

HELEN OF TROY LTD
Form 10-Q
July 10, 2007

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

FORM 10-Q

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

For the quarterly period ended May 31, 2007

or

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

For the transition period from _____ to _____

Commission file number: 001-14669

HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

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

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

**1 Helen of Troy Plaza
El Paso, Texas**
(Registrant's United States Mailing Address)

79912
(Zip Code)

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

[Not Applicable]

(Former name, former address and former fiscal year, if changed since last report)

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

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes T No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

Accelerated filer T

Non-accelerated filer

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

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

<u>Class</u>	<u>Outstanding at July 5, 2007</u>
Common Shares, \$0.10 par value per share	30,391,606 shares

HELEN OF TROY LIMITED AND SUBSIDIARIES**INDEX - FORM 10-Q**

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****HELEN OF TROY LIMITED AND SUBSIDIARIES****Consolidated Condensed Balance Sheets***(in thousands, except shares and par value)*

	May 31, 2007 (unaudited)	February 28, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,169	\$ 35,455
Temporary investments	30,250	55,750
Trading securities, at market value	134	189
Receivables - principally trade, less allowance of \$1,075 and \$1,002	111,500	115,896
Inventories	156,214	144,070
Prepaid expenses and other assets	11,105	8,379
Deferred income tax benefits	11,009	13,479
Total current assets	349,381	373,218
Property and equipment, at cost less accumulated depreciation of \$37,891 and \$35,325	95,405	96,669
Goodwill	212,496	201,002
Trademarks, net of accumulated amortization of \$232 and \$230	166,909	158,061
License agreements, net of accumulated amortization of \$16,313 and \$15,953	26,002	26,362
Other intangible assets, net of accumulated amortization of \$4,975 and \$4,561	16,573	14,653
Tax certificates	25,144	25,144
Other assets	11,040	11,163
Total assets	\$ 902,950	\$ 906,272

Liabilities and Stockholders' Equity

Current liabilities:		
Current portion of long-term debt	\$ 10,000	\$ 10,000
Accounts payable, principally trade	34,471	37,779
Accrued expenses and current liabilities	52,940	62,384
Income taxes payable	25,660	24,924
Total current liabilities	123,071	135,087
Long-term compensation liabilities	1,285	2,095
Long-term income taxes payable	9,313	-
Deferred income tax liability	894	1,673
Long-term debt, less current portion	240,000	240,000
Total liabilities	374,563	378,855

Commitments and contingencies (See Notes 3, 12, 14, 15 and 18)

Stockholders' equity:

Cumulative preferred shares, non-voting, \$1.00 par. Authorized 2,000,000 shares; none issued	-	-
Common shares, \$.10 par. Authorized 50,000,000 shares; 30,328,456 and 30,286,406 shares issued and outstanding	3,033	3,029
Additional paid-in-capital	89,867	94,951
Retained earnings	435,209	431,003
Accumulated other comprehensive income	278	(1,566)
Total stockholders' equity	528,387	527,417
Total liabilities and stockholders' equity	\$ 902,950	\$ 906,272

See accompanying notes to consolidated condensed financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES
Consolidated Condensed Statements of Income (unaudited)
(in thousands, except per share data)

	Three Months Ended May 31,	
	2007	2006
Net sales	\$ 140,170	\$ 130,441
Cost of sales	80,152	72,500
Gross profit	60,018	57,941
Selling, general, and administrative expense	45,717	47,025
Operating income	14,301	10,916
Other income (expense):		
Interest expense	(4,113)	(4,506)
Other income, net	1,254	790
Total other income (expense)	(2,859)	(3,716)
Earnings before income taxes	11,442	7,200
Income tax expense (benefit):		
Current	592	939
Deferred	733	(418)
Net earnings	\$ 10,117	\$ 6,679
Earnings per share:		
Basic	\$ 0.33	\$ 0.22
Diluted	\$ 0.32	\$ 0.21
Weighted average common shares used in computing net earnings per share		
Basic	30,294	30,022
Diluted	32,035	31,460

See accompanying notes to consolidated condensed financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows
(unaudited)
(in thousands)

	Three Months Ended May 31,	
	2007	2006
Cash flows from operating activities:		
Net earnings	\$ 10,117	\$ 6,679
Adjustments to reconcile net earnings to net cash (used) / provided by operating activities:		
Depreciation and amortization	3,524	3,880
Provision for doubtful receivables	73	(228)
Share-based compensation expense	190	187
Unrealized (gain) / loss - trading securities	55	(60)
Deferred taxes, net	583	(458)
Gain on the sale of property, plant and equipment	-	(422)
Changes in operating assets and liabilities, net of effects of acquisitions		
Accounts receivable	11,772	(6,722)
Inventories	(3,718)	4,382
Prepaid expenses and other assets	(4,228)	(2,845)
Other assets	(408)	(298)
Accounts payable	(3,298)	2,352
Accrued expenses and current liabilities	(7,843)	(6,046)
Income taxes payable	(1,909)	542
Net cash provided by operating activities	4,910	943
Cash flows from investing activities:		
Capital, license, trademark, and other intangible expenditures	(1,111)	(1,700)
Acquisitions of business	(36,500)	-
Proceeds from the sale of property, plant and equipment	-	666
Purchase of temporary securities	(57,350)	(15,000)
Sale of temporary securities	82,850	15,000
Net cash used by investing activities	(12,111)	(1,034)
Cash flows from financing activities:		
Proceeds from debt	-	7,660
Proceeds from exercise of stock options, including related tax benefits	864	143
Share-based compensation tax benefit	51	40
Net cash provided by financing activities	915	7,843
Net (decrease) / increase in cash and cash equivalents	(6,286)	7,752
Cash and cash equivalents, beginning of period	35,455	18,320
Cash and cash equivalents, end of period	\$ 29,169	\$ 26,072
Supplemental cash flow disclosures:		
Interest paid	\$ 3,847	\$ 3,707
Income taxes paid (net of refunds)	\$ 2,516	\$ 396

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES
Consolidated Condensed Statements Of Comprehensive Income
(unaudited)
(in thousands)

	Three Months Ended May 31,	
	2007	2006
Net earnings, as reported	\$ 10,117	\$ 6,679
Other comprehensive income (loss), net of tax:		
Cash flow hedges - Interest Rate Swaps	1,941	-
Cash flow hedges - Foreign Currency	(97)	(922)
Comprehensive income	\$ 11,961	\$ 5,757

See accompanying notes to consolidated condensed financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
May 31, 2007

Note 1 - *Basis of Presentation*

In our opinion, the accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our consolidated financial position as of May 31, 2007 and February 28, 2007, and the results of our consolidated operations for the three month periods ended May 31, 2007 and 2006. The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data.

Due to the seasonal nature of our business, quarterly revenues, expenses, earnings and cash flows are not necessarily indicative of the results that may be expected for the full fiscal year. While we believe that the disclosures presented are adequate and the consolidated condensed financial statements are not misleading, these statements should be read in conjunction with the consolidated financial statements and the notes included in our latest annual report on Form 10-K, and our other reports on file with the Securities and Exchange Commission ("SEC").