ 61.57	\$ 33.12	\$ 35.61

The following schedule sets forth the purchase activity for each month during the three months ended February 28, 2014:

ISSUER PURCHASES OF EQUITY SECURITIES FOR THE THREE MONTHS ENDED FEBRUARY 28, 2014

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares or Dollars that May Yet Be Purchased Under the Plans or Programs
December 1 through December 31, 2013 (1)	-	\$ -	-	2,910,487 shares
January 1 through January 31, 2014 (1)	2,850	55.97	2,850	2,907,637 shares
February 1 through February 28, 2014 (1)	96,374	\$ 65.24	96,374	\$ 543,712,615
Total	99,224	\$ 64.97	99,224	

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(1) Under the prior repurchase program, the Company purchased a total of 2,850 shares as settlement of share-based compensation through February 6, 2014. The Company repurchased 96,374 shares (or approximately \$6.29 million) under the new \$550 million repurchase program discussed above in settlement of share-based compensation between February 6, 2014 and the end of fiscal year 2014.

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PERFORMANCE GRAPH

The graph below compares the cumulative total return of our Company to the NASDAQ Market Index and a Peer Group Index, assuming \$100 was invested on March 1, 2009. The Peer Group Index is the Dow Jones U.S. Personal Products, Broad Market Cap, Yearly, and Total Return Index. The comparisons in this table are required by the SEC and are not intended to forecast or be indicative of the possible future performance of our common stock.

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The Performance Graph shall not be deemed to be soliciting material or to be filed with the SEC or subject to the liabilities of Section 18 under the Exchange Act. In addition, it shall not be deemed incorporated by reference by any statement that incorporates this annual report on Form 10-K by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that we specifically incorporate this information by reference.

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ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated statements of income and cash flow data for the years ended on the last day of February 2014, 2013 and 2012, and the selected consolidated balance sheet data as of the last day of February 2014 and 2013, have been derived from our audited consolidated financial statements included in this report. The selected consolidated statements of income and cash flow data for the years ended on the last day of February 2011 and 2010, and the selected consolidated balance sheet data as of the last day of February 2012, 2011 and 2010, have been derived from our audited consolidated financial statements, which are not included in this report. This information should be read together with the discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes to those statements included in this report. All currency amounts are denominated in U.S. Dollars.

Years Ended the Last Day of February,
(in thousands, except per share data)

	2014	2013 (1)	2012 (1)(2)(3)	2011 (2)(3)(4)	2010 (4)
Income Statement Data:					
Sales revenue, net	\$ 1,317,153	\$ 1,288,263	\$ 1,181,676	\$ 777,043	\$ 647,626
Gross profit	516,703	518,211	478,484	349,246	279,156
Asset impairment charges	12,049	-	-	2,161	900
Operating income	117,100	148,773	139,386	111,744	89,369
Interest expense	10,193	13,345	12,917	9,693	10,310
Income tax expense	20,886	19,848	15,718	9,323	8,288
Net income	86,248	115,666	110,374	93,305	71,817
Earnings per share - basic	\$ 2.69	\$ 3.64	\$ 3.52	\$ 3.04	\$ 2.38
Earnings per share - diluted	\$ 2.66	\$ 3.62	\$ 3.48	\$ 2.98	\$ 2.32
Weighted average shares outstanding - basic	32,007	31,754	31,340	30,669	30,217
Weighted average shares outstanding - diluted	32,386	31,936	31,705	31,355	30,921
Cash Flow Data:					
Depreciation and amortization	\$ 34,750	\$ 35,328	\$ 30,178	\$ 18,502	\$ 15,261
Net cash provided by operating activities	154,165	87,558	103,880	87,430	152,099
Capital and intangible asset expenditures	40,463	14,688	16,051	4,629	7,715
Payments to acquire businesses, net of cash received	-	-	160,000	336,240	60,000
Net amounts borrowed (repaid)	(64,393)	(92,100)	47,100	168,000	(78,000)

Last Day of February,
(in thousands)

	2014	2013	2012 (1)	2011 (2)(3)	2010 (4)
Balance Sheet Data:					
Working capital	\$ 286,122	\$ 236,540	\$ 109,647	\$ 121,510	\$ 254,060
Goodwill and other intangible assets	775,550	808,869	829,500	660,947	363,061
Total assets	1,533,302	1,474,004	1,435,723	1,240,524	834,733
Long-term debt	95,707	155,000	175,000	178,000	131,000
Stockholders' equity (5)	1,029,487	926,606	796,729	685,549	583,772
Cash dividends	-	-	-	-	-

