UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2022

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: 0-19254

LIFETIME BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**11-2682486**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1000 Stewart Avenue, Garden City, New York, 11530
(Address of principal executive offices) (Zip Code)

(516) 683-6000
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value	**LCUT**	**The Nasdaq Global Select Market**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of the registrant's common stock outstanding as of July 31, 2022 was 22,057,258.

LIFETIME BRANDS, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2022
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2022	December 31, 2021
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,197	$ 27,982
Accounts receivable, less allowances of $13,876 at June 30, 2022 and $16,544 at December 31, 2021	106,164	175,076
Inventory	295,139	270,516
Prepaid expenses and other current assets	14,934	11,499
Income taxes receivable	3,729	—
TOTAL CURRENT ASSETS	427,163	485,073
PROPERTY AND EQUIPMENT, net	18,740	20,748
OPERATING LEASE RIGHT-OF-USE ASSETS	81,100	86,487
INVESTMENTS	22,098	22,295
INTANGIBLE ASSETS, net	221,306	212,678
OTHER ASSETS	2,281	1,793
TOTAL ASSETS	$ 772,688	$ 829,074
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES		
Current maturity of term loan	$ 4,581	$ 5,771
Current maturity of revolving credit facility	20,347	—
Short-term loan	30	—
Accounts payable	61,848	82,573
Accrued expenses	79,514	112,741
Income taxes payable	—	604
Current portion of operating lease liabilities	13,874	12,612
TOTAL CURRENT LIABILITIES	180,194	214,301
OTHER LONG-TERM LIABILITIES	11,633	12,116
INCOME TAXES PAYABLE, LONG-TERM	1,472	1,472
OPERATING LEASE LIABILITIES	83,401	90,824
DEFERRED INCOME TAXES	13,056	12,842
TERM LOAN	237,564	241,873
STOCKHOLDERS’ EQUITY		
Preferred stock, $1.00 par value, shares authorized: 100 shares of Series A and 2,000,000 shares of Series B; none issued and outstanding	—	—
Common stock, $0.01 par value, shares authorized: 50,000,000 at June 30, 2022 and December 31, 2021; shares issued and outstanding: 22,058,883 at June 30, 2022 and 22,018,016 at December 31, 2021	221	220
Paid-in capital	273,279	271,556
Retained earnings	8,224	17,419
Accumulated other comprehensive loss	(36,356)	(33,549)
TOTAL STOCKHOLDERS’ EQUITY	245,368	255,646
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 772,688	$ 829,074

See accompanying notes to unaudited condensed consolidated financial statements.

LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net sales	$ 151,314	$ 186,636	$ 334,031	$ 382,289
Cost of sales	96,147	120,475	215,796	250,128
Gross margin	55,167	66,161	118,235	132,161
Distribution expenses	17,373	18,931	36,598	37,577
Selling, general and administrative expenses	38,258	36,229	77,746	74,337
(Loss) income from operations	(464)	11,001	3,891	20,247
Interest expense	(3,732)	(3,819)	(7,499)	(7,833)
Mark to market gain on interest rate derivatives	304	46	1,353	544
(Loss) income before income taxes and equity in earnings	(3,892)	7,228	(2,255)	12,958
Income tax benefit (provision)	98	(1,832)	(1,575)	(4,248)
Equity in earnings, net of taxes	334	393	750	146
NET (LOSS) INCOME	$ (3,460)	$ 5,789	$ (3,080)	$ 8,856
BASIC (LOSS) INCOME PER COMMON SHARE	$ (0.16)	$ 0.27	$ (0.14)	$ 0.42
DILUTED (LOSS) INCOME PER COMMON SHARE	$ (0.16)	$ 0.26	$ (0.14)	$ 0.40

See accompanying notes to unaudited condensed consolidated financial statements.

LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss) income	$ (3,460)	$ 5,789	$ (3,080)	$ 8,856
Other comprehensive (loss) income, net of taxes:				
Translation adjustment	(4,307)	2,394	(4,423)	4,223
Net change in cash flow hedges	950	236	1,558	63
Effect of retirement benefit obligations	29	41	58	68
Other comprehensive (loss) income, net of taxes	(3,328)	2,671	(2,807)	4,354
Comprehensive (loss) income	$ (6,788)	$ 8,460	$ (5,887)	$ 13,210

See accompanying notes to unaudited condensed consolidated financial statements.

LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common stock Shares	Common stock Amount	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE AT DECEMBER 31, 2021	22,018	$ 220	$ 271,556	$ 17,419	$ (33,549)	$ 255,646
Net income	—	—	—	380	—	380
Other comprehensive income, net of taxes	—	—	—	—	521	521
Performance shares issued to employees	167	2	(2)	—	—	—
Net issuance of restricted shares granted to employees	207	2	(2)	—	—	—
Stock compensation expense	—	—	1,151	—	—	1,151
Net exercise of stock options	22	—	233	—	—	233
Shares effectively repurchased for required employee withholding taxes	(45)	—	(568)	—	—	(568)
Stock repurchase	(51)	(1)	(670)	—	—	(671)
Dividends [1]	—	—	—	(960)	—	(960)
BALANCE AT MARCH 31, 2022	22,318	$ 223	$ 271,698	$ 16,839	$ (33,028)	$ 255,732
Net loss	—	—	—	(3,460)	—	(3,460)
Other comprehensive loss, net of taxes	—	—	—	—	(3,328)	(3,328)
Net issuance of restricted shares granted to employees and directors	54	1	(1)	—	—	—
Stock compensation expense	—	—	1,280	—	—	1,280
Net exercise of stock options	3	—	—	—	—	—
Shares effectively repurchased for required employee withholding taxes	(30)	(1)	(369)	—	—	(370)
Stock repurchase	(286)	(2)	671	(4,197)	—	(3,528)
Dividends [1]	—	—	—	(958)	—	(958)
BALANCE AT JUNE 30, 2022	22,059	$ 221	$ 273,279	$ 8,224	$ (36,356)	$ 245,368

	Common stock Shares	Common stock Amount	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE AT DECEMBER 31, 2020	21,755	$ 218	$ 268,666	$ 424	$ (39,172)	$ 230,136
Net income	—	—	—	3,067	—	3,067
Other comprehensive income, net of taxes	—	—	—	—	1,683	1,683
Performance shares issued to employees	150	1	(1)	—	—	—
Net issuance of restricted shares granted to employees	177	2	(2)	—	—	—
Stock compensation expense	—	—	1,439	—	—	1,439
Net exercise of stock options	44	—	184	—	—	184
Shares effectively repurchased for required employee withholding taxes	(146)	(1)	(2,159)	—	—	(2,160)
Dividends [1]	—	—	—	(943)	—	(943)
BALANCE AT MARCH 31, 2021	21,980	$ 220	$ 268,127	$ 2,548	$ (37,489)	$ 233,406
Net income	—	—	—	5,789	—	5,789
Total comprehensive income					2,671	2,671
Net issuance of restricted shares granted to employees and directors	44	0	0	—	—	—
Stock compensation expense	—	—	1,323	—	—	1,323
Net exercise of stock options	50	1	550	—	—	551
Shares effectively repurchased for required employee withholding taxes	(67)	(1)	(1,024)	—	—	(1,025)
Dividends [1]	—	—	—	(914)	—	(914)
BALANCE AT JUNE 30, 2021	22,007	$ 220	$ 268,976	$ 7,423	$ (34,818)	$ 241,801

[1] Cash dividends declared per share of common stock were $0.085 and $0.085 in the six months ended June 30, 2022 and 2021, respectively.

See accompanying notes to unaudited condensed consolidated financial statements.

LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
OPERATING ACTIVITIES		
Net (loss) income	$ (3,080)	$ 8,856
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	9,937	11,723
Amortization of financing costs	843	876
Mark to market (gain) on interest rate derivatives	(1,353)	(544)
Non-cash lease expense	(690)	(768)
Recovery for doubtful accounts	(258)	(146)
Stock compensation expense	2,539	2,772
Undistributed (earnings) from equity investment, net of taxes	(750)	(146)
Changes in operating assets and liabilities (excluding the effects of business acquisitions)		
Accounts receivable	69,500	49,943
Inventory	(25,325)	(14,305)
Prepaid expenses, other current assets and other assets	(816)	2,931
Accounts payable, accrued expenses and other liabilities	(55,117)	(12,516)
Income taxes receivable	(3,729)	(1,750)
Income taxes payable	(558)	(4,795)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(8,857)	42,131
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,479)	(2,497)
Acquisitions	(17,956)	(178)
NET CASH USED IN INVESTING ACTIVITIES	(19,435)	(2,675)
FINANCING ACTIVITIES		
Proceeds from revolving credit facility	157,751	10,845
Repayments of revolving credit facility	(136,970)	(38,131)
Repayments of term loan	(6,216)	(10,478)
Proceeds from short-term loan	30	31
Repayments of short-term loan	—	(31)
Payments for finance lease obligations	(17)	(43)
Payments of tax withholding for stock based compensation	(938)	(3,185)
Proceeds from the exercise of stock options	233	735
Payments for stock repurchase	(4,199)	—
Cash dividends paid	(1,929)	(1,957)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	7,745	(42,214)
Effect of foreign exchange on cash	(238)	140
DECREASE IN CASH AND CASH EQUIVALENTS	(20,785)	(2,618)
Cash and cash equivalents at beginning of period	27,982	35,963
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 7,197	$ 33,345

See accompanying notes to unaudited condensed consolidated financial statements.

NOTE 1 — BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

Organization and business

Lifetime Brands, Inc. ("the Company") designs, sources and sells branded kitchenware, tableware and other products used in the home and markets its products under a number of widely-recognized brand names and trademarks, which are either owned or licensed by the Company or through retailers' private labels and their licensed brands. The Company's products, which are targeted primarily towards consumers purchasing moderately priced kitchenware, tableware and housewares, are sold through virtually every major level of trade. The Company generally markets several lines within each of its product categories under more than one brand. The Company sells its products directly to retailers (who may resell the Company's products through their websites) and, to a lesser extent, to distributors. The Company also sells a limited selection of its products directly to consumers through its own websites.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, which consist of normal recurring accruals and non-recurring adjustments, considered necessary for a fair presentation have been included.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

The Company's business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2021 and 2020, net sales for the third and fourth quarters accounted for 56% and 62% of total annual net sales, respectively. The increase in the Company's net sales in the first half of the year in 2021 compared to historical trend was a result of increased demand for the Company's products due to shifts in consumer purchasing patterns. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

The Company's current estimates contemplate current and expected future conditions, as applicable, however it is reasonably possible that actual conditions could differ from expectations, which could materially affect the Company's results of operations and financial position.

Revenue recognition

The Company sells products wholesale, to retailers and distributors, and retail, directly to the consumer. Wholesale sales and retail sales are primarily recognized at the point in time the customer obtains control of the products, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products.

The Company offers various sales incentives and promotional programs to its customers in the normal course of business. These incentives and promotions typically include arrangements such as cooperative advertising, buydowns, volume rebates and discounts. These arrangements and an estimate for products expected to be returned are reflected as reductions of revenue at the time of sale. See NOTE 2 —REVENUE to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information.

Cost of sales

Cost of sales consist primarily of costs associated with the production and procurement of product, inbound freight costs, purchasing costs, royalties, and other product procurement related charges.

Distribution expenses

Distribution expenses consist primarily of warehousing expenses and freight-out expenses. Handling costs of products sold are included in cost of sales.

Accounts receivable

The Company periodically reviews the collectability of its accounts receivable and establishes allowances for estimated losses that could result from the inability of its customers to make required payments, taking into consideration customer credit history and financial condition, industry and market segment information, credit reports, and economic trends and conditions such as the impacts of the COVID-19 pandemic. A considerable amount of judgment is required to assess the ultimate realization of these receivables, including assessing the initial and on-going creditworthiness of the Company's customers.

The Company also maintains an allowance for anticipated customer deductions. The allowances for deductions are primarily based on contracts with customers. However, in certain cases, the Company does not have a formal contract and, therefore, customer deductions are non-contractual. To evaluate the reasonableness of non-contractual customer deductions, the Company analyzes currently available information and historical trends of deductions.

Receivable purchase agreement

The Company has an uncommitted Receivables Purchase Agreement with HSBC Bank USA, National Association ("HSBC") as Purchaser (the "Receivables Purchase Agreement"). The sale of accounts receivable, under the Receivables Purchase Agreement with HSBC, is excluded from the Company's unaudited condensed consolidated balance sheets at the time of sale and the related sale expense is included in selling, general and administrative expenses in the Company's unaudited condensed consolidated statements of operations. Pursuant to the Receivable Purchase Agreement, the Company sold to HSBC $33.5 million and $79.8 million of receivables during the three and six months ended June 30, 2022, respectively and $38.9 million and $79.5 million of receivables during three and six months ended June 30, 2021, respectively. Charges of $0.2 million and $0.1 million related to the sale of the receivables are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the three months ended June 30, 2022 and 2021, respectively. Charges of $0.3 million and $0.2 million related to the sale of the receivables are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the six months ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, $25.6 million and $14.6 million, respectively, of receivables sold were outstanding and due to HSBC from customers.

Inventory

Inventory consists principally of finished goods sourced from third-party suppliers. Inventory also includes finished goods, work in process and raw materials related to the Company's manufacture of sterling silver products. Inventory is priced using the lower of cost (first-in, first-out basis) or net realizable value. The Company estimates the selling price of its inventory on a product by product basis based on the current selling environment. If the estimated selling price is lower than the inventory's cost, the Company reduces the value of the inventory to its net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation.

The components of inventory were as follows (in thousands):

	June 30, 2022	December 31, 2021
Finished goods	$ 283,764	$ 259,916
Work in process	90	159
Raw materials	11,285	10,441
Total	$ 295,139	$ 270,516

Fair value of financial instruments

The Company determined that the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair values because of their short-term nature. The Company determined that the carrying amounts of borrowings outstanding under its ABL Agreement and Term Loan (each as defined in NOTE 7 — DEBT to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q) approximate fair value since such borrowings bear interest at variable market rates.

Derivatives

The Company accounts for derivative instruments in accordance with Accounting Standard Codification (“ASC”) Topic 815, *Derivatives and Hedging (*“ASC 815”*)*. ASC 815 requires that all derivative instruments be recognized on the balance sheet at fair value as either an asset or liability. Changes in the fair value of derivatives that qualify as hedges and have been designated as part of a hedging relationship for accounting purposes have no net impact on earnings until the hedged item is recognized in earnings. The changes in the fair value of hedges are included in accumulated other comprehensive loss and are subsequently recognized in the Company’s unaudited condensed consolidated statements of operations to mirror the location of the hedged items impacting earnings. Changes in fair value of derivatives that do not qualify as hedging instruments for accounting purposes are recorded in the Company’s unaudited condensed consolidated statements of operations.

