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, 2023

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, 2023 was 21,814,236.

LIFETIME BRANDS, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2023
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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, 2023 (unaudited)	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 15,122	$ 23,598
Accounts receivable, less allowances of $15,452 at June 30, 2023 and $14,606 at December 31, 2022	114,965	141,195
Inventory	212,527	222,209
Prepaid expenses and other current assets	11,878	13,254
Income taxes receivable	3,049	—
TOTAL CURRENT ASSETS	357,541	400,256
PROPERTY AND EQUIPMENT, net	17,422	18,022
OPERATING LEASE RIGHT-OF-USE ASSETS	72,428	74,869
INVESTMENTS	5,303	12,516
INTANGIBLE ASSETS, net	206,608	213,887
OTHER ASSETS	5,936	6,338
TOTAL ASSETS	$ 665,238	$ 725,888
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturity of term loan	$ 14,857	$ —
Accounts payable	48,396	38,052
Accrued expenses	58,329	77,602
Income taxes payable	—	224
Current portion of operating lease liabilities	13,597	14,028
TOTAL CURRENT LIABILITIES	135,179	129,906
OTHER LONG-TERM LIABILITIES	14,826	14,995
INCOME TAXES PAYABLE, LONG-TERM	1,589	1,591
OPERATING LEASE LIABILITIES	73,789	76,420
DEFERRED INCOME TAXES	9,622	9,607
REVOLVING CREDIT FACILITY	25,232	10,424
TERM LOAN	181,950	242,857
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, 2023 and December 31, 2022; shares issued and outstanding: 21,814,236 at June 30, 2023 and 21,779,799 at December 31, 2022	218	218
Paid-in capital	275,915	274,579
(Accumulated deficit) retained earnings	(18,596)	1,145
Accumulated other comprehensive loss	(34,486)	(35,854)
TOTAL STOCKHOLDERS' EQUITY	223,051	240,088
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 665,238	$ 725,888

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,	
	2023	**2022**	**2023**	**2022**
Net sales	$ 146,436	$ 151,314	$ 291,871	$ 334,031
Cost of sales	90,445	96,147	182,038	215,796
Gross margin	55,991	55,167	109,833	118,235
Distribution expenses	15,732	17,373	32,617	36,598
Selling, general and administrative expenses	35,863	38,258	73,770	77,746
Restructuring expenses	—	—	856	—
Income (loss) from operations	4,396	(464)	2,590	3,891
Interest expense	(5,528)	(3,732)	(10,864)	(7,499)
Mark to market gain (loss) on interest rate derivatives	197	304	(37)	1,353
Gain on early retirement of debt	1,520	—	1,520	—
Income (loss) before income taxes and equity in (losses) earnings	585	(3,892)	(6,791)	(2,255)
Income tax (provision) benefit	(1,242)	98	106	(1,575)
Equity in (losses) earnings, net of taxes	(5,863)	334	(8,640)	750
NET LOSS	$ (6,520)	$ (3,460)	$ (15,325)	$ (3,080)
BASIC LOSS PER COMMON SHARE	$ (0.31)	$ (0.16)	$ (0.72)	$ (0.14)
DILUTED LOSS PER COMMON SHARE	$ (0.31)	$ (0.16)	$ (0.72)	$ (0.14)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Net loss	$ (6,520)	$ (3,460)	$ (15,325)	$ (3,080)
Other comprehensive income (loss), net of taxes:				
Translation adjustment	1,237	(4,307)	2,798	(4,423)
Net change in cash flow hedges	(300)	950	(1,453)	1,558
Effect of retirement benefit obligations	11	29	23	58
Other comprehensive income (loss), net of taxes	948	(3,328)	1,368	(2,807)
Comprehensive loss	$ (5,572)	$ (6,788)	$ (13,957)	$ (5,887)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Common stock		Paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Total
	Shares	Amount				
BALANCE AT DECEMBER 31, 2022	21,780	$ 218	$ 274,579	$ 1,145	$ (35,854)	$ 240,088
Net loss	—	—	—	(8,805)	—	(8,805)
Other comprehensive income, net of taxes	—	—	—	—	420	420
Performance shares issued to employees	120	1	(1)	—	—	—
Net issuance of restricted shares granted to employees	185	2	(2)	—	—	—
Stock compensation expense	—	—	866	—	—	866
Shares effectively repurchased for required employee withholding taxes	(74)	(1)	(438)	—	—	(439)
Stock repurchase	(320)	(3)	—	(2,536)	—	(2,539)
Dividends [(1)]	—	—	—	(930)	—	(930)
BALANCE AT MARCH 31, 2023	21,691	$ 217	$ 275,004	$ (11,126)	$ (35,434)	$ 228,661
Net loss	—	—	—	(6,520)	—	(6,520)
Other comprehensive income, net of taxes	—	—	—	—	948	948
Net issuance of restricted shares granted to employees and directors	141	1	(1)	—	—	—
Stock compensation expense	—	—	1,010	—	—	1,010
Shares effectively repurchased for required employee withholding taxes	(18)	—	(98)	—	—	(98)
Dividends [(1)]	—	—	—	(950)	—	(950)
BALANCE AT JUNE 30, 2023	21,814	$ 218	$ 275,915	$ (18,596)	$ (34,486)	$ 223,051