(1) Fiscal year 2012 includes two months of operating results from PUR and fiscal year 2013 and thereafter includes a full year's operating results. We acquired PUR on December 30, 2011 for a net cash purchase price of \$160 million. The acquisition of PUR was funded with \$160 million in short-term debt. In connection with the acquisition, we initially recorded \$12.50 million of property and equipment, \$1.43 million in supplier advances, \$178 million of goodwill and other intangible assets, and \$31.93 million of deferred tax liabilities. See Notes (5), (10) and

(19) to our accompanying consolidated financial statements for more information regarding the PUR acquisition.

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ITEM 6. SELECTED FINANCIAL DATA, CONTINUED

(2) Fiscal year 2011 includes two months of operating results from Kaz and fiscal year 2012 and thereafter includes a full year's operating results. We acquired Kaz on December 31, 2010 for a net cash purchase price of \$271.50 million subject to certain later adjustments. The acquisition was funded with \$77.50 million of cash and \$194 million in short- and long-term debt. In connection with the acquisition, we initially recorded \$31.45 million of net working capital, \$4.08 million of property and equipment, \$246.25 million of goodwill and other intangible assets, \$12.38 million in deferred tax assets, \$3.10 million in other assets, \$24.30 million in deferred tax liabilities, and \$1.45 million in liabilities for uncertain tax positions.

(3) Fiscal year 2011 includes eleven months of operating results from the Pert Plus hair care and Sure antiperspirant and deodorant brands and fiscal year 2012 and thereafter includes a full year's operating results. We acquired Pert Plus and Sure on March 31, 2010 for a net cash purchase price of \$69 million including the assumption of certain liabilities. The acquisition was funded with cash. In connection with the acquisition, we recorded \$4.90 million of net working capital, \$0.73 million of fixed assets, and \$63.37 million of goodwill, trademarks and other intangible assets.

(4) Fiscal year 2010 includes eleven months of operating results from the Infusium business and fiscal year 2011 and thereafter include a full year's operating results. We acquired Infusium on March 31, 2009 for a cash purchase price of \$60 million. The acquisition was funded with cash. In connection with the acquisition, we recorded \$19.70 million of goodwill, \$18.70 million of trademarks, \$21 million for a customer list, and \$0.6 million of patent rights.

(5) For the fiscal years ended 2014, 2013, 2012, 2011, and 2010, we repurchased and retired 146,539, 110,552, 1,124,563, 87,733, and 1,485,757 shares of common stock at a total purchase price of \$8.25, \$3.39, \$40.05, \$2.03, and \$30.57 million, respectively.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the other sections of this report, including Part I, Item 1., Business ; Part II, Item 6., Selected Financial Data ; and Part II, Item 8., Financial Statements and Supplementary Data. The various sections of this MD&A contain a number of forward-looking statements, all of which are based on our current expectations. Actual results may differ materially due to a number of factors, including those discussed on page 3 of this report in the section entitled Information Regarding Forward-Looking Statements, in Item 1A., Risk Factors, and in Item 7A., Quantitative and Qualitative Disclosures About Market Risk.

OVERVIEW

We operate our business under three segments: Housewares, Healthcare / Home Environment and Personal Care. Our Housewares segment reports the operations of OXO, whose product offerings include food preparation tools, gadgets and storage containers, cleaning, organization, and baby and toddler care products. The Healthcare / Home Environment segment sells products in the following categories: health care devices, such as thermometers, humidifiers, blood pressure monitors, and heating pads; water filtration systems; and small home appliances such as portable heaters, fans, air purifiers, and insect control devices. Our Personal Care segment currently offers products in three categories: electric hair care, beauty care and wellness appliances; grooming tools and hair accessories; and liquid-, solid- and powder-based personal care and grooming products.

All three segments sell their products primarily through mass merchandisers, drugstore chains, warehouse clubs, catalogs, grocery stores and specialty stores. In addition, the Personal Care segment sells extensively through beauty supply retailers and wholesalers, and the Healthcare / Home Environment segment sells certain of its product lines through medical distributors and other products through home improvement stores.