Goodwill, intangible assets and long-lived assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized but, instead, are subject to an annual impairment assessment. Additionally, if events or conditions were to indicate the carrying value of a reporting unit may not be recoverable, the Company would evaluate goodwill and other intangible assets for impairment at that time.

As it relates to the goodwill assessment, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative goodwill impairment testing described in the Financial Accounting Standards Board's (“FASB”) Accounting Standards Update No. (“ASU”) Topic 350, Intangibles – Goodwill and Other. If, after assessing qualitative factors, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the quantitative test is unnecessary and the Company’s goodwill is considered to be unimpaired. However, if based on the Company’s qualitative assessment it concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, or if the Company elects to bypass the qualitative assessment, the Company will proceed with performing the quantitative impairment test.

The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually as of October 1 or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available, including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value.

The significant assumptions used under the income approach, or discounted cash flow method, are projected net sales, projected earnings before interest, tax, depreciation and amortization (“EBITDA”), terminal growth rates, and the cost of capital. Projected net sales, projected EBITDA and terminal growth rates were determined to be significant assumptions because they are three primary drivers of the projected cash flows in the discounted cash flow fair value model. Cost of capital was also determined to be a significant assumption as it is the discount rate used to calculate the current fair value of those projected cash flows. For the guideline public company method, significant assumptions relate to the selection of appropriate guideline companies and related valuation multiples used in the market analysis.

Although the Company believes the assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results. In addition, sustained declines in the Company’s stock price and related market capitalization could impact key assumptions in the overall estimated fair values of its reporting units and could result in non-cash impairment charges that could be material to the Company’s consolidated balance sheet or results of operations. Should the carrying value of a reporting unit be in excess of the estimated fair value of that reporting unit, an impairment charge will be recorded to reduce the reporting unit to fair value.

The Company also evaluates qualitative factors to determine whether impairment indicators exist for its indefinite lived intangibles and performs quantitative tests if required. These tests can include the relief from royalty model or other valuation models.

Long-lived assets, including intangible assets deemed to have finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, historic or anticipated declines in revenue or operating profit or material adverse changes in the business climate that indicate that the carrying amount of an asset may be impaired. When impairment indicators are present, the recoverability of the asset is measured by comparing the carrying value of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset is not recoverable, the impairment to be recognized is measured by the amount by which the carrying amount of each long-lived asset exceeds the fair value of the asset. See NOTE 6 — INTANGIBLE ASSETS to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information.

Leases

The Company determines if an arrangement is a lease at the inception of a contract. Operating lease right-of-use (“ROU”) assets are included in operating lease right-of-use assets on the condensed consolidated balance sheets. The current and long-term components of operating lease liabilities are included in the current portion of operating lease liability and operating lease liabilities, respectively, on the condensed consolidated balance sheets. Finance leases are included in property and equipment, net, accrued expenses and other long-term liabilities. The Company’s finance leases are not material to the Company’s condensed consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. The operating lease ROU asset may also include any lease payments made, adjusted for any prepaid or accrued rent payments, lease incentives, and initial direct costs incurred. Certain leases may include options to extend or terminate the lease. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

For certain equipment leases, the Company applies a portfolio approach to effectively account for any ROU assets and lease liabilities. Leases with an initial term of twelve months or less are not recorded on the balance sheet.

The Company has elected the practical expedient to account for each separate lease component of a contract and its associated non-lease components as a single lease component, thus causing all fixed payments to be capitalized.

Employee healthcare

The Company self-insures certain portions of its health insurance plan. The Company maintains an accrual for estimated unpaid claims and claims incurred but not yet reported (“IBNR”). Although management believes that it uses the best information available to estimate IBNR claims, actual claims may vary significantly from estimated claims.

Restructuring expenses

Costs associated with restructuring activities are recorded at fair value when a liability has been incurred. Generally, a liability has been incurred at the communication date for severance. Charges associated with lease terminations, related to restructuring activities, are recognized at the effective date of the lease modification.

Adoption of new accounting pronouncements

Effective January 1, 2022, the Company adopted ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. The adoption did not have a material impact on the Company’s condensed consolidated financial statements.

New accounting pronouncements

Updates not listed below were assessed and either determined to not be applicable or are expected to have a minimal effect on the Company's financial position, results of operations, and disclosures.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. This guidance introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. ASU 2016-13 also provides updated guidance regarding the impairment of available-for-sale debt securities and includes additional disclosure requirements. The new guidance is effective for public business entities that meet the definition of a Smaller Reporting Company, as defined by the Securities and Exchange Commission for interim and annual periods beginning after December 15, 2022. The Company met the definition of a Smaller Reporting Company as of the one-time determination date of November 15, 2019. Early adoption is permitted. Management is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions to account for contract modifications, hedging relationships and other transactions that reference the London Inter-Bank Offered Rate ("LIBOR") or another reference rate that is expected to be discontinued as a result of reference rate reform. The guidance in ASU 2020-04 may be applied to contract modifications and hedging relationships as of any date from March 12, 2020, but no later than December 31, 2022, and should be applied on a prospective basis. The Company has not yet applied the guidance in ASU 2020-04 and is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

NOTE 2 —REVENUE

The Company sells products wholesale, to retailers and distributors, and sells products retail, directly to consumers. Wholesale sales and retail sales are recognized at the point in time the customer obtains control of the products in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is not a formality, the customer must have accepted the product or service. The Company's principal terms of sale are Free On Board ("FOB") Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB Shipping Point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. Shipping and handling fees that are billed to customers in sales transactions are included in net sales and amounted to $1.0 million and $2.0 million for the three and six months ended June 30, 2022, respectively, and $0.7 million and $1.4 million for the three and six months ended June 30, 2021, respectively. Net sales exclude taxes that are collected from customers and remitted to the taxing authorities.

The Company offers various sales incentives and promotional programs to its wholesale customers from time to time in the normal course of business. These incentives and promotions typically include arrangements such as cooperative advertising, buydowns, volume rebates and discounts. These arrangements, which represent forms of variable consideration and an estimate of sales returns, are reflected as reductions in net sales in the Company's unaudited condensed consolidated statements of operations. These estimates are based on historical experience and other known factors or as the most likely amount in a range of possible outcomes. On a quarterly basis, variable consideration is assessed on a portfolio approach in estimating the extent to which the components of variable consideration are constrained. Payment terms vary by customer, but generally range from 30 to 90 days or at the point of sale for the Company's retail direct sales.

The Company incurs certain direct incremental costs to obtain contracts with customers, such as sales-related commissions, where the recognition period for the related revenue is less than one year. These costs are expensed as incurred and recorded within selling, general and administrative expenses in the unaudited condensed consolidated statements of operations. Incidental items that are immaterial in the context of the contract are expensed as incurred.

The following tables present the Company’s net sales disaggregated by segment, product category and geographic region for the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
U.S. segment				
Kitchenware	$ 84,345	$ 103,627	$ 198,475	$ 223,622
Tableware	29,943	37,289	56,520	67,521
Home Solutions	22,903	25,667	48,414	51,621
Total U.S. segment	137,191	166,583	303,409	342,764
International segment	14,123	20,053	30,622	39,525
Total net sales	$ 151,314	$ 186,636	$ 334,031	$ 382,289
United States	$ 131,650	$ 161,946	$ 291,052	$ 332,714
United Kingdom	8,053	9,855	18,839	22,635
Rest of World	11,611	14,835	24,140	26,940
Total net sales	$ 151,314	$ 186,636	$ 334,031	$ 382,289

NOTE 3 —ACQUISITION

S'well

On March 2, 2022, the Company acquired certain assets of Can't Live Without It, LLC. (dba S'well Bottle and which the Company refers to as “S'well”). The Company paid cash consideration of $18.0 million. The transaction also includes up to $5.0 million in contingent consideration, subject to the acquired brand reaching certain milestones.

The purchase price was comprised of the following (in thousands):

Cash paid	$ 17,956
Value of contingent consideration	650
Total purchase price	$ 18,606

The value of contingent consideration represents the present value of estimated contingent payments of $0.7 million, related to the attainment of certain gross contribution targets for the year 2024. The maximum undiscounted contingent consideration to be paid under the agreement is $5.0 million. Acquisition related costs of $0.9 million were recorded within selling, general and administrative expenses in the unaudited condensed consolidated statements of operations.

The purchase price was allocated based on the Company’s preliminary estimate of the fair values of the assets acquired and liabilities assumed, as follows (in thousands):

		Purchase Price Allocation
Accounts receivable	$	2,280
Inventory		4,005
Fixed assets		40
Intangible assets		13,000
Goodwill		2,966
Accounts payable and accrued expenses		(3,685)
Total allocated value	$	18,606

The acquisition is being accounted for as a business combination using the acquisition method of accounting in accordance with FASB ASC Topic 805, Business Combinations (“ASC Topic 805”), which established a new basis of accounting for all identifiable assets acquired and liabilities assumed at fair value. ASC Topic 805 allows the acquiring company to adjust preliminary amounts recognized at the acquisition date to their subsequently determined final fair values during a measurement period, generally up to one year from the date of the acquisition. The fair values of net assets acquired are based on the Company’s preliminary estimate of the respective fair values. The preliminary estimated fair values that are not yet finalized relate to the valuation of accounts receivable, inventory, accounts payable, accrued expenses, intangibles, deferred taxes and valuation of the contingent consideration.

The goodwill recognized results from such factors as assembled workforce and the value of other synergies expected from combining operations with the Company. The associated goodwill is deductible for tax purposes. Goodwill and the trade name intangible asset are included in the U.S. segment. The trade name intangible asset is amortized on a straight-line basis over its estimated useful life of 12 years (see Note 6).

The condensed consolidated statement of operations includes $3.5 million and $4.4 million of net sales attributable to the S'well brand for the three and six months ended June 30, 2022, respectively.

Year & Day

On February 26, 2021, the Company acquired the business and certain assets of Year & Day, a designer and distributor of ceramic dinnerware, stainless steel flatware and Italian glassware for cash in the amount of $0.2 million. The assets and operating results of the Year & Day brand are reflected in the Company’s condensed consolidated financial statements in accordance with ASC Topic No. 805, Business Combinations, commencing from the acquisition date. The purchase price was allocated based on the fair values of the assets acquired which consisted of inventory of $0.3 million and liabilities assumed of $(0.1) million.

NOTE 4 — LEASES

The Company has operating leases for corporate offices, distribution facilities, a manufacturing plant, and certain vehicles.

The components of lease expense for the three and six months ended June 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Operating lease expenses[(1)]:								
Fixed lease expense	$	4,521	$	4,501	$	8,929	$	8,996
Variable lease expense		1,174		949		2,345		1,927
Total	$	5,695	$	5,450	$	11,274	$	10,923

(1) Expenses are recorded within distribution expenses and selling, general and administrative expenses on the unaudited condensed consolidated statement of operations.

Supplemental cash flow information for lease related liabilities and assets for the six months ended June 30, 2022 and 2021 were as follows (in thousands):

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 9,618	$ 9,764

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 2,452	$ 1,248

The aggregate future lease payments for operating leases as of June 30, 2022 were as follows (in thousands):

	Operating
2022 (excluding the six months ended June 30, 2022)	$ 9,753
2023	19,067
2024	18,541
2025	17,935
2026	17,233
2027	13,154
Thereafter	23,703
Total lease payments	119,386
Less: Interest	(22,111)
Present value of lease payments	$ 97,275

Average lease terms and discount rates were as follows:

	June 30, 2022
Operating leases:	
Weighted-average remaining lease term (years)	6.7
Weighted-average discount rate	6.1 %

NOTE 5 —INVESTMENTS

As of June 30, 2022, the Company owned 24.7% of the outstanding capital stock of Grupo Vasconia S.A.B. (“Vasconia”), an integrated manufacturer of aluminum products and one of Mexico’s largest housewares companies. Shares of Vasconia’s capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI. For the period ended June 30, 2021, the Company's investment ownership was 30.0%. The Company's investment ownership decreased to approximately 27.0% on June 30, 2021 and was further reduced to 24.7% on July 29, 2021 as a result of transactions that occurred in those periods. The Company accounts for its investment in Vasconia using the equity method of accounting and records its proportionate share of Vasconia’s net income in the Company’s condensed consolidated statements of operations. Accordingly, the Company has recorded its proportionate share of Vasconia’s net income (reduced for amortization expense related to the customer relationships acquired) for the three and six months ended June 30, 2022 and 2021 in the accompanying unaudited condensed consolidated statements of operations.

On June 30, 2021, Vasconia issued additional shares of its stock, which diluted the Company’s investment ownership from approximately 30% to approximately 27%. The Company recorded a non-cash gain of $1.7 million, increasing the Company’s investment balance. Additionally, a loss of $2.0 million was recognized for the proportionate share of the diluted ownership for amounts previously recognized in accumulated other comprehensive loss. The net loss of $0.3 million was included in equity in earnings, net of taxes, in the accompanying unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2021.

The value of the Company’s investment balance has been translated from Mexican Pesos (“MXN”) to U.S. Dollars (“USD”) using the spot rates of MXN 20.15 and MXN 20.46 at June 30, 2022 and December 31, 2021, respectively.

The Company’s proportionate share of Vasconia’s net income has been translated from MXN to USD using the following exchange rates:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Average exchange rate (USD to MXN)	20.02	20.02	20.02 - 20.50	20.02 - 20.33

The effect of the translation of the Company’s investment, as well as the translation of Vasconia’s balance sheet, resulted in a decrease to the investment of $0.9 million and an increase of $1.6 million during the six months ended June 30, 2022 and 2021, respectively. These translation effects are recorded in accumulated other comprehensive loss.

Summarized income statement information for the three and six months ended June 30, 2022 and 2021 for Vasconia in USD and MXN is as follows (in thousands):

	Three Months Ended June 30,			
	2022		2021	
	USD	MXN	USD	MXN
Net sales	$ 66,195	$ 1,325,237	$ 59,079	$ 1,182,752
Gross profit	10,804	216,297	15,921	318,737
Income from operations	518	10,366	6,499	130,110
Net income	1,403	28,091	2,380	47,661

	Six Months Ended June 30,			
	2022		2021	
	USD	MXN	USD	MXN
Net Sales	$ 130,513	$ 2,643,750	$ 112,685	$ 2,272,569
Gross profit	25,224	511,915	27,879	561,840
Income from operations	5,203	106,406	10,283	207,043
Net income	3,134	63,570	1,610	32,000

The Company recorded equity in earnings of Vasconia, net of taxes, of $0.3 million and $0.8 million for the three and six months ended June 30, 2022, respectively. The Company recorded equity in earnings of Vasconia, net of taxes, of $0.7 million and $0.5 million for the three and six months ended June 30, 2021, respectively.