	Common stock		Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Shares	Amount				
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

(1) Cash dividends declared per share of common stock were $0.085 and $0.085 in the six months ended June 30, 2023 and 2022, 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,	
	2023	**2022**
OPERATING ACTIVITIES		
Net loss	$ (15,325)	$ (3,080)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,795	9,937
Amortization of financing costs	975	843
Mark to market loss (gain) on interest rate derivatives	37	(1,353)
Non-cash lease adjustment	(1,255)	(690)
Provision (recovery) for doubtful accounts	1,528	(258)
Stock compensation expense	1,872	2,539
Undistributed losses (earnings) from equity investment, net of taxes	8,640	(750)
Contingent consideration fair value adjustments	(50)	—
Gain on early retirement of debt	(1,520)	—
Changes in operating assets and liabilities (excluding the effects of business acquisitions)		
Accounts receivable	25,524	69,500
Inventory	11,492	(25,325)
Prepaid expenses, other current assets and other assets	1,563	(816)
Accounts payable, accrued expenses and other liabilities	(10,989)	(55,117)
Income taxes receivable	(3,049)	(3,729)
Income taxes payable	(245)	(558)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	28,993	(8,857)
INVESTING ACTIVITIES		
Purchases of property and equipment	(993)	(1,479)
Acquisition	—	(17,956)
NET CASH USED IN INVESTING ACTIVITIES	(993)	(19,435)
FINANCING ACTIVITIES		
Proceeds from revolving credit facility	30,378	157,751
Repayments of revolving credit facility	(16,546)	(136,970)
Repayments of term loan	(44,866)	(6,216)
Proceeds from short-term loan	—	30
Payment of financing costs	(433)	—
Payments for finance lease obligations	(14)	(17)
Payments of tax withholding for stock based compensation	(537)	(938)
Proceeds from the exercise of stock options	—	233
Payments for stock repurchase	(2,539)	(4,199)
Cash dividends paid	(1,907)	(1,929)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(36,464)	7,745
Effect of foreign exchange on cash	(12)	(238)
DECREASE IN CASH AND CASH EQUIVALENTS	(8,476)	(20,785)
Cash and cash equivalents at beginning of period	23,598	27,982
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 15,122	$ 7,197

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, 2022.

Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

The Company's business and working capital needs are seasonal, with a majority of sales occurring in the third and fourth quarters. In 2022 and 2021, net sales for the third and fourth quarters accounted for 54% and 56% of total annual net sales, respectively. The current market conditions and shifts in both consumer and retailer purchasing patterns has impacted the seasonality of the Company's net sales compared to historical trends. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period. In 2023, the Company's inventory trends may deviate from historical trends due to a change in inventory strategy to react to the current market conditions impacting the Company and retailers.