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 our business 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 77 percent of our fiscal year 2014 net sales revenue is from U.S. shipments. We are now entering our sixth year of a moderate recovery from the 2007-2009 global recession. Domestic macroeconomic conditions have been steadily improving at a rate faster than most of Western Europe and Latin America. While favorable domestic economic indicators exist, we continue to believe consumers remain cautious with their disposable personal income and are reactionary to global events. Accordingly, we remain cautious regarding the current and long-term strength of the middle class and consumer demand.

A weaker than expected 2013 U.S. retail holiday season concluded during our fourth fiscal quarter and was highly promotional with such activity beginning almost immediately after Halloween. The retail holiday selling season was also the shortest in over a decade with 26 days between Thanksgiving and Christmas this year, compared to 32 days last year. This was followed by an unusually cold and protracted winter primarily throughout the Midwestern and Northeastern U.S., which restricted retail store traffic and effective selling days. Several of our most significant retail customers recently reported their fourth straight decline in quarterly U.S. sales. We believe the growth in internet sales both by

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traditional retailers and pure online retailers such as Amazon.com have begun to erode market share at brick-and-mortar retailers resulting in closings of domestic locations by underperforming retail chains. Additionally, we believe the online retail trend and other market conditions have resulted in certain retailers changing their focus from large footprint Big Box store openings to smaller-format stores. The long-term impact of these changes is uncertain. As a result of internet sales trends, we have begun to assess and evaluate strategies regarding how to best work with online retailers to take advantage of our domestic distribution capabilities and meet the logistical challenge of higher frequency, smaller order-sized shipments.

All these conditions contributed to a challenging fiscal year 2014, with overall net sales revenue growth of \$28.89 million dollars, or 2.2 percent, when compared to fiscal year 2013. We will remain cautious regarding our business outlook until we believe the pace of recovery has improved significantly.

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Significant Developments During Fiscal Year 2014

- On January 14, 2014, the Company and Gerald J. Rubin, our former CEO, entered into the Separation Agreement. Pursuant to the Separation Agreement, the former CEO ceased serving as the Chief Executive Officer and President and resigned as a director of the Company, effective January 14, 2014, but remained an employee of the Company through February 28, 2014. The former CEO's employment with the Company was considered a termination without cause under the terms of his employment agreement. As a result of the Separation Agreement, the Company recorded a charge of \$16.34 million (after tax) in the fourth quarter of fiscal year 2014, which accrued for liabilities and legal and administrative costs associated with the separation. For additional financial information regarding the former CEO's departure and the appointment of Julien Mininberg as the succeeding Chief Executive Officer, see Notes (13), (14) and (15) to the accompanying consolidated financial statements.
- On February 6, 2014, the Company announced that based upon a thorough and ongoing evaluation of opportunities to enhance long-term value for shareholders, its Board of Directors had authorized the purchase of \$550 million of its outstanding shares of common stock to return to shareholders capital not otherwise deployed for strategic acquisitions. The repurchase plan represents approximately 28.9 percent of our then outstanding common stock and superseded the previous resolution in place. As part of the initial execution of the repurchase plan, on February 10, 2014, we commenced a modified Dutch auction tender offer to repurchase up to \$300 million in value of our shares of common stock, which expired on March 10, 2014. An aggregate of 3,693,816 shares of common stock were tendered at or below the final purchase price of \$66.50 per share for an aggregate purchase price of approximately \$245.64 million (not including fees and expenses relating to the tender offer). The shares repurchased represented approximately 11.5 percent of our outstanding shares of common stock as of February 5, 2014. See Note (21) to the accompanying consolidated financial statements for additional information regarding the completion of the Dutch auction tender offer. Over the next three years, the repurchase plan will allow the additional shares to be repurchased through a variety of methods, including open market purchases, privately negotiated transactions, block trades, accelerated stock repurchase transactions, or any combination of such methods. The number of shares repurchased and the timing of the repurchases will depend on a number of factors, including share price, trading volume and general market conditions, as well as working capital requirements, general business conditions, financial conditions, any applicable contractual limitations and other factors, including alternative investment opportunities.
- The Healthcare / Home Environment segment converted from its legacy Enterprise Resource Planning (ERP) system onto our global ERP system. We believe this migration will eliminate a number of inefficiencies associated with managing multiple ERP systems and continue to improve uniformity of execution throughout our organization. In addition, we are constantly upgrading and adding functionality to the overall system with key enhancements underway in the product development and finance areas that will further streamline and improve the quality of our back office operations.
- We commenced shipments out of our new 1.3 million square foot distribution facility in Olive Branch, Mississippi during the first week of September 2013. The new facility will consolidate the distribution operations of both our Personal Care and Healthcare / Home Environment segments' appliance businesses. We have completed the move of our domestic Healthcare / Home Environment distribution operation out of its previously leased Memphis, Tennessee location and have terminated the lease associated with the facility as of October 31, 2013. We are in the process of completing the transition of our domestic Personal Care appliance distribution operation to the new facility, which we expect to complete in the first quarter of fiscal year 2015. The project remains on schedule and on budget.