Included within the Company's unaudited condensed consolidated balance sheets were the following amounts due to and due from Vasconia (in thousands):

Vasconia due to and due from balances	Balance Sheet Location	June 30, 2022	December 31, 2021
Amounts due from Vasconia	Prepaid expenses and other current assets	$ 168	$ 80
Amounts due to Vasconia	Accrued expenses and Accounts payable	(13)	(146)

As of June 30, 2022 and December 31, 2021, the fair value (based on Level 1 inputs using the quoted stock price) of the Company’s investment in Vasconia was $21.3 million and $31.5 million, respectively. The carrying value of the Company’s investment in Vasconia was $22.1 million and $22.3 million as of June 30, 2022 and December 31, 2021, respectively The Company evaluated the decline in fair value of the investment and concluded that the decline is temporary.

NOTE 6 — INTANGIBLE ASSETS

Intangible assets consisted of the following as of June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022			December 31, 2021			
	Gross	Accumulated Amortization	Net	Gross	Impairment	Accumulated Amortization	Net
Goodwill	$ 33,237	$ —	$ 33,237	$ 30,271	$ —	$ —	$ 30,271
Indefinite-lived intangible assets:							
Trade names	49,600	—	49,600	49,600	—	—	49,600
Finite-lived intangible assets:							
Licenses	15,847	(11,426)	4,421	15,847	—	(11,198)	4,649
Trade names[(1)]	54,792	(18,132)	36,660	51,856	(2,546)	(23,829)	25,481
Customer relationships[(1)]	143,157	(48,563)	94,594	177,245	(11,766)	(65,863)	99,616
Other [(1)]	5,856	(3,062)	2,794	6,566	(448)	(3,057)	3,061
Total	$ 302,489	$ (81,183)	$ 221,306	$ 331,385	$ (14,760)	$ (103,947)	$ 212,678

[(1)] The gross value and accumulated amortization at June 30, 2022 reflect a reduction of $44.1 million and $(29.3) million, respectively, for the net $14.8 million impairment charge on finite-lived intangible assets within the international segment during the period ended December 31, 2021.

A summary of the activities related to the Company’s intangible assets for the six months ended June 30, 2022 consists of the following (in thousands):

	Intangible Assets	Goodwill	Total Intangible Assets and Goodwill
Goodwill and Intangible Assets, December 31, 2021	$ 182,407	$ 30,271	$ 212,678
Acquisition of goodwill	—	2,966	2,966
Acquisition of trade name	13,000	—	13,000
Foreign currency translation adjustment	(217)	—	(217)
Amortization	(7,121)	—	(7,121)
Goodwill and Intangible Assets, June 30, 2022	$ 188,069	$ 33,237	$ 221,306

NOTE 7 — DEBT

The Company’s credit agreement, dated as of March 2, 2018 (the “ABL Agreement”) with JPMorgan Chase Bank, N.A. (“JPMorgan”), includes a senior secured asset-based revolving credit facility in the maximum aggregate principal amount of $150.0 million, which facility will mature on March 2, 2023, and a loan agreement (the “Term Loan” and together with the ABL Agreement, the “Debt Agreements”) that provides for a senior secured term loan credit facility in the original principal amount of $275.0 million, which matures on February 28, 2025. The Term Loan requires the Company to make an annual prepayment of principal based upon a percentage of the Company's excess cash flow, (“Excess Cash Flow”), if any. The percentage applied to the Company’s excess cash flow is based on the Company’s Total Net Leverage Ratio (as defined in the Debt Agreements). When an Excess Cash Flow payment is required, lenders have the option to decline a portion or all of the prepayment amount. This estimated amount is recorded in current maturity of term loan on the unaudited condensed consolidated balance sheets. Additionally, the Term Loan facility requires quarterly payments, which commenced on June 30, 2018, of principal equal to 0.25% of the original aggregate principal amount of the Term Loan facility. Per the Debt Agreements, when the Company makes an Excess Cash Flow payment, the payment is first applied to satisfy the future quarterly required payments in order of maturity. The quarterly principal payments have been satisfied through maturity of the Term Loan by the annual Excess Cash Flow payments.

The maximum borrowing amount under the ABL Agreement may be increased to up to $200.0 million if certain conditions are met. One or more tranches of additional term loans (the “Incremental Facilities”) may be added under the Term Loan if certain conditions are met. The Incremental Facilities may not exceed the sum of (i) $50.0 million plus (ii) an unlimited amount so long as, in the case of (ii) only, the Company's secured net leverage ratio, as defined in and computed pursuant to the Term Loan, is no greater than 3.75 to 1.00, subject to certain limitations and for the period defined pursuant to the Term Loan.

As of June 30, 2022 and December 31, 2021, the total availability under the ABL Agreement was as follows (in thousands):

	June 30, 2022	December 31, 2021
Maximum aggregate principal allowed	$ 150,000	$ 150,000
Outstanding borrowings under the ABL Agreement	(20,347)	—
Standby letters of credit	(2,765)	(3,659)
Total availability under the ABL Agreement	$ 126,888	$ 146,341

Availability under the ABL Agreement depends on the valuation of certain current assets comprising the borrowing base. The borrowing capacity under the ABL Agreement will depend, in part, on eligible levels of accounts receivable and inventory that fluctuate regularly. Due to the seasonality of the Company's business, this means that the Company may have greater borrowing availability during the third and fourth quarters of each year. Consequently, the $150.0 million commitment thereunder may not represent actual borrowing capacity.

The current and non-current portions of the Company's Term Loan facility included in the condensed consolidated balance sheets were as follows (in thousands):

	June 30, 2022	December 31, 2021
Current portion of Term Loan facility:		
Estimated Excess Cash Flow principal payment	$ 6,000	$ 7,200
Estimated unamortized debt issuance costs	(1,419)	(1,429)
Total Current portion of Term Loan facility	$ 4,581	$ 5,771
Non-current portion of Term Loan facility:		
Term Loan facility, net of current portion	$ 239,911	$ 244,927
Estimated unamortized debt issuance costs	(2,347)	(3,054)
Total Non-current portion of Term Loan facility	$ 237,564	$ 241,873

The estimated Excess Cash Flow principal payment recorded at June 30, 2022 represents the Company's estimate for the 2023 Excess Cash Flow payment. The 2022 Excess Cash Flow payment, paid on March 30, 2022, totaled $6.2 million. The Excess Cash Flow payment differs from the estimated amount at December 31, 2021 of $7.2 million as certain lenders opted to not require payment per the terms of the Debt Agreements.

The Company's payment obligations under its Debt Agreements are unconditionally guaranteed by its existing and future U.S. subsidiaries with certain minor exceptions. Certain payment obligations under the ABL Agreement are also direct obligations of its foreign subsidiary borrowers designated as such under the ABL Agreement and, subject to limitations on such guaranty, are guaranteed by the foreign subsidiary borrowers, as well as by the Company. The obligations of the Company under the Debt Agreements and any hedging arrangements and cash management services and the guarantees by its domestic subsidiaries in respect of those obligations are secured by substantially all of the assets and stock (but in the case of foreign subsidiaries, limited to 65% of the capital stock in first-tier foreign subsidiaries and not including the stock of subsidiaries of such first-tier foreign subsidiaries) owned by the Company and the U.S. subsidiary guarantors, subject to certain exceptions. Such security interest consists of (1) a first-priority lien, subject to certain permitted liens, with respect to certain assets of the Company and its domestic subsidiaries (the "ABL Collateral") pledged as collateral in favor of lenders under the ABL Agreement and a second-priority lien in the ABL Collateral in favor of the lenders under the Term Loan and (2) a first-priority lien, subject to certain permitted liens, with respect to certain assets of the Company and its domestic subsidiaries (the "Term Loan Collateral") pledged as collateral in favor of lenders under the Term Loan and a second-priority lien in the Term Loan Collateral in favor of the lenders under the ABL Agreement.

Borrowings under the ABL Agreement bear interest, at the Company’s option, at one of the following rates: (i) alternate base rate, defined, for any day, as the greater of the prime rate, a federal funds and overnight bank funding based rate plus 0.5% or one-month LIBOR plus 1.0%, plus a margin of 0.25% to 0.75%, or (ii) LIBOR (or Euro Interbank Offered Rate "EURIBOR" for borrowings denominated in Euro; or Sterling Overnight Index Average “SONIA” for borrowings denominated in Pounds Sterling) plus a margin of 1.25% to 1.75%. The respective margins are based upon the Company’s total leverage ratio, as defined in and computed pursuant to the ABL Agreement. The interest rate on outstanding borrowings under the ABL Agreement at June 30, 2022 was between 2.44% and 5.00%. In addition, the Company pays a commitment fee of 0.375% on the unused portion of the ABL Agreement.

The Term Loan facility bears interest, at the Company’s option, at one of the following rates: (i) alternate base rate, defined, for any day, as the greater of (x) the prime rate, (y) a federal funds and overnight bank funding based rate plus 0.5% or (z) one-month LIBOR, but not less than 1.0%, plus 1.0%, which alternate base rate shall not be less than 2.0%, plus a margin of 2.5% or (ii) LIBOR, but not less than 1.0%, plus a margin of 3.5%. The interest rate on outstanding borrowings under the Term Loan at June 30, 2022 was 4.6%.

The Debt Agreements provide for customary restrictions and events of default. Restrictions include limitations on additional indebtedness, acquisitions, investments and payment of dividends, among other things. Further, the ABL Agreement provides that during any period (a) commencing on the last day of the most recently ended four consecutive fiscal quarters on or prior to the date availability under the ABL Agreement is less than the greater of $15.0 million and 10% of the aggregate commitment under the ABL Agreement at any time and (b) ending on the day after such availability has exceeded the greater of $15.0 million and 10% of the aggregate commitment under the ABL Agreement for 45 consecutive days, the Company is required to maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 as of the last day of any period of four consecutive fiscal quarters.

The Company was in compliance with the covenants of the Debt Agreements at June 30, 2022.

The Company expects that it will continue to borrow, subject to availability, and repay funds under the ABL Agreement based on working capital and other corporate needs.

NOTE 8 — DERIVATIVES

Interest Rate Swap Agreements

The Company's total outstanding notional value of interest rate swaps was $50.0 million at June 30, 2022.

The Company designated a portion of these interest rate swaps as cash flow hedges of the Company’s exposure to the variability of the payment of interest on a portion of its Term Loan borrowings. The hedge periods of these agreements commenced in April 2018 and expire in March 2023. The original notional values are reduced over these periods. The aggregate notional value of designated interest rate swaps was $25.0 million at June 30, 2022.

In June 2019, the Company entered into additional interest rate swap agreements, with an aggregate notional value of $25.0 million at June 30, 2022. These non-designated interest rate swaps serve as cash flow hedges of the Company’s exposure to the variability of the payment of interest on a portion of its Term Loan borrowings and expire in February 2025.

Foreign Exchange Contracts

The Company is party from time to time to certain foreign exchange contracts, primarily to offset the earnings impact related to fluctuations in foreign currency exchange rates associated with inventory purchases denominated in foreign currencies. Fluctuations in the value of certain foreign currencies as compared to the USD may positively or negatively affect the Company’s revenues, gross margins, operating expenses, and retained earnings, all of which are expressed in USD. Where the Company deems it prudent, the Company engages in hedging programs using foreign currency forward contracts aimed at limiting the impact of foreign currency exchange rate fluctuations on earnings. The Company purchases foreign currency forward contracts with terms less than 18 months to protect against currency exchange risks associated with the payment of merchandise purchases to foreign suppliers. The Company does not hedge the translation of foreign currency profits into USD, as the Company regards this as an accounting exposure rather than an economic exposure.

The aggregate gross notional values of foreign exchange contracts at June 30, 2022 was $13.5 million. These foreign exchange contracts have been designated as hedges in order to apply hedge accounting.

The Company is exposed to market risks as well as changes in foreign currency exchange rates as measured against the USD and each other, and to changes to the credit risk of derivative counterparties. The Company attempts to minimize these risks primarily by using foreign currency forward contracts and by maintaining counterparty credit limits. These hedging activities provide only limited protection against currency exchange and credit risk. Factors that could influence the effectiveness of the Company's hedging programs include those impacting currency markets and the availability of hedging instruments and liquidity of the credit markets. All foreign currency forward contracts that the Company enters into are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure. The Company does not enter into such contracts for speculative purposes, and as of June 30, 2022, the Company did not have any foreign currency forward contract derivatives that are not designated as hedges. These foreign exchange contracts have been designated as hedges in to order to apply hedge accounting.

The fair values of the Company's derivative financial instruments included in the condensed consolidated balance sheets are presented as follows (in thousands):

Derivatives designated as hedging instruments	Balance Sheet Location	June 30, 2022	December 31, 2021
Interest rate swaps	Prepaid expenses and other current assets	$ 64	$ —
	Accrued expenses	—	288
	Other long-term liabilities	—	292
Foreign exchange contracts	Prepaid expenses and other current assets	1,563	461

Derivatives not designated as hedging instruments	Balance Sheet Location	June 30, 2022	December 31, 2021
Interest rate swaps	Other assets	$ 674	$ —
	Other long-term liabilities	—	680

The fair values of the interest rate swaps have been obtained from the counterparties to the agreements and were based on Level 2 observable inputs using proprietary models and estimates about relevant future market conditions. The fair values of the foreign exchange contracts were based on Level 2 observable inputs using quoted market prices for similar assets in an active market. The counterparties to the derivative financial instruments are major international financial institutions. The Company is exposed to credit risk for the net exchanges under these agreements, but not for the notional amounts. As of June 30, 2022, the Company did not anticipate non-performance by any of its counterparties.

The amounts of gains and losses, realized and unrealized, related to the Company's derivative financial instruments designated as hedging instruments are recognized in other comprehensive (loss) income, net of taxes, as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives designated as hedging instruments	**2022**	**2021**	**2022**	**2021**
Interest rate swaps	$ 200	$ 171	$ 483	$ 393
Foreign exchange contracts	750	65	1,075	(330)
	$ 950	$ 236	$ 1,558	$ 63

Realized gains and losses on the interest rate swaps that are reported in other comprehensive (loss) income are reclassified into earnings as the interest expense on the debt is recognized. The Company had no terminated or matured interest rate swaps during the three and six months ended June 30, 2022.

Realized gains and losses on foreign exchange contracts that are reported in other comprehensive (loss) income are reclassified into cost of sales as the underlying inventory purchased is sold.

