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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): March 14, 2019

Lifetime Brands, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-19254
(Commission
File Number)

11-2682486
(IRS 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)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On March 14, 2019, Lifetime Brands, Inc. (the “Company”) issued a press release announcing the Company’s results for the fourth quarter and year ended December 31, 2018. A copy of the Company’s press release is furnished as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 [Press release dated March 14, 2019](#)

Signatures

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

Lifetime Brands, Inc.

By: /s/ Laurence Winoker

Laurence Winoker

Senior Vice President – Finance, Treasurer and
Chief Financial Officer

Date: March 14, 2019



Lifetime Brands, Inc. Reports Fourth Quarter 2018 Financial Results

Declares Regular Quarterly Dividend

GARDEN CITY, NY, March 14, 2019 – Lifetime Brands, Inc. (NasdaqGS: LCUT), a leading global provider of branded kitchenware, tableware and other products used in the home, today reported its financial results for the fourth quarter and year ended December 31, 2018.

Fourth Quarter Financial Highlights:

Consolidated net sales were \$228.3 million in the quarter ended December 31, 2018; an increase of \$45.5 million, or 24.9%, as compared to consolidated net sales of \$182.8 million for the corresponding period in 2017. In constant currency, which excludes the impact of foreign currency fluctuations, consolidated net sales increased \$46.4 million, or 25.5%, as compared to consolidated net sales in the corresponding period in 2017.

Gross margin was \$84.8 million, or 37.2%, as compared to \$71.2 million, or 39.0%, for the corresponding period in 2017.

Income from operations was \$22.9 million, as compared to \$10.9 million in the prior year's quarter.

Net income was \$10.0 million, or \$0.49 per diluted share, in the quarter ended December 31, 2018, as compared to net income of \$1.3 million, or \$0.08 per diluted share, in the corresponding period in 2017.

Adjusted net income was \$11.2 million, or \$0.55 per diluted share, in the quarter ended December 31, 2018, as compared to adjusted net income of \$7.1 million, or \$0.47 per diluted share, in the corresponding period in 2017.

Full Year Financial Highlights:

Consolidated net sales were \$704.5 million in the year ended December 31, 2018; an increase of \$125.0 million, or 21.6%, as compared to consolidated net sales of \$579.5 million for the corresponding period in 2017. In constant currency, which excludes the impact of foreign currency fluctuations, consolidated net sales increased \$122.3 million, or 21.0%, as compared to consolidated net sales in the corresponding period in 2017.

Gross margin was \$255.8 million, or 36.3%, in the year ended December 31, 2018 as compared to \$215.2 million, or 37.1%, for the corresponding period in 2017.

Income from operations was \$18.6 million, as compared to \$15.2 million in the prior year.

Net loss was \$1.7 million, or \$0.09 per diluted share, in the year ended December 31, 2018, as compared to net income of \$2.2 million, or \$0.14 per diluted share, in the corresponding period in 2017.

Adjusted net income was \$5.5 million, or \$0.28 per diluted share, in the year ended December 31, 2018, as compared to adjusted net income of \$10.6 million, or \$0.71 per diluted share, in the corresponding period in 2017.

Consolidated adjusted EBITDA was \$65.5 million in the year ended December 31, 2018. After giving effect to the non-recurring charge limitation permitted under our debt agreements, consolidated adjusted EBITDA was \$64.9 million. A table which reconciles this non-GAAP measure to net income (loss), as reported, is included below.

Robert Kay, Lifetime's Chief Executive Officer, commented, "Our fourth quarter performance is not what we expect to deliver to our shareholders. We believe these results were in part due to significant macroeconomic events, including European softness primarily due to Brexit, and the inconsistent implementation of a new U.S. tariff program that prevented us from passing along timely price increases. Additionally, certain of our North American distribution channels delivered disappointing sales due to stocking levels and inventory management decisions by customers, including our largest e-commerce customer. While these events had an adverse impact on our results, we are optimistic that they are predominantly singular in nature."