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.

LIFETIME BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

(unaudited)

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 credit 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 expectations of current and future economic conditions. 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. The Company did not sell receivables to HSBC during the three and six months ended June 30, 2023. 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. Charges of $0.2 million and $0.3 million, respectively, related to the sale of the receivables were included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2022. At June 30, 2023 and 2022, zero and $25.6 million, respectively, of receivables sold were outstanding and due to HSBC from customers.

At June 30, 2023, $23.3 million of accounts receivables were available for sale to HSBC, net of applicable charges.

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, 2023	December 31, 2022
Finished goods	$ 202,917	$ 213,450
Work in process	63	70
Raw materials	9,547	8,689
Total	$ 212,527	$ 222,209

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 Company performed its annual impairment assessment of its U.S. reporting unit as of October 1, 2022 by comparing the fair value of the reporting unit with its carrying value. The Company performed the analysis using a discounted cash flow and market multiple method. As of October 1, 2022, the fair value of the U.S. reporting unit exceeded the carrying value of goodwill by 10%.

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. The Company completed the quantitative impairment analysis for its indefinite-lived assets as of October 1, 2022, by comparing the fair value of the indefinite-lived trade names to their respective carrying value using a relief from royalty method. As of October 1, 2022, the fair value of the Company's indefinite-lived trade names exceeded their respective carrying values by 12%.

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.

In the fourth quarter of 2022, the Company's U.S. segment incurred $0.4 million of restructuring expense in connection with the reorganization the U.S. segment's sales management structure. At June 30, 2023, the accrual balance was $0.2 million, and the remaining payments are expected to be paid within fiscal year 2023.

During the six months ended June 30, 2023, the Company incurred $0.8 million of unallocated corporate expense related to the termination payment with its Executive Chairman, Jeffrey Siegel (the "Executive Chairman"). On November 1, 2022, the Company entered into a transition agreement with its Executive Chairman which terminated his employment with the Company, effective March 31, 2023. The employment agreement provided for a one-time termination payment. The one-time payment of $1.4 million was recognized over the remaining employment period with $0.6 million recognized in the fourth quarter of 2022. The termination payment was paid on April 7, 2023.

Adoption of new accounting pronouncements

Effective January 1, 2023, the Company adopted 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, to include historical experience, current conditions and reasonable and supportable forecasts. The Company adopted this guidance on a modified retrospective basis and the adoption did not have a material impact on the Company’s condensed consolidated financial statements.

New accounting pronouncements

All recent accounting pronouncements 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.

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 $0.5 million and $0.9 million for the three and six months ended June 30, 2023, respectively and $1.0 million and $2.0 million for the three and six months ended June 30, 2022, 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.

LIFETIME BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

(unaudited)

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, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
U.S. segment				
Kitchenware	$ 84,015	$ 84,345	$ 169,747	$ 198,475
Tableware	26,149	29,943	50,148	56,520
Home Solutions	24,815	22,903	48,569	48,414
Total U.S. segment	134,979	137,191	268,464	303,409
International segment	11,457	14,123	23,407	30,622
Total net sales	$ 146,436	$ 151,314	$ 291,871	$ 334,031
United States	$ 127,295	$ 131,650	$ 254,541	$ 291,052
United Kingdom	7,679	8,053	16,291	18,839
Rest of World	11,462	11,611	21,039	24,140
Total net sales	$ 146,436	$ 151,314	$ 291,871	$ 334,031

NOTE 3 —ACQUISITIONS

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[1]	$ 17,956
Value of contingent consideration	650
Total purchase price	$ 18,606

[1] Reflects final working capital adjustment of $21k pursuant to the terms of the Asset Purchase Agreement.