During the three months ended June 30, 2022, the Company reclassified $0.1 million of cash flow hedges in accumulated other comprehensive losses to earnings. This was comprised of $0.1 million related to realized interest rate swap losses and a gain of

$0.2 million related to foreign exchange contracts recognized in cost of sales. During the six months ended June 30, 2022, the Company reclassified $0.02 million of cash flow hedges in accumulated other comprehensive losses to earnings. This was comprised of $0.3 million related to realized interest rate swap losses and a gain of $0.3 million related to foreign exchange contracts recognized in cost of sales. At June 30, 2022, the estimated amount of existing net gains expected to be reclassified into earnings within the next 12 months was $1.4 million.

During the three months ended June 30, 2021, the Company reclassified $0.5 million of cash flow hedges in accumulated other comprehensive losses to earnings. This was comprised of $0.2 million related to realized interest rate swap losses and a loss of $0.3 million related to foreign exchange contracts recognized in cost of sales. During the six months ended June 30, 2021, the Company reclassified $0.8 million of cash flow hedges in accumulated other comprehensive losses to earnings. This was comprised of $0.5 million related to realized interest rate swap losses and a loss of $0.3 million related to foreign exchange contracts recognized in cost of sales.

Interest and mark to market gains (losses) related to the Company’s derivative financial instruments not designated as hedging instruments that were recognized in earnings are as follows (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives not designated as hedging instruments	**Location of gain (loss)**	**2022**	**2021**	**2022**	**2021**
Interest rate swaps	Mark to market gain on interest rate derivatives	$ 304	$ 46	$ 1,353	$ 544
	Interest expense	(72)	(115)	(183)	(226)
		$ 232	$ (69)	$ 1,170	$ 318

NOTE 9 — STOCK COMPENSATION

On June 23, 2022, the stockholders of the Company approved an amendment and restatement of the Company's Amended and Restated 2000 Long Term Incentive Plan (the "Plan"). The amendment and restatement of the Plan revised the terms and conditions of the Plan to, among other things, increase the shares available for grant under the Plan by 1,180,000 shares. As of June 30, 2022, there were 1,123,954 shares available for the grant of awards under the Plan, assuming maximum performance of performance-based awards.

Option Awards

A summary of the Company’s stock option activity and related information for the six months ended June 30, 2022 is as follows:

	Options	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value (in thousands)
Options outstanding, January 1, 2022	1,094,575	$ 13.64		
Grants	56,000	11.45		
Exercises	(60,000)	11.64		
Cancellations	(5,125)	10.60		
Expirations	(11,850)	13.30		
Options outstanding, June 30, 2022	1,073,600	13.66	4.9	$ 668
Options exercisable, June 30, 2022	958,725	$ 13.93	4.4	$ 579
Total unrecognized stock option expense remaining (in thousands)	$ 601			
Weighted-average years expected to be recognized over	2.1			

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had all option holders exercised their stock options on June 30, 2022. The intrinsic value is calculated for each in-the-money stock option as the difference between the closing price of the Company's common stock on June 30, 2022 and the exercise price.

Restricted Stock

A summary of the Company's restricted stock activity and related information for the six months ended June 30, 2022 is as follows:

	Restricted Shares	Weighted-average grant date fair value
Non-vested restricted shares, January 1, 2022	429,601	$ 11.47
Grants	266,713	12.03
Vested	(171,799)	11.89
Cancellations	(5,256)	10.73
Non-vested restricted shares, June 30, 2022	519,259	$ 11.63
Total unrecognized compensation expense remaining (in thousands)	$ 5,469	
Weighted-average years expected to be recognized over	1.8	

The total fair value of restricted stock that vested during the six months ended June 30, 2022 was $2.1 million.

Performance shares

Each performance award represents the right to receive up to 150% of the target number of shares of common stock. The number of shares of common stock earned will be determined based on the attainment of specified performance goals at the end of the performance period, as determined by the Compensation Committee of the Board of Directors. The shares are subject to the terms and conditions of the Company's Plan.

A summary of the Company's performance-based award activity and related information for the six months ended June 30, 2022 is as follows:

	Performance-based stock awards [(1)]	Weighted-average grant date fair value
Non-vested performance-based awards, January 1, 2022	436,330	$ 10.54
Grants	123,000	12.19
Achieved performance over target [(2)]	12,035	9.20
Vested	(166,935)	9.20
Cancellations	(3,776)	10.50
Non-vested performance-based awards, June 30, 2022	400,654	$ 11.56
Total unrecognized compensation expense remaining (in thousands)	$ 3,059	
Weighted-average years expected to be recognized over	1.9	

(1) Represents the target number of shares to be issued for each performance-based award.

(2) Represents the number of shares earned over target for performance-based awards granted in 2019 based on performance goals attained. These awards vested in the three months ended March 31, 2022.

The total fair value of performance-based awards that vested during the six months ended June 30, 2022 was $2.0 million.

Cash-settled performance-based awards

Each cash-settled performance-based award represents the right to receive up to 150% of the target number of deferred stock units with payment in cash equivalent to the value of one share of the Company's common stock. The number of deferred stock units earned will be determined based on the attainment of specified performance goals at the end of the performance period, as determined by the Compensation Committee of the Board of Directors. The cash-settled performance-based awards are subject to the terms and conditions of the Company’s Plan.

A summary of the Company’s cash-settled performance-based awards activity and related information for the six months ended June 30, 2022 is as follows:

	Cash-settled performance-based awards [1]	Weighted-average fair value
Non-vested cash-settled performance-based awards, January 1, 2022	—	$ —
Grants	87,825	11.05
Cancellations	(1,237)	11.85
Non-vested cash-settled performance-based awards, June 30, 2022	86,588	$ 11.04
Total unrecognized compensation expense remaining (in thousands)	$ 849	
Weighted-average years expected to be recognized over	2.5	

[1] Represents the target number of units to be settled in cash.

Compensation expense for cash-settled performance-based awards is recognized over the vesting period and will vary based on remeasurement during the performance period. If achievement of the performance metrics is not probable of achievement during the performance period, compensation expense is reversed. The awards are forfeited if the performance metrics are not achieved as of the end of the performance period. The cash-settled performance-based awards are liability-classified awards and are recorded within other long-term liabilities in the Company's condensed consolidated balance sheet. These awards are remeasured to fair value at the end of each reporting period until settlement. The cash-settled performance-based awards vest at the end of a three year period, as determined by the Compensation Committee.

The Company recorded stock compensation expense as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Stock Compensation Expense Components	**2022**	**2021**	**2022**	**2021**
Equity based stock option expense	$ 93	$ 102	$ 180	$ 226
Restricted and performance-based stock awards expense	1,187	1,221	2,251	2,536
Stock compensation expense for equity based awards	$ 1,280	$ 1,323	$ 2,431	$ 2,762
Liability based stock option expense	(1)	5	(6)	10
Cash-settled performance-based awards expense	86	—	114	—
Total Stock Compensation Expense	$ 1,365	$ 1,328	$ 2,539	$ 2,772

NOTE 10 —(LOSS) INCOME PER COMMON SHARE

Basic (loss) income per common share has been computed by dividing net (loss) income by the weighted-average number of shares of the Company's common stock outstanding during the relevant period. Diluted (loss) income per common share adjusts net (loss) income and basic (loss) income per common share for the effect of all potentially dilutive shares of the Company's common stock. Anti-dilutive securities are not included in the computation of diluted earnings per share under the treasury stock method.

The calculations of basic and diluted (loss) income per common share for the three and six months ended June 30, 2022 and 2021 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands, except per share amounts)			
Net (loss) income – Basic and Diluted	$ (3,460)	$ 5,789	$ (3,080)	$ 8,856
Weighted-average shares outstanding – Basic	21,531	21,322	21,642	21,239
Effect of dilutive securities:				
Stock options and other stock awards	—	643	—	664
Weighted-average shares outstanding – Diluted	21,531	21,965	21,642	21,903
Basic (loss) income per common share	$ (0.16)	$ 0.27	$ (0.14)	$ 0.42
Diluted (loss) income per common share	$ (0.16)	$ 0.26	$ (0.14)	$ 0.40
Antidilutive Securities[1]	1,704	423	1,671	422

[1] Stock options and other stock awards that have been excluded from the denominator as their inclusion would have been anti-dilutive.

NOTE 11— INCOME TAXES

Income tax benefit of $0.1 million and income tax provision of $1.6 million for the three and six months ended June 30, 2022, respectively, represent taxes on both U.S. and foreign earnings at a combined effective income tax benefit rate of 2.5% and an income tax provision rate of (69.8)%, respectively. The negative rate for the six months ended June 30, 2022 reflects tax expense on a pretax financial reporting loss. The effective tax rate for the three and six months ended June 30, 2022 differs from the federal statutory income tax rate of 21.0% primarily due to foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance.

Income tax provision of $1.8 million and $4.2 million for the three and six months ended June 30, 2021, respectively, represent taxes on both U.S. and foreign earnings at combined effective income tax provision rates of 25.3% and 32.8%, respectively. The effective tax rate for the three and six months ended June 30, 2021 differs from the federal statutory income tax rate of 21.0% primarily due to state and local tax expense, and foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance, net of a benefit related to share based equity compensation.

The Company has identified the following jurisdictions as "major" tax jurisdictions: U.S. Federal, California, Georgia, Illinois, Massachusetts, New Jersey, New York and the United Kingdom.

The audit of the Company's New York State tax returns for years 2015-2019 closed during the quarter ended March 31, 2022 with an immaterial adjustment.

The Company evaluates its tax positions on a quarterly basis and revises its estimates accordingly. There were no material changes to the Company's uncertain tax positions, interest, or penalties during the three-month periods ended June 30, 2022 and June 30, 2021.

LIFETIME BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

(unaudited)

NOTE 12 – BUSINESS SEGMENTS

The Company has two reportable segments, U.S. and International. The Company has segmented its operations to reflect the manner in which management reviews and evaluates the results of its operations. The U.S. segment includes the Company’s primary domestic business that designs, markets and distributes its products to retailers, distributors and directly to consumers through its own websites. The International segment consists of certain business operations conducted outside the U.S. Management evaluates the performance of the U.S. and International segments based on net sales and income from operations. Such measures give recognition to specifically identifiable operating costs such as cost of sales, distribution expenses and selling, general and administrative expenses. Certain general and administrative expenses, such as senior executive salaries and benefits, stock compensation, director fees, and accounting, legal fees and consulting fees, are not allocated to the specific segments and are reflected as unallocated corporate expenses.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Net sales				
U.S.	$ 137,191	$ 166,583	$ 303,409	$ 342,764
International	14,123	20,053	30,622	39,525
Total net sales	$ 151,314	$ 186,636	$ 334,031	$ 382,289
(Loss) income from operations				
U.S.	$ 7,530	$ 18,274	$ 21,856	$ 35,381
International	(3,072)	(1,616)	(7,190)	(3,766)
Unallocated corporate expenses	(4,922)	(5,657)	(10,775)	(11,368)
(Loss) income from operations	$ (464)	$ 11,001	$ 3,891	$ 20,247
Depreciation and amortization				
U.S.	$ 4,698	$ 4,539	$ 9,247	$ 9,289
International	340	1,226	690	2,434
Total depreciation and amortization	$ 5,038	$ 5,765	$ 9,937	$ 11,723

	June 30, 2022	December 31, 2021
	(in thousands)	
Assets		
U.S.	$ 669,065	$ 706,000
International	92,697	95,092
Unallocated corporate	10,926	27,982
Total Assets	$ 772,688	$ 829,074

NOTE 13 — CONTINGENCIES

Wallace EPA Matter

Wallace Silversmiths de Puerto Rico, Ltd. (“WSPR”), a wholly-owned subsidiary of the Company, operates a manufacturing facility in San Germán, Puerto Rico that is leased from the Puerto Rico Industrial Development Company (“PRIDCO”). In March 2008, the U.S. Environmental Protection Agency (the “EPA”) announced that the San Germán Ground Water Contamination site in Puerto Rico (the “Site”) had been added to the Superfund National Priorities List due to contamination present in the local drinking water supply.

In May 2008, WSPR received from the EPA a Notice of Potential Liability and Request for Information pursuant to 42 U.S.C. Sections 9607(a) and 9604(e) of the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”). In July 2011, WSPR received a letter from the EPA requesting access to the property that it leases from PRIDCO to conduct an environmental investigation, and the Company granted such access. In February 2013, the EPA requested access to conduct a further environmental investigation at the property. PRIDCO agreed to such access and the Company consented. The EPA conducted a further investigation during 2013 and, in April 2015, notified the Company and PRIDCO that the results from vapor intrusion sampling may warrant the implementation of measures to mitigate potential exposure to sub-slab soil gas. The Company reviewed the information provided by the EPA and requested that PRIDCO, as the property owner, find and implement a solution acceptable to the EPA. While WSPR did not cause the sub-surface condition that resulted in the potential for vapor intrusion, in order to protect the health of its employees and continue its business operations, it has nevertheless implemented corrective action measures to prevent vapor intrusion, such as sealing the floors of the building and conducting periodic air monitoring to address potential exposure.

On August 13, 2015, the EPA released its remedial investigation and feasibility study (“RI/FS”) for the Site. On December 11, 2015, the EPA issued the Record of Decision (“ROD”) for an initial operable unit, electing to implement its preferred remedy which consists of soil vapor extraction and dual-phase extraction/in-situ treatment. This selected remedy includes soil vapor extraction (“SVE”) to address soil (vadose zone) source areas at the Site, impermeable cover as necessary for the implementation of SVE, dual phase extraction in the shallow saprolite zone, and in-situ treatment as needed to address residual sources. The EPA’s total net present worth estimated cost for its selected remedy is $7.3 million. The EPA also designated a second operable unit under which the EPA has and will continue to conduct further investigations to determine the nature and extent of groundwater contamination, as well as a determination by the EPA on the necessity of any further response actions to address groundwater contamination. In February 2017, the EPA indicated that it planned to expand its field investigation for the RI/FS to a second operable unit to further determine the nature and extent of the groundwater contamination at and from the Site and to determine the nature of the remedial action needed to address the contamination. The EPA has requested access to the property occupied by WSPR to install monitoring wells and to undertake groundwater sampling as part of this expanded investigation. WSPR has consented to the EPA’s access request, provided that the EPA receives PRIDCO’s consent, as the property owner. WSPR never used the primary contaminant of concern and did not take up its tenancy at the Site until after the EPA had discovered the contamination in the local water supply. The EPA has also issued notices of potential liability to a number of other entities affiliated with the Site, which used the contaminants of concern.