Mr. Kay continued, "Importantly and encouragingly, the early results we are seeing in 2019 are positive, reflecting both a normalization of customer ordering behavior and promising performance of some of our newer products. We are confident that the strategic accomplishments achieved in 2018 - which include the completion of the Filament integration, a reorganization of our European operations, and meaningful cost reduction across the organization - will be critical to improving Lifetime Brands' results and profitability as we move forward."

Dividend

On Tuesday, March 12, 2019, the Board of Directors declared a quarterly dividend of \$0.0425 per share payable on May 15, 2019 to shareholders of record on May 1, 2019.

Conference Call

The Company has scheduled a conference call for Thursday, March 14, 2019 at 11:00 a.m. The dial-in number for the conference call is (866) 610-1072 or (973) 935-2840, passcode #6882627. A live webcast of the conference call will be accessible through <https://event.on24.com/wcc/r/1953891-1/284F9F3F3909B4659A3B83565589FAB9>. For those who cannot listen to the live broadcast, an audio replay of the webcast will be available.

Non-GAAP Financial Measures

This earnings release contains non-GAAP financial measures, including consolidated net sales in constant currency, adjusted net income, adjusted diluted income per common share, and consolidated adjusted EBITDA. A non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets, or statements of cash flows of a company; or, includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. As required

by SEC rules, the Company has provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures. These non-GAAP financial measures are provided because management of the Company uses these financial measures in evaluating the Company's on-going financial results and trends, and management believes that exclusion of certain items allows for more accurate comparison of the Company's operating performance. Management uses these non-GAAP financial measures as indicators of business performance. These non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, GAAP measures of performance.

Forward-Looking Statements

In this press release, the use of the words "believe," "could," "expect," "may," "positioned," "project," "projected," "should," "will," "would" or similar expressions is intended to identify forward-looking statements. Such statements include all statements regarding our current and projected financial and operating performance, results, and profitability and all guidance related thereto, as well as our future plans and intentions regarding the Company and its consolidated subsidiaries. Such statements represent the Company's current judgment about possible future events. The Company believes these judgments are reasonable, but these statements are not guarantees of any events or financial or operational results, and actual results may differ materially due to a variety of important factors. Such factors might include, among others, the Company's ability to comply with the requirements of its credit agreements; the availability of funding under such credit agreements; the Company's ability to maintain adequate liquidity and financing sources and an appropriate level of debt; the possibility of impairments to the Company's goodwill; changes in U.S. or foreign trade or tax law and policy; the impact of tariffs on imported goods and materials; changes in general economic conditions which could affect customer payment practices or consumer spending; the impact of changes in general economic conditions on the Company's customers; customer ordering behavior; the performance of our newer products; expenses and other challenges relating to the integration of the Filament Brands business and future acquisitions; changes in demand for the Company's products; changes in the Company's management team; the significant influence of the Company's largest stockholder; fluctuations in foreign exchange rates; changes in U.S. trade policy or the trade policies of nations in which we or our suppliers do business; uncertainty regarding the U.K.'s exit from the European Union (Brexit); shortages of and price volatility for certain commodities; significant changes in the competitive environment and the effect of competition on the Company's markets, including on the Company's pricing policies, financing sources and ability to maintain an appropriate level of debt. The Company undertakes no obligation to update these forward-looking statements other than as required by law.

Lifetime Brands, Inc.

Lifetime Brands is a leading global provider of kitchenware, tableware and other products used in the home. The Company markets its products under well-known kitchenware brands, including Farberware®, KitchenAid®, Sabatier®, Amco Houseworks®, Chef'n® Chicago™ Metallic, Copco®, Fred® & Friends, Houdini™, KitchenCraft®, Kamenstein®, Kizmos™, La Cafetière®, MasterClass®, Misto®, Mossy Oak®, Swing-A-Way® Taylor® Kitchen and Vasconia®; respected tableware and giftware brands, including Mikasa®, Pfaltzgraff®, Fitz and Floyd®, Creative Tops®, Empire Silver™, Gorham®, International® Silver, Kirk Stieff®, Rabbit® Towle® Silversmiths, Tuttle®, Wallace®, Wilton Armetale®, V&A® and Royal Botanic Gardens Kew®; and valued home solutions brands, including Bombay®, BUILT NY®, Taylor® Bath and Taylor® Weather. The Company also provides exclusive private label products to leading retailers worldwide.