The value of contingent consideration represents the present value of estimated contingent payments of $0.7 million, related to the attainment of certain net sales contribution targets for the year 2024. 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 final estimate of the fair values of the assets acquired and liabilities assumed at the acquisition date, 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 was 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.

The goodwill and intangible assets 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 — INTANGIBLE ASSETS). 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 over 15 years.

Included in Selling, general and administrative expenses for the three and six months ended June 30, 2023 is a $(0.1) million credit to reflect the change in fair value of a contingent consideration obligation acquired by the Company in connection with its acquisition of S'well.

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, 2023 and 2022 were as follows (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2023	**2022**	**2023**	**2022**
Operating lease expenses[1]:				
Fixed lease expense	$ 4,232	$ 4,521	$ 8,406	$ 8,929
Variable lease expense	1,324	1,174	2,750	2,345
Total	$ 5,556	$ 5,695	$ 11,156	$ 11,274

[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, 2023 and 2022 were as follows (in thousands):

	Six Months Ended June 30,	
	2023	**2022**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 9,661	$ 9,618

	Six Months Ended June 30,	
	2023	2022
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 2,715	$ 2,452

The aggregate future lease payments for operating leases as of June 30, 2023 were as follows (in thousands):

	Operating
2023 (excluding the six months ended June 30, 2023)	$ 9,362
2024	18,454
2025	18,128
2026	17,753
2027	13,536
2028	12,140
Thereafter	17,082
Total lease payments	106,455
Less: Interest	(19,069)
Present value of lease payments	$ 87,386

Average lease terms and discount rates were as follows:

	June 30, 2023
Operating leases:	
Weighted-average remaining lease term (years)	6.3
Weighted-average discount rate	6.3 %

NOTE 5 —INVESTMENTS

As of June 30, 2023, 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. 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, 2023 and 2022 in the accompanying unaudited condensed consolidated statements of operations.

The Company’s equity in (losses) earnings, net of taxes, for the three and six months ended June 30, 2023 and 2022 included the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Vasconia equity in (losses) earnings, net of taxes	$ (1,422)	$ 334	$ (2,146)	$ 750
Impairment on investment in Vasconia	(4,441)	—	(6,494)	—
Equity in (losses) earnings, net of taxes	$ (5,863)	$ 334	$ (8,640)	$ 750

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 17.11 and MXN 19.47 at June 30, 2023 and December 31, 2022, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Average exchange rate (USD to MXN)	17.68	20.02	17.68 - 18.66	20.02 - 20.50

The effect of the translation of the Company’s investment, as well as the translation of Vasconia’s balance sheet, resulted in an increase to the investment of $1.4 million and a decrease of $0.9 million during the six months ended June 30, 2023 and 2022, respectively. These translation effects are recorded in accumulated other comprehensive loss.

Summarized income statement information for the three and six months ended June 30, 2023 and 2022 for Vasconia in USD and MXN is as follows (in thousands):

	Three Months Ended June 30,			
	2023		2022	
	USD	MXN	USD	MXN
Net sales	$ 42,051	$ 743,462	$ 66,195	$ 1,325,237
Gross profit	9,680	171,152	10,804	216,297
Income from operations	193	3,401	518	10,366
Net (loss) income	(5,755)	(101,737)	1,403	28,091

	Six Months Ended June 30,			
	2023		2022	
	USD	MXN	USD	MXN
Net sales	$ 82,792	$ 1,503,692	$ 130,513	$ 2,643,750
Gross profit	18,336	332,665	25,224	511,915
(Loss) income from operations	(814)	(15,383)	5,203	106,406
Net (loss) income	(8,686)	(156,433)	3,134	63,570

The Company recorded equity in (losses) earnings of Vasconia, net of taxes, of $(1.4) million and $(2.1) million for the three and six months ended June 30, 2023, respectively. 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.