In December 2018, the Company, WSPR, and other identified potentially responsible parties affiliated with the Site entered into tolling agreements to extend the statute of limitations for potential claims for the recovery of response costs for the initial operable unit under Section 107 of CERCLA. In February 2020, the tolling agreements were extended to November 2020. In November 2020, the tolling agreements were extended to November 2021. In October 2021, the tolling agreements were extended to November 2022. The tolling agreements do not constitute in any way an admission or acknowledgment of any fact, conclusion of law or liability by the parties to the agreements.

The EPA released its proposed plan for a second operable unit in July 2019. The public comment period for the proposed plan ended on September 10, 2019. On September 30, 2019, the EPA issued the ROD for operable unit 2 (“OU-2”), electing to implement its preferred remedy which consists of in-situ treatment of groundwater and a monitored natural attenuation program including monitoring of the plume fringe at the Site. The EPA’s estimated total net present worth cost for its selected remedy is $17.3 million.

In August 2021, WSPR received a Notice of Liability from the Department of Justice on behalf of the EPA, and in September 2021, WSPR submitted a good faith offer to conduct additional testing and remedial design, which is under consideration by the EPA.

The Company has reserved $0.5 million to cover probable and estimable liabilities with respect to the above testing and remedial design. However, it is not possible at this time for the Company to estimate its share of its ultimate liability related to this matter. In the event of one or more adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact on the Company's results of operations could be material.

U.S. Customs and Border Protection matter

By letter dated August 26, 2019, the Company was advised that U.S. Customs and Border Protection ("CBP") had commenced an investigation, pursuant to 19 U.S.C. §1592, regarding the Company's tariff classification of certain tableware and kitchenware. The issue centers on whether such merchandise meets the criteria for reduced duty rates as specified sets as those terms are defined in Chapter 69, Note 6(b), Harmonized Tariff System of the United States. The period of investigation is stated to be from August 26, 2014 to the present. Since being notified of the investigation, the Company has obtained a significant amount of evidence that, the Company believes, supports that the imported products were properly classified as specified sets. The Company's counsel filed a Lead Protest and Application for Further Review with CBP on February 5, 2020 (the "Lead Protest") relating to a single shipment made during the investigation period.

CBP approved the Company's Lead Protest on June 8, 2020 stating that the specified set requirement was fulfilled with respect to the protested shipment based on information provided by the Company. Based on this decision, no additional duties will be owed for the seven tableware collections imported in this shipment.

The Company also compiled and submitted to CBP a complete set of supporting documents for three additional protests (for the remaining 29 tableware collections that were imported by the Company under the protested shipments). One of the additional protests was approved on October 15, 2020; the other two remain pending. If the CBP approves these additional claims and accepts the evidence presented, then no additional duties will be owed for the remaining protested shipments.

Because the period of investigation covers a five-year period, the Company is compiling supporting documentation packages for all tableware collections imported during this period.

In the event CBP accepts the evidence presented, then no additional duties or penalties will be owed. If CBP rejects the Company's position, then the estimated amount of duties that could be owed is $1.4 million. In such event, it is reasonably possible that additional penalties could be assessed, depending upon the level of culpability found, of up to $2.8 million for negligence and up to $5.6 million for gross negligence. In the event penalties are assessed, the Company will have the opportunity to further contest CBP's findings and seek cancellation or mitigation of such assessments.

Accordingly, based on the above uncertainties and variables, the Company considers the potential losses related to this matter to be reasonably possible, but not probable. However, in the event of one or more adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact on the Company's results of operations could be material.

Other

The Company is, from time to time, involved in other legal proceedings. The Company believes that other current litigation is routine in nature and incidental to the conduct of the Company's business and that none of this litigation, individually or collectively, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

NOTE 14 — OTHER

Cash dividends

Dividends declared in the six months ended June 30, 2022 were as follows:

Dividend per share	Date declared	Date of record	Payment date
$0.0425	3/8/2022	5/2/2022	5/16/2022
$0.0425	6/23/2022	8/1/2022	8/15/2022

During the six months ended June 30, 2022, the Company paid dividends of $1.9 million. This included payments made on February 14, 2022 and May 16, 2022 of $0.9 million and $0.9 million to stockholders of record on January 31, 2022 and May 2, 2022, respectively, and payments of $0.1 million for dividends payable upon the vesting of restricted shares and performance shares.

In the three months ended June 30, 2022, the Company reduced retained earnings for the accrual of $1.0 million relating to the dividend payable on August 15, 2022.

On August 2, 2022, the Board of Directors declared a quarterly dividend of $0.0425 per share of common stock payable on November 15, 2022 to stockholders of record on November 1, 2022.

Stock repurchase program

On March 14, 2022, the Company announced that its Board of Directors of the Company authorized the repurchase of up to $20.0 million of the Company's common stock, replacing the Company's previously-authorized $10 million share repurchase program. The repurchase authorization permits the Company to effect the repurchases from time to time through open market purchases and privately negotiated transactions. During the three and six months ended June 30, 2022, the Company repurchased 285,646 and 336,791 shares, respectively, for a total cost of $3.5 million and $4.2 million respectively, and thereafter retired the shares. Please see Part II, Item 2—Unregistered Sales of Equity Securities and Use of Proceeds included in this Quarterly Report on Form 10-Q.

Supplemental cash flow information

	Six Months Ended June 30,	
	2022	2021
	(in thousands)	
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 6,598	$ 6,896
Cash paid for taxes, net of refunds	5,862	10,793
Non-cash investing activities:		
Net (loss) on dilution of Vasconia ownership	$ —	$ (310)

Components of accumulated other comprehensive loss, net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Accumulated translation adjustment:				
Balance at beginning of period	$ (31,868)	$ (34,017)	$ (31,752)	$ (35,846)
Translation adjustment during period	(4,307)	352	(4,423)	2,181
Amounts reclassified from accumulated other comprehensive loss [1]	—	2,042	—	2,042
Translation Adjustment	(4,307)	2,394	(4,423)	4,223
Balance at end of period	$ (36,175)	$ (31,623)	$ (36,175)	$ (31,623)
Accumulated deferred gains (losses) on cash flow hedges:				
Balance at beginning of period	$ 686	$ (1,298)	$ 78	$ (1,125)
Change in unrealized gains (losses)	1,079	(229)	1,577	(783)
Amounts reclassified from accumulated other comprehensive loss:				
Settlement of cash flow hedge [2]	(129)	465	(19)	846
Net change in cash flow hedges, net of taxes of $243, $73, $413, $54	950	236	1,558	63
Balance at end of period	$ 1,636	$ (1,062)	$ 1,636	$ (1,062)
Accumulated effect of retirement benefit obligations:				
Balance at beginning of period	$ (1,846)	$ (2,174)	$ (1,875)	$ (2,201)
Amounts reclassified from accumulated other comprehensive loss: [3]				
Amortization of actuarial loss, net of taxes	29	41	58	68
Balance at end of period	$ (1,817)	$ (2,133)	$ (1,817)	$ (2,133)
Total accumulated other comprehensive loss at end of period	$ (36,356)	$ (34,818)	$ (36,356)	$ (34,818)

(1) Amounts are recorded in equity in earnings on the unaudited condensed statements of operations.

(2) Amounts reclassified are recorded in interest expense and cost of sales on the unaudited condensed consolidated statement of operations.

(3) Amounts are recorded in selling, general and administrative expense on the unaudited condensed consolidated statements of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q of Lifetime Brands, Inc. (the "Company" and, unless the context otherwise requires, references to the "Company" shall include its consolidated subsidiaries), contains "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. These forward-looking statements include information concerning the Company's plans, objectives, goals, strategies, future events, future revenues, performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, in *Management's Discussion and Analysis of Financial Condition and Results of Operations.* When used in this Quarterly Report on Form 10-Q, the words "estimates," "expects," "intends," "predicts," "plans," "believes," "may," "should," "would," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, those based on the Company's examination of historical operating trends, are based upon the Company's current expectations and various assumptions. The Company believes there is a reasonable basis for its expectations and assumptions, but there can be no assurance that the Company will realize its expectations or that the Company's assumptions will prove correct.

There are a number of risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Important factors that could cause the Company's actual results to differ materially from those expressed as forward-looking statements include, without limitation, those set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Annual Report on Form 10-K") in Part I, Item 1A under the heading *Risk Factors,* and in the Company's subsequent filings with the U.S. Securities and Exchange Commission (the "SEC"). Such risks, uncertainties and other important factors include, among others, risks related to:

- Macroeconomic conditions, including inflationary impacts and disruptions to the global supply chain;
- The ongoing impact of the COVID-19 pandemic;
- Increase in supply chain costs, including raw materials, sourcing, transportation and energy;
- The impact of the United Kingdom's exit from the European Union on the Company's U.K. operations;
- The impact of tariffs and trade policies, particularly with respect to China;
- legislative or regulatory risks relating to climate change;
- Indebtedness, compliance with credit agreements, and access to credit markets;
- Access to the capital markets and credit markets;
- The seasonality of the Company's cash flows;
- The Company's ability to complete acquisitions or successfully integrate acquisitions, such as the recent acquisition of S'well;
- Intense market competition and changing customer practices or preferences;
- Dependence on third-party manufacturers;
- Technology, cybersecurity and data privacy risks;
- Geopolitical conditions, including war, conflict, unrest and sanctions, including those related to the conflict in Ukraine;
- Product liability claims; and
- Reputational risks.

There may be other factors that may cause the Company's actual results to differ materially from the forward-looking statements. Except as may be required by law, the Company undertakes no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

The Company is required to file its Annual Reports on Forms 10-K, Quarterly Reports on Forms 10-Q, Current Reports on Form 8-K, and other reports and documents as required from time to time with the SEC. The Company also maintains a website at *http://www.lifetimebrands.com*. Information contained on this website is not a part of or incorporated by reference into this Quarterly Report on Form 10-Q. The Company makes available on its website the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports as soon as reasonably practicable after these reports are filed with or furnished to the SEC. Users can access these reports free of charge on the Company's website. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding the Company's electronic filings with the SEC at *http://www.sec.gov.*

The Company intends to use its website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Such disclosures will be included on the Company's website in the 'Investor Relations' section. Accordingly, investors should monitor such portion of the Company's website, in addition to following the Company's press releases, SEC filings and public conference calls and webcasts.

ABOUT THE COMPANY

The Company designs, sources and sells branded kitchenware, tableware and other products used in the home. The Company's product categories include two categories of products used to prepare, serve, and consume foods: Kitchenware (kitchen tools and gadgets, cutlery, kitchen scales, thermometers, cutting boards, shears, cookware, pantryware, spice racks, and bakeware) and Tableware (dinnerware, stemware, flatware, and giftware); and one category, Home Solutions, which comprises other products used in the home (thermal beverageware, bath scales, weather and outdoor household products, food storage, neoprene travel products and home décor). In 2021, Kitchenware products and Tableware products accounted for approximately 85% of the Company's U.S. segment's net sales and 87% of the Company's consolidated net sales.

The Company markets several product lines within each of its product categories and under most of the Company's brands, primarily targeting moderate price points through virtually every major level of trade. The Company believes it possesses certain competitive advantages based on its brands, its emphasis on innovation and new product development, and its sourcing capabilities. The Company owns or licenses a number of leading brands in its industry, including Farberware®, KitchenAid®, Taylor®, Mikasa®, KitchenCraft®, Built NY®, Kamenstein®, Pfaltzgraff®, Rabbit®, and Sabatier®. Historically, the Company's sales growth has come from expanding product offerings within its product categories, developing existing brands, acquiring new brands (including complementary brands in markets outside the United States), and establishing new product categories. Key factors in the Company's growth strategy have been the selective use and management of the Company's brands and the Company's ability to provide a stream of new products and designs. A significant element of this strategy is the Company's in-house design and development teams that create new products, packaging and merchandising concepts.

RECENT DEVELOPMENTS

Disruptions in the global supply chain have been caused by various factors, including increased demand for containers, limited container capacity and backlog at shipping ports. The Company has been impacted by these disruptions and has experienced higher inbound freight cost, delays in importing inventory and an increase in product costs. In addition, the global economy is experiencing accelerated inflation, which has in part been caused by the supply chain disruptions, higher consumer spending and low interest rates. The rise in inflation is contributing to higher prices, which may result in higher input cost for products, increased transportation and labor cost and impact consumer spending and buying patterns. The Company may be adversely impacted if trends in the global supply chain disruptions and high inflation continue in 2022.

The Company has experienced an increase in delivery times and cost for products shipped from the U.K. warehouse to continental Europe. To remain competitive in the distribution of products within continental Europe, the Company expanded its distribution and warehouse capacity through a third-party operated distribution provider located in the Netherlands in the first quarter of 2022. The Company began shipments from this location in the second quarter of 2022.

On March 23 2022, the United States Trade Representative ("USTR") announced it had reinstated exclusions on certain product categories or harmonized tariff codes retroactive to October 12, 2021. The exclusion is effective through December 31, 2023.

BUSINESS SEGMENTS

The Company has two reportable segments, U.S. and International. The Company has segmented its operations to reflect the manner in which management reviews and evaluates the results of its operations. The U.S. segment includes the Company's primary domestic business that designs, markets and distributes its products to retailers, distributors and directly to consumers through its own websites. The International segment consists of certain business operations conducted outside the U.S. Management evaluates the performance of the U.S. and International segments based on net sales and income from operations. Such measures give recognition to specifically identifiable operating costs such as cost of sales, distribution expenses and selling, general and administrative expenses. Certain general and administrative expenses, such as senior executive salaries and benefits, stock compensation, director fees, and accounting, legal fees and consulting fees, are not allocated to the specific segments and are reflected as unallocated corporate expenses.

EQUITY INVESTMENTS

As of June 30, 2022, the Company owned 24.7% of the outstanding capital stock of Grupo Vasconia S.A.B. (“Vasconia”), an integrated manufacturer of aluminum products and one of Mexico’s largest housewares companies. Shares of Vasconia’s capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI. For the period ended June 30, 2021, the Company's investment ownership was 30%. The Company's investment ownership decreased to approximately 27% on June 30, 2021 and was further reduced to 24.7% on July 29, 2021 as a result of transactions that occurred in those periods. The Company accounts for its investment in Vasconia using the equity method of accounting and records its proportionate share of Vasconia’s net income in the Company’s condensed consolidated statements of operations. Accordingly, the Company has recorded its proportionate share of Vasconia’s net income (reduced for amortization expense related to the customer relationships acquired) for the three and six months ended June 30, 2022 and 2021 in the accompanying unaudited condensed consolidated statements of operations. Pursuant to a Shares Subscription Agreement, the Company may designate four persons to be nominated as members of Vasconia’s Board of Directors. As of June 30, 2022, Vasconia’s Board of Directors is comprised of eleven members, of whom the Company has designated two members.