The Company's corporate website is www.lifetimebrands.com.

Contacts:

Lifetime Brands, Inc.

Laurence Winoker, Chief Financial Officer

516-203-3590

investor.relations@lifetimebrands.com

or

Joele Frank, Wilkinson Brimmer Katcher

Ed Trissel / Andrew Squire / Sophie Throsby

212-355-4449

LIFETIME BRANDS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands - except per share data)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|------------------------------------|-----------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$228,274 | \$182,770 | \$704,542 | \$579,476 |
| Cost of sales | 143,467 | 111,539 | 448,785 | 364,319 |
| Gross margin | 84,807 | 71,231 | 255,757 | 215,157 |
| Distribution expenses | 20,340 | 18,540 | 69,716 | 58,050 |
| Selling, general and administrative expenses | 40,603 | 41,331 | 162,933 | 140,903 |
| Impairment of goodwill | — | — | 2,205 | — |
| Restructuring expenses | 971 | 498 | 2,324 | 1,024 |
| Income from operations | 22,893 | 10,862 | 18,579 | 15,180 |
| Interest expense | (5,591) | (1,177) | (18,004) | (4,291) |
| Loss on early retirement of debt | — | — | (66) | (110) |
| Income before income taxes and equity in earnings | 17,302 | 9,685 | 509 | 10,779 |
| Income tax provision | (7,558) | (8,169) | (2,889) | (9,032) |
| Equity in earnings (losses), net of taxes | 243 | (265) | 660 | 407 |
| NET INCOME (LOSS) | \$ 9,987 | \$ 1,251 | \$ (1,720) | \$ 2,154 |
| Weighted-average shares outstanding- basic | 20,376 | 14,592 | 19,452 | 14,505 |
| BASIC INCOME (LOSS) PER COMMON SHARE | \$ 0.49 | \$ 0.09 | \$ (0.09) | \$ 0.15 |
| Weighted-average shares outstanding- diluted | 20,454 | 14,960 | 19,452 | 14,955 |
| DILUTED INCOME (LOSS) PER COMMON SHARE | \$ 0.49 | \$ 0.08 | \$ (0.09) | \$ 0.14 |

LIFETIME BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands - except share data)

| | <u>December 31,</u> | |
|--|---------------------|------------------|
| | <u>2018</u> | <u>2017</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 7,647 | \$ 7,600 |
| Accounts receivable, less allowances of \$7,855 at December 31, 2018 and \$6,190 at December 31, 2017 | 125,292 | 108,033 |
| Inventory | 173,601 | 132,436 |
| Prepaid expenses and other current assets | 10,822 | 10,354 |
| Income taxes receivable | 1,442 | — |
| TOTAL CURRENT ASSETS | <u>318,804</u> | <u>258,423</u> |
| PROPERTY AND EQUIPMENT, net | 25,762 | 23,065 |
| INVESTMENTS | 22,582 | 23,978 |
| INTANGIBLE ASSETS, net | 338,847 | 88,479 |
| DEFERRED INCOME TAXES | 733 | 5,826 |
| OTHER ASSETS | 1,844 | 1,750 |
| TOTAL ASSETS | <u>\$708,572</u> | <u>\$401,521</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Current maturity of term loan | \$ 1,253 | \$ — |
| Short term loan | — | 69 |
| Accounts payable | 38,167 | 25,461 |
| Accrued expenses | 45,456 | 44,121 |
| Income taxes payable | — | 1,864 |
| TOTAL CURRENT LIABILITIES | <u>84,876</u> | <u>71,515</u> |
| DEFERRED RENT & OTHER LONG-TERM LIABILITIES | 23,339 | 20,249 |
| DEFERRED INCOME TAXES | 15,141 | 4,423 |
| INCOME TAXES PAYABLE, LONG-TERM | 949 | 311 |
| REVOLVING CREDIT FACILITY | 42,080 | 94,744 |
| TERM LOAN | 262,694 | — |
| 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, \$.01 par value, shares authorized: 50,000,000 at December 31, 2018 and 2017; shares issued and outstanding: 20,764,143 at December 31, 2018 and 14,902,527 at December 31, 2017 | 208 | 149 |
| Paid-in capital | 258,637 | 178,909 |
| Retained earnings | 55,264 | 60,546 |
| Accumulated other comprehensive loss | (34,616) | (29,325) |
| TOTAL STOCKHOLDERS' EQUITY | <u>279,493</u> | <u>210,279</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$708,572</u> | <u>\$401,521</u> |