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, 2023	December 31, 2022
Amounts due from Vasconia	Prepaid expenses and other current assets	$ 24	$ 48
Amounts due to Vasconia	Accrued expenses and Accounts payable	(93)	(16)

The fair value (based on Level 1 inputs using the quoted stock price) of the Company’s investment in Vasconia declined in 2023. As a result of the decline in the quoted stock price, the continued decline in the operating results of Vasconia and the recent downgrade in Vasconia’s debt rating, the Company determined the decline in fair value was other than temporary. The Company reduced its investment by $4.4 million during the three months ended June 30, 2023 to its fair value, and recognized the non-cash impairment charge within equity in (losses) earnings in the unaudited condensed consolidated statement of operations. The carrying value of the Company’s investment in Vasconia, after the recorded impairment, was $5.3 million as of June 30, 2023. For the six months ended June 30, 2023, the Company has recognized non-cash impairment charges of $6.5 million.

As of December 31, 2022, the fair value (based on Level 1 inputs using the quoted stock price) of the Company's investment in Vasconia was $15.0 million, respectively. The carrying value of the Company's investment in Vasconia was $12.5 million as of December 31, 2022.

NOTE 6 — INTANGIBLE ASSETS

Intangible assets consisted of the following as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023			December 31, 2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Goodwill[1]	$ 33,237	$ —	$ 33,237	$ 33,237	$ —	$ 33,237
Indefinite-lived intangible assets:						
Trade names[1]	49,600	—	49,600	49,600	—	49,600
Finite-lived intangible assets:						
Licenses	15,847	(11,882)	3,965	15,847	(11,654)	4,193
Trade names[2]	54,881	(21,890)	32,991	54,785	(20,030)	34,755
Customer relationships[2]	143,158	(58,608)	84,550	143,157	(53,586)	89,571
Other [2]	5,871	(3,606)	2,265	5,856	(3,325)	2,531
Total	$ 302,594	$ (95,986)	$ 206,608	$ 302,482	$ (88,595)	$ 213,887

[1]The gross and net value at June 30, 2023 and December 31, 2022 reflect a reduction of $91.7 million in impairment charges on goodwill and $1.0 million in impairment charges on indefinite-lived intangible assets.

[2]The gross value and accumulated amortization at June 30, 2023 reflect a reduction of $44.1 million and $(29.3) million, respectively, for the net $14.8 million previous impairment charge on finite-lived intangible assets within the international segment and a $6.5 million reduction in gross value for previous impairment charges on finite-lived intangible assets within the U.S. segment.

NOTE 7 — DEBT

On August 26, 2022, the Company entered into Amendment No. 2 (the "Amendment") to the Company's credit agreement, dated as of March 2, 2018 (as amended, the "ABL Agreement") among the Company, as a Borrower, certain subsidiaries of the Company, as Borrowers and/or Loan Parties, JPMorgan Chase Bank, N.A., as Administrative Agent and a Lender, HSBC Bank USA, National Association and Wells Fargo Bank, National Association, as Co-Documentation Agents and Lenders, and Manufacturers and Traders Trust Company. The ABL Agreement provides for a senior secured asset-based revolving credit facility in the maximum aggregate principal amount of $200.0 million, which facility will mature on August 26, 2027 (subject to an earlier springing maturity date that is 90 days prior to the Term Loan maturity date of February 28, 2025 if the Company's Term Loan has not been repaid or refinanced by such date).