On June 30, 2021, Vasconia issued additional shares of its stock, which diluted the Company’s investment ownership from approximately 30% to approximately 27%. The Company recorded a non-cash gain of $1.7 million, increasing the Company’s investment balance. Additionally, a loss of $2.0 million was recognized for the proportionate share of the diluted ownership for amounts previously recognized in accumulated other comprehensive loss. The net loss of $0.3 million was included in equity in earnings, net of taxes, in the accompanying unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2021.

The Company continues to explore opportunities to sell additional shares of its investment in Vasconia.

SEASONALITY

The Company’s business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2021 and 2020, net sales for the third and fourth quarters accounted for 56% and 62% of total annual net sales, respectively. The increase in the Company's net sales in the first half of the year in 2021 compared to historical trend was a result of increased demand for the Company's products due to shifts in consumer purchasing patterns. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

Consistent with the seasonality of the Company’s net sales and inventory levels, the Company also experiences seasonality in its inventory turnover and turnover days from one quarter to the next.

The COVID-19 pandemic has caused, and may continue to cause, shifts in some of the Company's selling and purchasing cycles as customers deviate from their historical ordering patterns.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to the Company’s critical accounting estimates discussed in the 2021 Annual Report on Form 10-K in Item 7 under the heading *Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates*.

RESULTS OF OPERATIONS

The following table sets forth statements of operations data of the Company as a percentage of net sales for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	63.5	64.6	64.6	65.4
Gross margin	36.5	35.4	35.4	34.6
Distribution expenses	11.5	10.1	11.0	9.8
Selling, general and administrative expenses	25.3	19.4	23.2	19.4
(Loss) income from operations	(0.3)	5.9	1.2	5.4
Interest expense	(2.5)	(2.0)	(2.3)	(2.0)
Mark to market gain on interest rate derivatives	0.2	0.0	0.4	0.1
(Loss) income before income taxes and equity in earnings	(2.6)	3.9	(0.7)	3.5
Income tax benefit (provision)	0.1	(1.0)	(0.4)	(1.2)
Equity in earnings, net of taxes	0.2	0.2	0.2	0.0
Net (loss) income	(2.3)%	3.1 %	(0.9)%	2.3 %

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED JUNE 30, 2022 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2021

Net Sales

Consolidated net sales for the three months ended June 30, 2022 were $151.3 million, representing a decrease of $35.3 million or 18.9%, as compared to net sales of $186.6 million for the corresponding period in 2021. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations and was determined by applying 2022 average rates to 2021 local currency amounts, consolidated net sales decreased by $33.6 million, or 18.2%, as compared to consolidated net sales in the corresponding period in 2021.

Net sales for the U.S. segment for the three months ended June 30, 2022 were $137.2 million, a decrease of $29.4 million, or 17.6%, as compared to net sales of $166.6 million for the corresponding period in 2021.

Net sales for the U.S. segment's Kitchenware product category were $84.3 million for the three months ended June 30, 2022, a decrease of $19.3 million, or 18.6%, as compared to $103.6 million for the corresponding period in 2021. The decrease was driven by lower sales for kitchen tools and gadgets, cutlery and boards, and bakeware due to inventory buildup at brick-and-mortar and e-commerce retailers.

Net sales for the U.S. segment's Tableware product category were $29.9 million for the three months ended June 30, 2022, a decrease of $7.4 million, or 19.8%, as compared to $37.3 million for the corresponding period in 2021. The decrease across all product lines was due to lower sales to brick-and-mortar retailers and a warehouse club program for flatware not repeated in 2022.

Net sales for the U.S. segment's Home Solutions product category were $23.0 million for the three months ended June 30, 2022, a decrease of $2.7 million, or 10.5%, as compared to $25.7 million for the corresponding period in 2021. The decrease was due to lower sales for measurement and home décor products, partially offset by hydration product sales attributable to S'well.

Net sales for the International segment were $14.1 million for the three months ended June 30, 2022, a decrease of $6.0 million, or 29.9%, as compared to net sales of $20.1 million for the corresponding period in 2021. In constant currency, which excludes the impact of foreign exchange fluctuations, net sales decreased $4.2 million, or 22.9%, as compared to consolidated net sales in the corresponding period in 2021. The decrease was driven by lower sales to brick-and-mortar retailers and e-commerce sales.

Gross margin

Gross margin for the three months ended June 30, 2022 was $55.2 million, or 36.5%, as compared to $66.2 million, or 35.4%, for the corresponding period in 2021.

Gross margin for the U.S. segment was $50.9 million, or 37.1%, for the three months ended June 30, 2022, as compared to $59.6 million, or 35.8%, for the corresponding period in 2021. The decrease in gross margin for the U.S. was driven by lower sales. The improvement in gross margin percentage was due to product mix, a tariff reduction on certain product categories and less dependency on non-vessel operating common carriers.

Gross margin for the International segment was $4.3 million, or 30.5%, for the three months ended June 30, 2022, as compared to $6.5 million, or 32.3%, for the corresponding period in 2021. The decrease in gross margin was driven by lower sales. The decrease in the gross margin percentage was attributable to higher inbound freight cost and impact of fixed overhead costs on lower sales volume for the 2022 period.

Distribution expenses

Distribution expenses for the three months ended June 30, 2022 were $17.4 million, as compared to $18.9 million for the corresponding period in 2021. Distribution expenses as a percentage of net sales were 11.5% for the three months ended June 30, 2022, as compared to 10.1% for the three months ended June 30, 2021.

Distribution expenses as a percentage of net sales for the U.S. segment were approximately 10.5% and 9.0% for the three months ended June 30, 2022 and 2021, respectively. As a percentage of sales shipped from the Company's U.S. warehouses, excluding non-recurring expenses, distribution expenses were 11.3% and 9.4% for the three months ended June 30, 2022 and 2021, respectively. The increase in expenses as a percentage of sales was attributable to lower shipment volume and higher labor rates, partially offset by lower warehouse equipment and supply expenses.

Distribution expenses as a percentage of net sales for the International segment were 21.4% for the three months ended June 30, 2022, compared to 19.9% for the corresponding period in 2021. As a percentage of sales shipped from the Company's international warehouses distribution expenses were 22.1% and 17.5% for the three months ended June 30, 2022 and 2021, respectively. The increase was attributable to lower shipment volume, labor costs and an increase in business occupancy tax expense for the U.K. warehouse. The increase was partially offset by lower shipping cost for shipments into continental Europe as a result of the new distribution center in the Netherlands.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended June 30, 2022 were $38.3 million, an increase of $2.1 million, or 5.8%, as compared to $36.2 million for the corresponding period in 2021.

Selling, general and administrative expenses for the U.S. segment were $29.1 million for the three months ended June 30, 2022, as compared to $26.4 million for the corresponding period in 2021. As a percentage of net sales, selling, general and administrative expenses were 21.2% and 15.8% for the three months ended June 30, 2022 and 2021, respectively. The increase was attributable to integration costs related to the S'well acquisition and an increase in advertising and consulting expenses.

Selling, general and administrative expenses for the International segment were $4.3 million for the three months ended June 30, 2022, as compared to $4.2 million for the corresponding period in 2021. As a percentage of net sales, selling, general and administrative expenses were 30.5% and 20.8% for the three months ended June 30, 2022 and 2021, respectively. The expense increase was attributable to unfavorable foreign currency exchange losses, partially offset by lower amortization expense on intangible assets as a result of the prior year impairment.

Unallocated corporate expenses for the three months ended June 30, 2022 were $4.9 million, as compared to $5.7 million for the corresponding period in 2021. The current period decrease was driven by lower incentive compensation expense, partially offset by an increase in legal and professional fees.

Interest expense

Interest expense was $3.7 million and $3.8 million for the three months ended June 30, 2022 and 2021, respectively. The decrease in expense was a result of less debt outstanding on the Term Loan.

Mark to market gain on interest rate derivatives

Mark to market gain on interest rate derivatives was $0.3 million for the three months ended June 30, 2022, as compared to a mark to market gain on interest rate derivatives of $0.05 million for the three months ended June 30, 2021. The mark to market amount represents the change in fair value on the Company’s interest rate derivatives that have not been designated as hedging instruments. These derivatives were entered into for purposes of locking-in a fixed interest rate on a portion of the Company’s variable interest rate debt. As of June 30, 2022, the intent of the Company is to hold these derivative contracts until their maturity.

Income taxes

Income tax benefit of $0.1 million and income tax provision of $1.8 million for the three months ended June 30, 2022 and 2021, respectively, represent taxes on both U.S. and foreign earnings at a combined effective income tax benefit rate of 2.5% and an income tax provision rate of 25.3%, respectively. The effective tax rate for the three months ended June 30, 2022 differs from the federal statutory income tax rate of 21.0% primarily due to foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance. The effective tax rate for the three months ended June 30, 2021 differs from the federal statutory income tax rate of 21.0% primarily due to state and local tax expense, and foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance, net of a benefit related to share based equity compensation.

Equity in earnings

Equity in earnings of Vasconia, net of taxes, was $0.3 million for the three months ended June 30, 2022, as compared to equity in earnings of Vasconia, net of taxes, of $0.7 million for the three months ended June 30, 2021. Vasconia reported income from operations of $0.5 million for the three months ended June 30, 2022, as compared to income from operations of $6.5 million for the three months ended June 30, 2021. The decrease in income from operations was primarily attributable to decreased operating results in the current period in Vasconia's kitchenware and aluminum division.

For the three months ended June 30, 2021, the Company recognized a net loss of $0.3 million related to the dilution of the Company's ownership in its Vasconia investment. The net loss was comprised of a loss of $2.0 million, related to amounts that were previously recognized in accumulated other comprehensive loss, net of a non-cash gain of $1.7 million for the difference between the selling price and the Company's basis in the diluted shares.

MANAGEMENT’S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED JUNE 30, 2022 COMPARED TO THE SIX MONTHS ENDED
JUNE 30, 2021

Net Sales

Consolidated net sales for the six months ended June 30, 2022 were $334.0 million, a decrease of $48.3 million, or 12.6%, as compared to net sales of $382.3 million for the corresponding period in 2021. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations and was determined by applying 2022 average rates to 2021 local currency amounts, consolidated net sales decreased by $46.3 million, or 12.2%, as compared to consolidated net sales in the corresponding period in 2021.

Net sales for the U.S. segment for the six months ended June 30, 2022 were $303.4 million, a decrease of $39.4 million, or 11.5%, as compared to net sales of $342.8 million for the corresponding period in 2021.

Net sales for the U.S. segment’s Kitchenware product category were $198.5 million for the six months ended June 30, 2022, a decrease of $25.1 million, or 11.2%, as compared to $223.6 million for the corresponding period in 2021. The decrease was mainly driven by lower sales for kitchen tools and gadgets, cutlery and board, and bakeware products due to inventory buildup at brick-and-mortar and e-commerce retailers. The decrease was partially offset by an increase in sales for barware and wine products attributable to a new warehouse club program in 2022.

Net sales for the U.S. segment’s Tableware product category were $56.5 million for the six months ended June 30, 2022, a decrease of $11.0 million, or 16.3%, as compared to $67.5 million for the corresponding period in 2021. The decrease came from all product lines due to lower sales to brick-and-mortar retailers and e-commerce sales.

Net sales for the U.S. segment’s Home Solutions product category were $48.4 million for the six months ended June 30, 2022, a decrease of $3.2 million, or 6.2%, as compared to $51.6 million for the corresponding period in 2021. The decrease was primarily driven by lower sales for measurement and home décor products, partially offset by hydration product sales attributable to S'well.

Net sales for the International segment were $30.6 million for the six months ended June 30, 2022, a decrease of $8.9 million, or 22.5%, as compared to net sales of $39.5 million for the corresponding period in 2021. In constant currency, which excludes the impact of foreign exchange fluctuations, net sales decreased $7.0 million, or 18.6%, as compared to consolidated net sales in the corresponding period in 2021. The decrease was attributable to lower sales to brick-and-mortar retailers, e-commerce sales and a decrease in the Company's global trading business in Asia driven by lower sales with an Australian distributor.

Gross margin

Gross margin for the six months ended June 30, 2022 was $118.2 million, or 35.4%, as compared to $132.2 million, or 34.6%, for the corresponding period in 2021.

Gross margin for the U.S. segment was $108.7 million, or 35.8%, for the six months ended June 30, 2022, as compared to $119.4 million, or 34.8%, for the corresponding period in 2021. The decrease in gross margin for the U.S. was driven by lower sales. The improvement in gross margin percentage was due to product mix, a tariff reduction on certain product categories and less dependency on non-vessel operating common carriers.

Gross margin for the International segment was $9.5 million, or 31.0%, for the six months ended June 30, 2022, as compared to $12.7 million, or 32.2%, for the corresponding period in 2021. The decrease in gross margin was driven by lower sales. The decrease in gross margin percentage was due to the impact of fixed overhead costs on lower sales volume for the 2022 period.

Distribution expenses

Distribution expenses for the six months ended June 30, 2022 were $36.6 million, as compared to $37.6 million for the corresponding period in 2021. Distribution expenses as a percentage of net sales were 11.0% for the six months ended June 30, 2022, as compared to 9.8% for the six months ended June 30, 2021.

Distribution expenses as a percentage of net sales for the U.S. segment were approximately 9.6% and 8.8% for the six months ended June 30, 2022 and 2021, respectively. As a percentage of sales shipped from the Company's U.S. warehouses, distribution expenses were 10.6% and 9.1% for the six months ended June 30, 2022 and 2021, respectively. The increase in the expenses as a percentage of sales was a result of lower shipment volume and higher labor rates, partially offset by lower warehouse equipment and supply expenses.

Distribution expenses as a percentage of net sales for the International segment were 24.0% for the six months ended June 30, 2022, compared to 18.6% for the corresponding period in 2021. Distribution expenses during the six months ended June 30, 2022 include $0.4 million for the Company's relocation costs for its new warehouse distribution facility in the Netherlands. As a percentage of sales shipped from the Company's international warehouse, excluding non-recurring expenses, distribution expenses were 21.9% and 15.9% for the six months ended June 30, 2022 and 2021, respectively. The increase was primarily attributed to increased shipping cost for products shipped from the U.K. warehouse to continental Europe and an increase in business occupancy tax expense for the U.K. warehouse.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended June 30, 2022 were $77.7 million, an increase of $3.4 million, or 4.6%, as compared to $74.3 million for the corresponding period in 2021.