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Financial Recap of Fiscal Year 2014

- Consolidated net sales revenue increased 2.2 percent, or \$28.89 million, to \$1,317.15 million in fiscal year 2014 compared to \$1,288.26 million in fiscal year 2013. All revenue growth was from core business. Housewares segment net sales revenue increased \$15.44 million or 6.0 percent in fiscal year 2014 when compared to fiscal year 2013. Healthcare / Home Environment segment net sales revenue increased \$29.41 million or 5.5 percent in fiscal year 2014 when compared to fiscal year 2013. Personal Care segment net sales revenue decreased \$15.96 million or 3.3 percent in fiscal year 2014 when compared to fiscal year 2013. Our fiscal year 2014 net sales revenue includes an unfavorable impact of net foreign exchange fluctuations of \$4.63 million compared to fiscal year 2013, most of which impacted the Personal Care and Healthcare / Home Environment segments.
- Consolidated gross profit margin as a percentage of net sales revenue decreased 1.0 percentage point to 39.2 percent in fiscal year 2014 compared to 40.2 percent in fiscal year 2013.
- Selling, general and administrative expense (SG&A) as a percentage of net sales revenue increased 0.7 percentage points to 29.4 percent in fiscal year 2014 compared to 28.7 percent in fiscal year 2013.
- Operating income as a percentage of net sales decreased 2.6 percentage points to 8.9 percent in fiscal year 2014 compared to 11.5 percent in fiscal year 2013. Operating income for fiscal year 2014 included a non-cash intangible asset impairment charge of \$12.05 million and pre-tax CEO succession costs of \$18.23 million. The combined charges had a negative 2.3 percentage point impact on fiscal year 2014 operating income as a percentage of net sales.
- Income tax expense was \$20.89 million, or 19.5 percent of income before taxes in fiscal year 2014 compared to \$19.85 million, or 14.6 percent of income before taxes in fiscal year 2013.
- Our net income was \$86.25 million in fiscal year 2014 compared to net income of \$115.67 million in fiscal year 2013. Diluted earnings per share was \$2.66 in fiscal year 2014 compared to \$3.62 in fiscal year 2013.
- Income without significant items (non-cash intangible asset impairment charges and CEO succession costs) was \$114.62 million for fiscal year 2014, compared to \$115.67 million for fiscal year 2013. Our diluted earnings per share without significant items was \$3.54 in fiscal year 2014 compared to \$3.62 for the same period last year. Both income and diluted earnings per share without significant items are non-GAAP financial measures as set forth in SEC Regulation G, Rule 100. These measures are discussed further, and reconciled to their applicable GAAP-based measures, beginning on page 44.

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The following table sets forth, for the periods indicated, our selected operating data, in U.S. Dollars, as a percentage of net sales revenue, and as a year-over-year percentage change.

	Fiscal Years Ended (in thousands)			% of Sales Revenue, net (1)			% Change	
	2014	2013	2012	2014	2013	2012	14/13	13/12
Sales revenue by segment, net								
Housewares	\$ 274,478	\$ 259,042	\$ 237,376	20.8%	20.1%	20.1%	6.0%	9.1%
Healthcare / Home Environment **	568,075	538,666	447,695	43.1%	41.8%	37.9%	5.5%	20.3%
Personal Care	474,600	490,555	496,605	36.0%	38.1%	42.0%	-3.3%	-1.2%
Total sales revenue, net	1,317,153	1,288,263	1,181,676	100.0%	100.0%	100.0%	2.2%	9.0%
Cost of goods sold	800,450	770,052	703,192	60.8%	59.8%	59.5%	3.9%	9.5%
Gross profit	516,703	518,211	478,484	39.2%	40.2%	40.5%	-0.3%	8.3%
Selling, general and administrative expense	387,554	369,438	339,098	29.4%	28.7%	28.7%		