The Company's loan agreement, dated as of March 2, 2018, (the "Term Loan" and together with the ABL Agreement, the "Debt Agreements") provides for a senior secured term loan credit in the original principal amount of $275.0 million, which matures on February 28, 2025. On December 29, 2022, the Company entered into Amendment No. 1 to the Term Loan, which replaces the LIBOR-based interest rates with SOFR-based interest rates and modifies the provisions for determining the alternative rate of interest upon the occurrence of certain events relating to the availability of interest rate benchmarks. 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, each lender has the option to decline a portion or all of the prepayment amount payable to it. An estimate of the amount of the Excess Cash Flow payment is recorded in current maturity of term loan on the unaudited condensed consolidated balance sheets. Additionally, the Term Loan 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, which payments are to be adjusted from time to time to account for prepayments made. Per the Term Loan, when the Company makes an Excess Cash Flow payment, the payment is first applied to satisfy the next eight (8) scheduled future quarterly required payments of the Term Loan in order of maturity and then to the remaining scheduled installments on a pro rata basis. The quarterly principal payments have been satisfied through maturity of the Term Loan by the annual Excess Cash Flow payments made to date.

The maximum borrowing amount under the ABL Agreement may be increased to up to $250.0 million if certain conditions are met but limited to $220.0 million pursuant to the Term Loan. One or more tranches of additional term loans (the “Incremental Term 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 on a pro forma basis pursuant to the Term Loan, after giving effect to such increase, is no greater than 3.75 to 1.00, subject to certain limitations and for the period defined pursuant to the Term Loan but not to mature earlier than the maturity date of the then existing term loans.

As of June 30, 2023 and December 31, 2022, the total availability under the ABL Agreement was as follows (in thousands):

	June 30, 2023	December 31, 2022
Maximum aggregate principal allowed	$ 180,721	$ 189,411
Outstanding borrowings under the ABL Agreement	(25,232)	(10,424)
Standby letters of credit	(3,384)	(2,765)
Total availability under the ABL Agreement	$ 152,105	$ 176,222

Availability under the ABL Agreement is limited to the lesser of the $200.0 million commitment thereunder and the borrowing base and therefore 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 $200.0 million commitment thereunder may not represent actual borrowing capacity.

On June 8, 2023, the Company completed the repurchase of $47.2 million in principal amount of the Term Loan, for $95 per $100 of principal. The repurchase was executed by way of a reverse Dutch auction, pursuant to and in accordance with the terms and conditions provided for in the Term Loan. In connection therewith, debt issuance costs of $0.5 million were written off and fees of $0.4 million were incurred. The gain on the early retirement of the Term Loan was $1.5 million, net of fees and expenses.

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

	June 30, 2023	December 31, 2022
Current portion of Term Loan:		
Estimated Excess Cash Flow principal payment	$ 16,000	$ —
Estimated unamortized debt issuance costs	(1,143)	—
Total Current portion of Term Loan	$ 14,857	$ —
Non-current portion of Term Loan:		
Term Loan, net of current portion	$ 182,684	$ 245,911
Estimated unamortized debt issuance costs	(734)	(3,054)
Total Non-current portion of Term Loan	$ 181,950	$ 242,857

The estimated Excess Cash Flow principal payment recorded at June 30, 2023 represents the Company’s estimate for the 2024 Excess Cash Flow Payment. There was no Excess Cash Flow payment due in 2023.

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 foreign subsidiary borrowers under the ABL Agreement are secured by security interests in substantially all of the assets of, and stock in, such foreign

subsidiary borrowers, subject to certain limitations. 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 security interests in 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 interests consist of (1) a first-priority lien, subject to certain permitted liens, with respect to certain assets of the Company and certain of its 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 (2) a first-priority lien, subject to certain permitted liens, with respect to certain assets of the Company and certain of its 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 revolving credit facility bear interest, at the Company’s option, at one of the following rates: (i) an 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 Adjusted Term Secured Overnight Financing Rate (“SOFR”) plus 1.0% as of a specified date in advance of the determination, but in each case not less than 1.0%, plus a margin of 0.25% to 0.50%, or (ii) Adjusted Term SOFR, which is the Term SOFR Rate for the selected 1, 3 or 6 month interest period plus 0.10% (or Euro Interbank Offered Rate “EURIBOR” for borrowings denominated in Euro; or Sterling Overnight Index Average “SONIA” for borrowings denominated in Pounds Sterling), but in each case not less than zero, plus a margin of 1.25% to 1.50%. The respective margins are based upon average quarterly availability, as defined in and computed pursuant to the ABL Agreement. In addition, the Company pays a commitment fee of 0.20% to 0.25% per annum based on the average daily unused portion of the aggregate commitment under the ABL Agreement. The interest rate on outstanding borrowings under the ABL Agreement at June 30, 2023 was 4.93%. The Company paid a commitment fee of 0.25% during the six months ended June 30, 2023.