Selling, general and administrative expenses for the U.S. segment were $57.6 million for the six months ended June 30, 2022, as compared to $53.8 million for the corresponding period in 2021. As a percentage of net sales, selling, general and administrative expenses were 19.0% and 15.7% for the six months ended June 30, 2022 and 2021, respectively. The increase was attributable to integration costs related to the S'well acquisition and an increase in advertising and consulting expenses.

Selling, general and administrative expenses for the International segment were $9.3 million for the six months ended June 30, 2022, as compared to $9.2 million for the corresponding period in 2021. The increase was primarily attributable to unfavorable foreign currency exchange losses and an increase in advertising expenses, partially offset by lower amortization expense on intangible assets as a result of the prior year impairment.

Unallocated corporate expenses for the six months ended June 30, 2022 were $10.8 million, as compared to $11.4 million for the corresponding period in 2021. The decrease was driven by lower incentive compensation expense, partially offset by legal and professional fees related to the S'well acquisition.

Interest expense

Interest expense was $7.5 million and $7.8 million for the six months ended June 30, 2022 and 2021, respectively. The decrease in expense was a result of lower debt outstanding on the Term Loan.

Mark to market gain on interest rate derivatives

Mark to market gain on interest rate derivatives was $1.4 million for the six months ended June 30, 2022, as compared to a mark to market gain on interest rate derivatives of $0.5 million for the six months ended June 30, 2021. The increase was attributable to the change in the fair value based on the increase in interest rates. The mark to market amount represents the change in fair value on the Company's interest rate derivatives that have not been designated as hedging instruments. These derivatives were entered into for purposes of locking-in a fixed interest rate on a portion of the Company's variable interest rate debt. As of June 30, 2022, the intent of the Company is to hold these derivative contracts until their maturity.

Income taxes

Income tax provision of $1.6 million and $4.2 million for the six months ended June 30, 2022 and 2021, respectively, represent taxes on both US and foreign earnings at combined effective income tax provision rates of (69.8)% and 32.8%, respectively. The negative tax rate for the six months ended June 30, 2022 reflects tax expense on a pretax financial reporting loss. The effective tax rate for the six months ended June 30, 2022 differs from the federal statutory income tax rate of 21% primarily due to foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance. The effective tax rate for the six months ended June 30, 2021 differs from the federal statutory income tax rate of 21% primarily due to state and local tax expense, and foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance, net of a benefit related to share based equity compensation.

Equity in earnings

Equity in earnings of Vasconia, net of taxes, was $0.8 million for the six months ended June 30, 2022, as compared to equity in earnings of Vasconia, net of taxes, of $0.5 million for the six months ended June 30, 2021. Vasconia reported income from operations of $5.2 million for the six months ended June 30, 2022, as compared to income from operations of $10.3 million for the six months ended June 30, 2021. The decrease in income from operations was primarily attributable to decreased operating results in the current period in both Vasconia's kitchenware and aluminum divisions.

For the six months ended June 30, 2021, the Company recognized a net loss of $0.3 million, relating to the dilution of the Company's ownership in its Vasconia investment. The net loss was comprised of a loss of $2.0 million, related to the amounts that were previously recognized in accumulated other comprehensive loss, net of a non-cash gain of $1.7 million for the difference between the selling price and the Company's basis in the diluted shares.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company’s principal sources of cash to fund liquidity needs were: (i) cash provided by operating activities and (ii) borrowings available under its revolving credit facility under the ABL Agreement, as defined below. The Company’s primary uses of funds consist of working capital requirements, capital expenditures, acquisitions and investments, and payments of principal and interest on its debt.

At June 30, 2022, the Company had cash and cash equivalents of $7.2 million, compared to $28.0 million at December 31, 2021. Working capital was $247.0 million at June 30, 2022, compared to $270.8 million at December 31, 2021. Liquidity, which includes cash and cash equivalents and availability under the ABL Agreement, was approximately $134.1 million at June 30, 2022.

Inventory, a large component of the Company’s working capital, is expected to fluctuate from period to period, with inventory levels higher primarily in the June through October time period. The Company also expects inventory turnover to fluctuate from period to period based on product and customer mix. Certain product categories have lower inventory turnover rates as a result of minimum order quantities from the Company’s vendors or customer replenishment needs. Certain other product categories experience higher inventory turns due to lower minimum order quantities or trending sale demands. For the three months ended June 30, 2022, inventory turnover was 1.4 times, or 270 days, as compared to 2.3 times, or 162 days, for the three months ended June 30, 2021. The Company increased its inventory levels to address supply chain disruptions and to support anticipated customer demand. However, inventory turns have slowed in the current quarter due to macroeconomic challenges that companies across industries and retailers in particular faced. Inflation has led to weaker end market demand and supply chain disruptions have lead inventory buildup.

The Company believes that availability under the revolving credit facility under its ABL Agreement, including anticipated refinancing on it prior to its maturity, cash on hand and cash flows from operations are sufficient to fund the Company’s operations for the next twelve months. However, if circumstances were to adversely change, the Company may seek alternative sources of liquidity including debt and/or equity financing. However, there can be no assurance that any such alternative sources would be available or sufficient or available on terms favorable to the Company.

The Company closely monitors the creditworthiness of its customers. Based upon its evaluation of changes in customers’ creditworthiness, the Company may modify credit limits and/or terms of sale. However, notwithstanding the Company’s efforts to monitor its customers’ financial condition, the Company could be materially adversely affected by changes in customers' creditworthiness in the future.

Credit Facilities

The Company’s credit agreement, dated as of March 2, 2018 (the “ABL Agreement”) with JPMorgan Chase Bank, N.A. (“JPMorgan”), includes a senior secured asset-based revolving credit facility in the maximum aggregate principal amount of $150.0 million, which facility will mature on March 2, 2023, and a loan agreement (the “Term Loan” and together with the ABL Agreement, the “Debt Agreements”) that provides for a senior secured term loan credit facility in the original principal amount of $275.0 million, which matures on February 28, 2025. The Term Loan requires the Company to make an annual prepayment of principal based upon a percentage of the Company's excess cash flow, (“Excess Cash Flow”), if any. The percentage applied to the Company’s excess cash flow is based on the Company’s Total Net Leverage Ratio (as defined in the Debt Agreements). When an Excess Cash Flow payment is required, lenders have the option to decline a portion or all of the prepayment amount. This estimated amount is recorded in current maturity of term loan on the unaudited condensed consolidated balance sheets. Additionally, the Term Loan facility requires quarterly payments, which commenced on June 30, 2018, of principal equal to 0.25% of the original aggregate principal amount of the Term Loan facility. Per the Debt Agreements, when the Company makes an Excess Cash Flow payment, the payment is first applied to satisfy the future quarterly required payments in order of maturity. The quarterly principal payments have been satisfied through maturity of the Term Loan by the annual Excess Cash Flow payments.

The maximum borrowing amount under the ABL Agreement may be increased to up to $200.0 million if certain conditions are met. One or more tranches of additional term loans (the “Incremental Facilities”) may be added under the Term Loan if certain conditions are met. The Incremental Facilities may not exceed the sum of (i) $50.0 million plus (ii) an unlimited amount so long as, in the case of (ii) only, the Company’s secured net leverage ratio, as defined in and computed pursuant to the Term Loan, is no greater than 3.75 to 1.00, subject to certain limitations and for the period defined pursuant to the Term Loan.

As of June 30, 2022 and December 31, 2021, the total availability under the ABL Agreement was as follows (in thousands):

	June 30, 2022	December 31, 2021
Maximum aggregate principal allowed	$ 150,000	$ 150,000
Outstanding borrowings under the ABL Agreement	(20,347)	—
Standby letters of credit	(2,765)	(3,659)
Total availability under the ABL Agreement	$ 126,888	$ 146,341

Availability under the ABL Agreement depends on the valuation of certain current assets comprising the borrowing base. The borrowing capacity under the ABL Agreement will depend, in part, on eligible levels of accounts receivable and inventory that fluctuate regularly. Due to the seasonality of the Company's business, this means that the Company may have greater borrowing availability during the third and fourth quarters of each year. Consequently, the $150.0 million commitment thereunder may not represent actual borrowing capacity.

The current and non-current portions of the Company's Term Loan facility included in the condensed consolidated balance sheets were as follows (in thousands):

	June 30, 2022	December 31, 2021
Current portion of Term Loan facility:		
Estimated Excess Cash Flow principal payment	$ 6,000	$ 7,200
Estimated unamortized debt issuance costs	(1,419)	(1,429)
Total Current portion of Term Loan facility	$ 4,581	$ 5,771
Non-current portion of Term Loan facility:		
Term Loan facility, net of current portion	$ 239,911	$ 244,927
Estimated unamortized debt issuance costs	(2,347)	(3,054)
Total Non-current portion of Term Loan facility	$ 237,564	$ 241,873

The estimated Excess Cash Flow principal payment recorded at June 30, 2022 represents the Company's estimate for the 2023 Excess Cash Flow payment. The 2022 Excess Cash Flow payment, paid on March 30, 2022, totaled $6.2 million. The Excess Cash Flow payment differs from the estimated amount at December 31, 2021 of $7.2 million as certain lenders opted to not require payment per the terms of the Debt Agreements.

The Company's payment obligations under its Debt Agreements are unconditionally guaranteed by its existing and future U.S. subsidiaries with certain minor exceptions. Certain payment obligations under the ABL Agreement are also direct obligations of its foreign subsidiary borrowers designated as such under the ABL Agreement and, subject to limitations on such guaranty, are guaranteed by the foreign subsidiary borrowers, as well as by the Company. The obligations of the Company under the Debt Agreements and any hedging arrangements and cash management services and the guarantees by its domestic subsidiaries in respect of those obligations are secured by substantially all of the assets and stock (but in the case of foreign subsidiaries, limited to 65% of the capital stock in first-tier foreign subsidiaries and not including the stock of subsidiaries of such first-tier foreign subsidiaries) owned by the Company and the U.S. subsidiary guarantors, subject to certain exceptions. Such security interest consists of (1) a first-priority lien, subject to certain permitted liens, with respect to certain assets of the Company and its domestic subsidiaries (the "ABL Collateral") pledged as collateral in favor of lenders under the ABL Agreement and a second-priority lien in the ABL Collateral in favor of the lenders under the Term Loan and (2) a first-priority lien, subject to certain permitted liens, with respect to certain assets of the Company and its domestic subsidiaries (the "Term Loan Collateral") pledged as collateral in favor of lenders under the Term Loan and a second-priority lien in the Term Loan Collateral in favor of the lenders under the ABL Agreement.

Borrowings under the ABL Agreement bear interest, at the Company's option, at one of the following rates: (i) alternate base rate, defined, for any day, as the greater of the prime rate, a federal funds and overnight bank funding based rate plus 0.5% or one-month LIBOR plus 1.0%, plus a margin of 0.25% to 0.75%, or (ii) LIBOR (or Euro Interbank Offered Rate "EURIBOR" for borrowings denominated in Euro; or Sterling Overnight Index Average "SONIA" for borrowings denominated in Pounds Sterling) plus a margin of 1.25% to 1.75%. The respective margins are based upon the Company's total leverage ratio, as defined in and computed pursuant to the ABL Agreement. The interest rate on outstanding borrowings under the ABL Agreement at June 30, 2022 was between 2.44% and 5.00%. In addition, the Company pays a commitment fee of 0.375% on the unused portion of the ABL Agreement.

The Term Loan facility bears interest, at the Company's option, at one of the following rates: (i) alternate base rate, defined, for any day, as the greater of (x) the prime rate, (y) a federal funds and overnight bank funding based rate plus 0.5% or (z) one-month LIBOR, but not less than 1.0%, plus 1.0%, which alternate base rate shall not be less than 2.0%, plus a margin of 2.5% or (ii) LIBOR, but not less than 1.0%, plus a margin of 3.5%. The interest rate on outstanding borrowings under the Term Loan at June 30, 2022 was 4.6%.

The Debt Agreements provide for customary restrictions and events of default. Restrictions include limitations on additional indebtedness, acquisitions, investments and payment of dividends, among other things. Further, the ABL Agreement provides that during any period (a) commencing on the last day of the most recently ended four consecutive fiscal quarters on or prior to the date availability under the ABL Agreement is less than the greater of $15.0 million and 10% of the aggregate commitment under the ABL Agreement at any time and (b) ending on the day after such availability has exceeded the greater of $15.0 million and 10% of the aggregate commitment under the ABL Agreement for 45 consecutive days, the Company is required to maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 as of the last day of any period of four consecutive fiscal quarters.

The Company was in compliance with the covenants of the Debt Agreements at June 30, 2022.

The Company expects that it will continue to borrow, subject to availability, and repay funds under the ABL Agreement based on working capital and other corporate needs

Covenant Calculations

Adjusted EBITDA (a non-GAAP financial measure), which is defined in the Company's Debt Agreements, is used in the calculation of the Fixed Charge Coverage Ratio, Secured Net Leverage Ratio, Total Leverage Ratio and Total Net Leverage Ratio, which are required to be provided to the Company's lenders pursuant to its Debt Agreements.

The Company's adjusted EBITDA (including pro forma adjustments), for the last twelve months ended June 30, 2022 was $83.4 million.

Capital expenditures for the six months ended June 30, 2022 were $1.5 million.

Non-GAAP financial measure

Adjusted EBITDA is a non-GAAP financial measure within the meaning of Regulation G and Item 10(e) of Regulation S-K, each promulgated by the SEC. This measure is provided because management of the Company uses this financial measure in evaluating the Company's on-going financial results and trends, and management believes that exclusion of certain items allows for more accurate period-to-period comparison of the Company's operating performance by investors and analysts. Management also uses this non-GAAP information as an indicator of business performance. Adjusted EBITDA, as discussed above, is also one of the measures used to calculate financial covenants required to be provided to the Company's lenders pursuant to its Debt Agreements.

Investors should consider this non-GAAP financial measure in addition to, and not as a substitute for, the Company's financial performance measures prepared in accordance with U.S. GAAP. Further, the Company's non-GAAP information may be different from the non-GAAP information provided by other companies including other companies within the home retail industry.