LIFETIME BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Year ended December 31, | |
|--|----------------------------|-----------------|
| | 2018 | 2017 |
| OPERATING ACTIVITIES | | |
| Net (loss) income | \$ (1,720) | \$ 2,154 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 23,329 | 14,189 |
| Impairment of goodwill | 2,205 | — |
| Amortization of financing costs | 1,543 | 519 |
| Deferred rent | 57 | (642) |
| Deferred income taxes | 2,086 | 1,030 |
| Stock compensation expense | 4,135 | 3,390 |
| Undistributed equity earnings | (545) | (379) |
| Loss on early retirement of debt | 66 | 110 |
| Contingent consideration fair value adjustment | (1,774) | — |
| Changes in operating assets and liabilities (excluding the effects of business acquisitions) | | |
| Accounts receivable | 8,020 | 1,481 |
| Inventory | (13,819) | 10,818 |
| Prepaid expenses, other current assets and other assets | 540 | (951) |
| Accounts payable, accrued expenses and other liabilities | (3,153) | (9,778) |
| Income taxes receivable | (1,442) | — |
| Income taxes payable | (353) | (4,935) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 19,175 | 17,006 |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (7,902) | (6,311) |
| Filament acquisition, net of cash acquired | (216,527) | — |
| Acquisitions, net of cash acquired | — | (9,072) |
| Net proceeds from sale of property | 249 | 15 |
| NET CASH USED IN INVESTING ACTIVITIES | (224,180) | (15,368) |
| FINANCING ACTIVITIES | | |
| Proceeds from revolving credit facility | 268,912 | 237,658 |
| Repayments of revolving credit facility | (320,767) | (229,696) |
| Proceeds from Term Loan | 275,000 | — |
| Repayments of Term Loan | (2,063) | — |
| Repayments of Credit Agreement term loan | — | (9,500) |
| Proceeds from short term loan | 216 | 187 |
| Repayments of short term loan | (278) | (239) |
| Payment of financing costs | (11,171) | (31) |
| Payment of equity issuance costs | (936) | — |
| Cash dividends paid | (3,273) | (2,475) |
| Payment of capital lease obligations | (77) | (94) |
| Proceeds from the exercise of stock options | 286 | 2,537 |
| Payments of tax withholding for stock based compensation | (561) | (644) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 205,288 | (2,297) |
| Effect of foreign exchange on cash | (236) | 376 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 47 | (283) |
| Cash and cash equivalents at beginning of year | 7,600 | 7,883 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 7,647 | \$ 7,600 |

LIFETIME BRANDS, INC.
Supplemental Information
(In thousands)

Reconciliation of GAAP to Non-GAAP Operating Results

Consolidated adjusted EBITDA for the year ended December 31, 2018:

| | <u>Three Months Ended</u> | | | | <u>Year Ended</u> |
|--|---------------------------------|--------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| | <u>March 31,</u> <u>2018</u> | <u>June 30,</u> <u>2018</u> | <u>September 30,</u> <u>2018</u> | <u>December 31,</u> <u>2018</u> | <u>December 31,</u> <u>2018</u> |
| Net (loss) income as reported | \$ (11,598) | \$ (6,057) | 5,948 | \$ 9,987 | \$ (1,720) |
| Subtract out: | | | (in thousands) | | |
| Undistributed equity (earnings) losses, net | (77) | (155) | (185) | (128) | (545) |
| Add back: | | | | | |
| Income tax provision (benefit) | (3,810) | (1,765) | 906 | 7,558 | 2,889 |
| Interest expense | 2,103 | 4,676 | 5,634 | 5,591 | 18,004 |
| Loss on early retirement of debt | 66 | — | — | — | 66 |
| Depreciation and amortization | 4,309 | 6,422 | 6,076 | 6,522 | 23,329 |
| Impairment of goodwill | — | — | 2,205 | — | 2,205 |
| Stock compensation expense | 838 | 921 | 1,268 | 1,108 | 4,135 |
| Contingent consideration fair value adjustment | — | — | — | (1,774) | (1,774) |
| Unrealized loss (gain) on foreign currency contracts | 393 | (2,112) | (190) | (33) | (1,942) |
| Other permitted non-cash charges | 287 | 916 | 307 | — | 1,510 |
| Acquisition related expenses | 809 | 391 | 43 | 523 | 1,766 |
| Restructuring expenses | 406 | 395 | 552 | 971 | 2,324 |
| Integration charges | 35 | 110 | 103 | 433 | 681 |
| Warehouse relocation | 2,384 | 168 | 55 | 118 | 2,725 |
| Pro forma Filament adjustment | 3,326 | — | — | — | 3,326 |
| Projected synergies | — | — | — | — | 8,546 |
| Consolidated adjusted EBITDA, before limitation | \$ (529) | \$ 3,910 | \$ 22,722 | \$ 30,876 | \$ 65,525 |
| Permitted non-recurring charge limitation | | | | | (605) |
| Consolidated adjusted EBITDA | | | | | <u>\$ 64,920</u> |

Consolidated adjusted EBITDA is a non-GAAP financial measure which is defined in the Company's debt agreements. Adjusted EBITDA is defined as net income (loss), adjusted to exclude undistributed equity in earnings (losses), income tax provision (benefit), interest, losses on early retirement of debt, depreciation and amortization, impairment of goodwill, stock compensation expense, unrealized (gain) loss on foreign currency contracts, permitted non-recurring charges such as warehouse relocation costs, transition expenses and restructuring expenses, and a non-cash charges such as a fair value adjustment on contingent consideration and purchase accounting adjustment to step-up the fair value of acquired inventory. Consolidated adjusted EBITDA includes pro forma adjustments, permitted under the debt agreements, for the acquisition of Filament and projected cost savings, operating expense reductions, restructuring charges and expenses and cost saving synergies projected by the Company as a result of actions taken through December 31, 2018 or expected to be taken as of December 31, 2018, net of the benefits realized.

LIFETIME BRANDS, INC.
Supplemental Information
(In thousands- except per share data)

Reconciliation of GAAP to Non-GAAP Operating Results (continued)

Adjusted net income and adjusted diluted income per common share:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------------|----------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss), as reported | \$ 9,987 | \$ 1,251 | \$(1,720) | \$ 2,154 |
| Adjustments: | (in thousands) | | | |
| Acquisition related expenses | 523 | 2,424 | 1,766 | 2,616 |
| Restructuring expenses | 971 | 498 | 2,324 | 1,024 |
| Severance expenses | — | 166 | — | 321 |
| Integration charges | 433 | — | 681 | — |
| Warehouse relocation | 118 | 667 | 2,725 | 667 |
| Loss on early retirement of debt | — | — | 66 | 110 |
| Other permitted non-cash charges | — | — | 1,510 | — |
| Unrealized loss (gain) on foreign currency contracts | (33) | 169 | (1,942) | 2,817 |
| Impairment of goodwill | — | — | 2,205 | — |
| Contingent consideration fair value adjustment | (1,774) | — | (1,774) | — |
| Deferred tax for foreign currency translation for Grupo Vasconia | 275 | (1) | — | (239) |
| Transition tax on non-U.S. subsidiaries' earnings | 675 | 338 | 675 | 338 |
| Re-measurement of U.S. deferred tax assets and liabilities | — | 2,981 | — | 2,981 |
| Income tax effect on adjustments | 69 | (1,432) | (1,009) | (2,224) |
| Adjusted net income | <u>\$ 11,244</u> | <u>\$ 7,061</u> | <u>\$ 5,507</u> | <u>\$ 10,565</u> |
| Adjusted diluted income per common share | <u>\$ 0.55</u> | <u>\$ 0.47</u> | <u>\$ 0.28</u> | <u>\$ 0.71</u> |