The Term Loan 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 Adjusted Term SOFR, but not less than 1.0%, plus 1.0%, plus a margin of 2.5% or (ii) SOFR for the applicable interest period, multiplied by any statutory reserve rate, 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, 2023 was 8.72%.

The Debt Agreements provide for customary restrictions and events of default. Restrictions include limitations on additional indebtedness, liens, 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 $20.0 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 $20.0 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, 2023.

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 $25.0 million at June 30, 2023. These non-designated interest rate swaps were entered into in June 2019 and 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.

The Company’s interest rate swaps that were designated 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 expired in March 2023. The Company has no designated interest rate swaps at June 30, 2023.

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 value of foreign exchange contracts at June 30, 2023 was $7.0 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, 2023, 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, 2023	December 31, 2022
Interest rate swaps	Prepaid expenses and other current assets	$ —	$ 122
Foreign exchange contracts	Accrued expenses	419	260

Derivatives not designated as hedging instruments	Balance Sheet Location	June 30, 2023	December 31, 2022
Interest rate swaps	Other assets	$ 1,255	$ 1,292

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, 2023, 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 income (loss), net of taxes, as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives designated as hedging instruments	**2023**	**2022**	**2023**	**2022**
Interest rate swaps	$ —	$ 200	$ (120)	$ 483
Foreign exchange contracts	(300)	750	(1,333)	1,075
	$ (300)	$ 950	$ (1,453)	$ 1,558

Realized gains and losses on the interest rate swaps that are reported in other comprehensive income (loss) are reclassified into earnings as the interest expense on the debt is recognized. The Company’s interest rate swaps that were designated as hedging instruments had an aggregate notional value of $25.0 million and matured during the three months ended March 31, 2023.

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

During the three months ended June 30, 2023, the Company reclassified $0.04 million of cash flow hedges in accumulated other comprehensive losses to earnings. This was a gain of $0.04 million related to foreign exchange contracts recognized in cost of sales. During the six months ended June 30, 2023, the Company reclassified $0.9 million of cash flow hedges in accumulated other comprehensive losses to earnings. This was comprised of a gain of $0.1 million related to realized interest rate swap and a gain of $0.8 million related to foreign exchange contracts recognized in cost of sales. At June 30, 2023, the estimated amount of existing net losses expected to be reclassified into earnings within the next 12 months was $0.6 million.

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 a $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

Interest and mark to market (losses) gains 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)**	**2023**	**2022**	**2023**	**2022**
Interest rate swaps	Mark to market gain (loss) on interest rate derivatives	$ 197	$ 304	$ (37)	$ 1,353
	Interest expense	196	(72)	361	(183)
		$ 393	$ 232	$ 324	$ 1,170

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(unaudited)

NOTE 9 — STOCK COMPENSATION

As of June 30, 2023, there were 618,812 shares available for the grant of awards under the Company's Amended and Restated 2000 Long Term Incentive Plan (“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, 2023 is as follows:

	Options	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value (in thousands)
Options outstanding, January 1, 2023	1,065,750	$ 13.66		
Grants	50,000	5.92		
Cancellations	(4,375)	11.27		
Expirations	(107,875)	13.17		
Options outstanding, June 30, 2023	1,003,500	13.34	4.6	$ —
Options exercisable, June 30, 2023	887,875	$ 13.87	4.0	$ —
Total unrecognized stock option expense remaining (in thousands)	$ 450			
Weighted-average years expected to be recognized over	1.9			

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, 2023. 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, 2023 and the exercise price.