The following is a reconciliation of the net income (loss), as reported, to adjusted EBITDA, for each of the last four quarters and the 12 months ended June 30, 2022:

	Quarter Ended				
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	Twelve Months Ended June 30, 2022
			(in thousands)		
Net income (loss) as reported	$ 12,571	$ (626)	$ 380	$ (3,460)	$ 8,865
Undistributed equity (earnings), net	(195)	(466)	(416)	(334)	(1,411)
Income tax provision (benefit)	5,589	6,704	1,673	(98)	13,868
Interest expense	3,835	3,856	3,767	3,732	15,190
Mark to market (gain) on interest rate derivatives	(120)	(398)	(1,049)	(304)	(1,871)
Depreciation and amortization	5,837	4,960	4,899	5,038	20,734
Intangible asset impairments	—	14,760	—	—	14,760
Stock compensation expense	1,201	1,244	1,174	1,365	4,984
Acquisition related expenses	41	378	1,119	75	1,613
Warehouse relocation and redesign expenses(1)	—	450	497	73	1,020
S'well integration costs(2)	—	—	781	864	1,645
Wallace facility remedial design expense	500	—	—	—	500
Adjusted EBITDA(3)	29,259	30,862	12,825	6,951	79,897
Pro forma historical S'well and projected synergies adjustment(4)					3,500
Pro forma Adjusted EBITDA(3)	$ 29,259	$ 30,862	$ 12,825	$ 6,951	$ 83,397

(1) For the twelve months ended June 30, 2022, the warehouse relocation and redesign expenses included $0.5 million of expenses related to the International segment and $0.5 million of expenses related to the U.S. segment. For the three months ended June 30, 2022, warehouse relocation and redesign expenses included $0.1 million of expenses related to the U.S. segment.

(2) For the three months ended June 30, 2022, S'well integration costs included $0.2 million of expenses related to inventory step up adjustment in connection with S'well acquisition.

(3) Adjusted EBITDA is a non-GAAP financial measure that is defined in the Company’s debt agreements. Adjusted EBITDA is defined as net income (loss), adjusted to exclude undistributed equity in (earnings), income tax provision (benefit), interest expense, mark to market (gain) on interest rate derivatives, depreciation and amortization, intangible asset impairments, stock compensation expense, and other items detailed in the table above that are consistent with exclusions permitted by our debt agreements.

(4) Pro forma historical S'well and projected synergies adjustment represents a permitted adjustment to the Company’s adjusted EBITDA for the acquisition of S'well on March 2, 2022 pursuant to the Company’s Debt Agreements. Pro forma projected synergies represents the amount of projected cost savings, operating expense reductions and cost saving synergies projected by the Company as a result of actions taken through June 30, 2022 or expected to be taken as of June 30, 2022, net of the benefits realized during the twelve months ended June 30, 2022.

Accounts Receivable Purchase Agreement

To improve its liquidity during seasonally high working capital periods, the Company has an uncommitted Receivables Purchase Agreement with HSBC Bank USA, National Association (“HSBC”) as Purchaser (the “Receivables Purchase Agreement”). Under the Receivables Purchase Agreement, the Company may offer to sell certain eligible accounts receivable (the “Receivables”) to HSBC, which may accept such offer, and purchase the offered Receivables. Under the Receivables Purchase Agreement, following each purchase of Receivables, the outstanding aggregate purchased Receivables shall not exceed $30.0 million. HSBC will assume the credit risk of the Receivables purchased, and the Company will continue to be responsible for all non-credit risk matters. The Company will service the Receivables, and as such servicer, collect and otherwise enforce the Receivables on behalf of HSBC. The term of the agreement is for 364 days and shall automatically be extended for annual successive terms unless terminated. Either party may terminate the agreement at any time upon sixty days’ prior written notice to the other party.

Pursuant to the Receivable Purchase Agreement, the Company sold to HSBC $33.5 million and $79.8 million of receivables during the three and six months ended June 30, 2022, respectively and $38.9 million and $79.5 million of receivables during three and six months ended June 30, 2021, respectively. Charges of $0.2 million and $0.1 million related to the sale of the receivables are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the three months ended June 30, 2022 and 2021, respectively. Charges of $0.3 million and $0.2 million related to the sale of the receivables are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the six months ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, $25.6 million and $14.6 million, respectively, of receivables sold were outstanding and due to HSBC from customers.

Derivatives

Interest Rate Swaps

The Company's total outstanding notional value of interest rate swaps was $50.0 million at June 30, 2022.

The Company designated a portion of these interest rate swaps as cash flow hedges of the Company’s exposure to the variability of the payment of interest on a portion of its Term Loan borrowings. The hedge periods of these agreements commenced in April 2018 and expire in March 2023. The original notional values are reduced over these periods. The aggregate notional value of designated interest rate swaps was $25.0 million at June 30, 2022.

In June 2019, the Company entered into additional interest rate swap agreements, with an aggregate notional value of $25.0 million at June 30, 2022. These non-designated interest rate swaps serve as cash flow hedges of the Company’s exposure to the variability of the payment of interest on a portion of its Term Loan borrowings and expire in February 2025.

Foreign Exchange Contracts

The Company is party from time to time to certain foreign exchange contracts, primarily to offset the earnings impact related to fluctuations in foreign currency exchange rates associated with inventory purchases denominated in foreign currencies. Fluctuations in the value of certain foreign currencies as compared to the USD may positively or negatively affect the Company’s revenues, gross margins, operating expenses, and retained earnings, all of which are expressed in USD. Where the Company deems it prudent, the Company engages in hedging programs using foreign currency forward contracts aimed at limiting the impact of foreign currency exchange rate fluctuations on earnings. The Company purchases foreign currency forward contracts with terms less than 18 months to protect against currency exchange risks associated with the payment of merchandise purchases to foreign suppliers. The Company does not hedge the translation of foreign currency profits into USD, as the Company regards this as an accounting exposure rather than an economic exposure.

The aggregate gross notional values of foreign exchange contracts at June 30, 2022 was $13.5 million. These foreign exchange contracts have been designated as hedges in order to apply hedge accounting.

The Company is exposed to market risks as well as changes in foreign currency exchange rates as measured against the USD and each other, and to changes to the credit risk of derivative counterparties. The Company attempts to minimize these risks primarily by using foreign currency forward contracts and by maintaining counterparty credit limits. These hedging activities provide only limited protection against currency exchange and credit risk. Factors that could influence the effectiveness of the Company’s hedging programs include those impacting currency markets and the availability of hedging instruments and liquidity of the credit markets. All foreign currency forward contracts that the Company enters into are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure. The Company does not enter into such contracts for speculative purposes, and as of June 30, 2022, the Company did not have any foreign currency forward contract derivatives that are not designated as hedges. These foreign exchange contracts have been designated as hedges in to order to apply hedge accounting.

Operating activities

Net cash used in operating activities was $8.9 million for the six months ended June 30, 2022, as compared to net cash provided by operating activities of $42.1 million for the six months ended June 30, 2021. The decrease from 2022 compared to 2021 was attributable to a net loss generated in 2022 compared to net income in 2021, timing of payments for accounts payable and accrued expenses, partially offset by timing of collections related to the Company's accounts receivables.

Investing activities

Net cash used in investing activities was $19.4 million and $2.7 million for the six months ended June 30, 2022 and 2021, respectively. The increase from 2022 compared to 2021 was attributable to the cash consideration of $18.0 million paid for the acquisition of S'well.

Financing activities

Net cash provided by financing activities was $7.7 million and for the six months ended June 30, 2022, as compared to net cash used in financing activities of $42.2 million for the six months ended June 30, 2021. The change was mainly attributable to proceeds from the Company's revolving credit facility under its ABL Agreement in the 2022 period and the lower Excess Cash Flow principal payment on the term loan for the 2022 period compared to the 2021 period.

Stock repurchase program

On March 14, 2022, the Company announced that its Board of Directors of the Company authorized the repurchase of up to $20.0 million of the Company’s common stock, replacing the Company’s previously-authorized $10 million share repurchase program. The repurchase authorization permits the Company to effect the repurchases from time to time through open market purchases and privately negotiated transactions. During the three and six months ended June 30, 2022, the Company repurchased 285,646 and 336,791 shares, respectively, for a total cost of $3.5 million and $4.2 million respectively, and thereafter retired the shares. Please see Part II, Item 2—Unregistered Sales of Equity Securities and Use of Proceeds included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in market risk for changes in foreign currency exchange rates and interest rates from the information provided in Item 7A – Quantitative and Qualitative Disclosures About Market Risk in the 2021 Annual Report on Form 10-K.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of June 30, 2022, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed by it under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

There were no changes in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a description of the Company's legal proceedings, please see NOTE 13 — CONTINGENCIES, to the Company's condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the 2021 Annual Report on Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the 2021 Annual Report on Form 10-K**.**

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total number of shares purchased[1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[2]	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs subsequent to end of period [2]
April 1 - April 30, 2022	184,805	$ 12.91	156,666	$ 17,315,739
May 1 - May 31, 2022	128,980	11.73	128,980	15,800,577
June 1 - June 30, 2022	29,485	11.65	—	15,800,577

(1) The repurchased shares include 57,624 shares acquired other than as part of a publicly announced plan or program. The Company repurchased these securities in connection with its Amended and Restated 2000 Long Term Incentive Plan, which allows participants to use shares to satisfy the exercise price of options exercised, certain tax liabilities arising from the exercise of options, and certain tax liabilities arising from the vesting of restricted stock. The foregoing number does not include unvested shares forfeited back to the Company pursuant to the terms of its stock compensation plans.

(2) On March 14, 2022, the Company announced that its Board of Directors of the Company authorized the repurchase of up to $20.0 million of the Company's common stock, replacing the Company's previously-authorized $10 million share repurchase program. The repurchase authorization permits

the Company to effect the repurchases from time to time through open market purchases and privately negotiated transactions. During the three months ended June 30, 2022, the Company repurchased 285,646 shares for a total cost of $3.5 million and thereafter retired the shares.

Item 5. Other Information

The information set forth below is included herein, by our option, for the purpose of providing disclosure under "Item 5.02 – Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers" of Form 8-K.

On August 1, 2022, the Company entered into an amendment ("the Employment Agreement Amendment") to the existing effective employment agreement between the Company and Laurence Winoker.

The Employment Agreement Amendment for Laurence Winoker reflects a change in Mr. Winoker's title from Senior Vice President, Finance, Treasurer and Chief Financial Officer to Executive Vice President, Treasurer and Chief Financial Officer, effective August 1, 2022.

The information provided in this Item 5.02 is qualified in its entirety by reference to the terms of the Employment Agreement Amendment attached hereto as Exhibits 10.1, each of which is incorporated herein by reference.

Item 6. Exhibits

See the Exhibit Index below, which is incorporated by reference herein.

Exhibit Index

Exhibit No.	
31.1	Certification by Robert B. Kay, Chief Executive Officer and Director, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Laurence Winoker, Executive Vice President, Treasurer and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Robert B. Kay, Chief Executive Officer and Director, and Laurence Winoker, Executive Vice President, Treasurer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
10.1	Third Amendment to Amended and Restated Employment Agreement, dated as of August 1, 2022, between the Company and Laurence Winoker
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL and contained in Exhibit 101

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Lifetime Brands, Inc.	
/s/ Robert B. Kay	August 4, 2022
Robert B. Kay Chief Executive Officer and Director (Principal Executive Officer)	
/s/ Laurence Winoker	August 4, 2022
Laurence Winoker Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	

THIRD AMENDMENT TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Third Amendment (this "Amendment"), dated as of August 1, 2022 by and between Lifetime Brands, Inc., a Delaware corporation (the "Company") and Laurence Winoker (the "Executive") shall be effective as of August 1, 2022 (the "Amendment Effective Date") and amends the Amended and Restated Employment Agreement, dated as of September 10, 2015 between the Company and the Executive, as previously amended (the "Employment Agreement").

WHEREAS, pursuant to Section 14(a) of the Employment Agreement, the Company wishes to further amend the Employment Agreement to reflect a change in the Executive's title as of the Amendment Effective Date.

NOW, THEREFORE, in consideration of Executive's continued employment with the Company and other good and sufficient consideration set forth herein, the Company and the Executive hereby agree as follows:

1. Section 2(a) of the Employment Agreement shall be deleted in its entirety and replaced with the following:

> "<u>Duties</u>. During the Employment Term, the Executive shall be Executive Vice President, Treasurer and Chief Financial Officer (the "CFO"). In such capacity, the Executive shall serve as advisor to the Chief Executive Officer of the Company (the "CEO") and shall report directly to the CEO. The Executive shall perform such other duties on behalf of the Company and its subsidiaries as are consistent with his position and as may be assigned to him by the CEO. The Executive hereby agrees to devote his full business time, energies and attention, and to use his best efforts, skills and abilities to faithfully perform his duties hereunder and to forward the business and affairs of the Company, and to promote the Company's interests."

2. The Employment Agreement, as amended by this Amendment, constitutes the entire and exclusive agreement between the parties with respect to the subject matter hereof. All previous discussions and agreements with respect to the subject matter of this Amendment are superseded by this Amendment.

3. Except as expressly amended hereby, all the terms, conditions, and provisions of the Employment Agreement shall remain in full force and effect. This Amendment shall form a part of the Employment Agreement for all purposes.
4. This Amendment may be executed in counterparts and by facsimile or other electronic means, including by portable document format (PDF), each of which shall be deemed to have the same legal effect as an original and together shall constitute one and the same instrument.

5. The Company represents and warrants that it has the full power and authority to enter into this Amendment.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first written above.

LIFETIME BRANDS, INC.

By: /s/ Robert B. Kay
Name: Robert B. Kay
Title: Chief Executive Officer

EXECUTIVE

/s/ Laurence Winoker
Laurence Winoker

Exhibit 31.1

CERTIFICATION

I, Robert B. Kay, certify that:

1.I have reviewed this quarterly report on Form 10-Q of Lifetime Brands, Inc. (“the registrant”);

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)4) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and

1. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Robert B. Kay

Robert B. Kay
Chief Executive Officer and Director
Date: August 4, 2022

Exhibit 31.2

CERTIFICATION

I, Laurence Winoker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lifetime Brands, Inc. (“the registrant”);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)4) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Laurence Winoker

Laurence Winoker
Executive Vice President,
Treasurer and Chief Financial Officer

Date: August 4, 2022

Exhibit 32.1

Certification by Robert B. Kay, Chief Executive Officer and Director, and Laurence Winoker, Senior Vice President - Finance, Treasurer and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Robert B. Kay, Chief Executive Officer and Director, and I, Laurence Winoker, Senior Vice President – Finance, Treasurer and Chief Financial Officer, of Lifetime Brands, Inc., a Delaware corporation (the “Company”), each hereby certify that:

(1) The Company’s periodic report on Form 10-Q for the period ended June 30, 2022 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert B. Kay	/s/ Laurence Winoker
Robert B. Kay Chief Executive Officer and Director	Laurence Winoker Executive Vice President, Treasurer and Chief Financial Officer
Date: August 4, 2022	Date: August 4, 2022

A signed original of this certification required by 18 U.S.C. Section 1350 has been provided to Lifetime Brands, Inc. and will be retained by Lifetime Brands, Inc. and furnished to the SEC or its staff upon request.