Adjusted net income and adjusted diluted income per common share in the three months and year ended December 31, 2018 excludes restructuring expenses, acquisition related expenses, loss on early retirement of debt, integration charges, warehouse relocation costs, other permitted non-cash charges, the fair value adjustment on contingent consideration, the unrealized loss (gain) on foreign currency contracts, impairment of goodwill and deferred tax (benefit) expense related to our equity earnings of Vasconia due to recording the tax benefit of cumulative translation gains through other comprehensive income (loss). Adjusted net income and adjusted diluted income per common share in the three months and year ended December 31, 2018 also excludes the impact of the transition tax on non-U.S. subsidiaries' earnings. The income tax effect on adjustments reflects the statutory tax rates applied on the adjustments.

Adjusted net income and adjusted diluted income per common share in the three months and year ended December 31, 2017 excludes restructuring expenses, acquisition related expenses, loss on early retirement of debt, non-restructuring severance expense, warehouse relocation costs, the unrealized loss on foreign currency contracts and deferred tax (benefit) expense related to our equity earnings of Vasconia due to recording the tax benefit of cumulative translation gains through other comprehensive income (loss). Adjusted net income and adjusted diluted income per common share in the three months and year ended December 31, 2017 also excludes the impact of the transition tax on non-U.S. subsidiaries' earnings and re-measurement of U.S. deferred tax assets and liabilities included in the income tax provision as a result of the U.S. tax reform. The income tax effect on adjustments reflects the statutory tax rates applied on the adjustments.

LIFETIME BRANDS, INC.
Supplemental Information
(In thousands- except per share data)

Reconciliation of GAAP to Non-GAAP Operating Results (continued)

Constant Currency:

| | As Reported Three Months Ended December 31, | | | Constant Currency (1) Three Months Ended December 31, | | | Currency Impact | Year-Over-Year Increase (Decrease) | | |
|-----------------|---|-------------------|------------------------|---|-------------------|------------------------|--------------------|---------------------------------------|-----------------------|--------------------|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) | | Excluding Currency | Including Currency | Currency Impact |
| Net sales | | | | | | | | | | |
| U.S. | \$ 199,094 | \$ 150,936 | \$ 48,158 | \$ 199,094 | \$ 150,859 | \$ 48,235 | \$ (77) | 32.0% | 31.9% | (0.1)% |
| International | 29,180 | 31,834 | (2,654) | 29,180 | 31,020 | (1,840) | (814) | (5.9)% | (8.3)% | (2.4)% |
| Total net sales | <u>\$ 228,274</u> | <u>\$ 182,770</u> | <u>\$ 45,504</u> | <u>\$ 228,274</u> | <u>\$ 181,879</u> | <u>\$ 46,395</u> | <u>\$ (891)</u> | 25.5% | 24.9% | (0.6)% |

| | As Reported Year Ended December 31, | | | Constant Currency (1) Year Ended December 31, | | | Currency Impact | Year-Over-Year Increase (Decrease) | | |
|-----------------|---|-------------------|------------------------|---|-------------------|------------------------|--------------------|---------------------------------------|-----------------------|--------------------|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) | | Excluding Currency | Including Currency | Currency Impact |
| Net sales | | | | | | | | | | |
| U.S. | \$ 611,973 | \$ 481,719 | \$ 130,254 | \$ 611,973 | \$ 481,699 | \$ 130,274 | \$ (20) | 27.0% | 27.0% | (0.0)% |
| International | 92,569 | 97,757 | (5,188) | 92,569 | 100,547 | (7,978) | 2,790 | (7.9) % | (5.3)% | 2.6% |
| Total net sales | <u>\$ 704,542</u> | <u>\$ 579,476</u> | <u>\$ 125,066</u> | <u>\$ 704,542</u> | <u>\$ 582,246</u> | <u>\$ 122,296</u> | <u>\$ 2,770</u> | 21.0% | 21.6% | 0.6% |

(1) "Constant Currency" is determined by applying the 2018 average exchange rates to the prior year local currency sales amounts, with the difference between the change in "As Reported" net sales and "Constant Currency" net sales, reported in the table as "Currency Impact". Constant currency sales growth is intended to exclude the impact of currency.