On March 8, 2023, the exercise period for the Executive Chairman’s outstanding vested stock options were extended to remain exercisable until ninety days following termination of his service on the Company's Board of Directors (the "Board"). The outstanding stock options remain subject to original expiration dates of such awards. The Company recorded $0.1 million of stock compensation expense in connection with this extension during the three months ended March 31, 2023.

Restricted Stock

A summary of the Company’s restricted stock activity and related information for the six months ended June 30, 2023 is as follows:

	Restricted Shares	Weighted-average grant date fair value
Non-vested restricted shares, January 1, 2023	484,143	$ 11.79
Grants	333,300	5.37
Vested	(212,037)	11.20
Cancellations	(6,783)	11.07
Non-vested restricted shares, June 30, 2023	598,623	$ 8.44
Total unrecognized compensation expense remaining (in thousands)	$ 4,553	
Weighted-average years expected to be recognized over	1.7	

The total fair value of restricted stock that vested during the six months ended June 30, 2023 was $1.2 million.

LIFETIME BRANDS, INC.
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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. 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, 2023 is as follows:

	Performance-based stock awards [(1)]	Weighted-average grant date fair value
Non-vested performance-based awards, January 1, 2023	400,302	$ 11.56
Grants	191,075	5.92
Achieved performance over target [(2)]	16,942	6.36
Vested	(119,739)	6.36
Cancellations	(858)	14.18
Non-vested performance-based awards, June 30, 2023	487,722	$ 10.44
Total unrecognized compensation expense remaining (in thousands)[(3)]	$ 1,390	
Weighted-average years expected to be recognized over	2.0	

(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 2020 based on performance goals attained. These awards vested in the six months ended June 30, 2023.

(3) The performance metric for the performance-based awards granted in 2022 is not probable of achievement. Therefore, no compensation expense has been recorded on these awards.

The total fair value of performance-based awards that vested during the six months ended June 30, 2023 was $0.7 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. 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, 2023 is as follows:

	Cash-settled performance-based awards [(1)]	Weighted-average fair value
Non-vested cash-settled performance-based awards, January 1, 2023	85,776	$ 7.59
Cancellations	(1,790)	5.65
Non-vested cash-settled performance-based awards, June 30, 2023	83,986	$ 5.65
Total unrecognized compensation expense remaining (in thousands)[(2)]	$ —	
Weighted-average years expected to be recognized over	0.0	

(1) Represents the target number of units to be settled in cash.

(2) The performance metric for the cash-settled performance-based awards granted in 2022 is not probable of achievement. Therefore, no compensation expense has been recorded on these awards.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Stock Compensation Expense Components	**2023**	**2022**	**2023**	**2022**
Equity based stock option expense	$ 50	$ 93	$ 179	$ 180
Restricted and performance-based stock awards expense	960	1,187	1,697	2,251
Stock compensation expense for equity based awards	$ 1,010	$ 1,280	$ 1,876	$ 2,431
Liability based stock option expense	1	(1)	(4)	(6)
Cash-settled performance-based awards expense	—	86	0	114
Total Stock Compensation Expense	$ 1,011	$ 1,365	$ 1,872	$ 2,539

NOTE 10 —LOSS PER COMMON SHARE

Basic loss per common share has been computed by dividing net loss by the weighted-average number of shares of the Company's common stock outstanding during the relevant period. Diluted loss per common share adjusts net loss and basic loss 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 per common share for the three and six months ended June 30, 2023 and 2022 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(in thousands, except per share amounts)			
Net loss – Basic and Diluted	$ (6,520)	$ (3,460)	$ (15,325)	$ (3,080)
Weighted-average shares outstanding – Basic	21,123	21,531	21,174	21,642
Effect of dilutive securities:				
Stock options and other stock awards	—	—	—	—
Weighted-average shares outstanding – Diluted	21,123	21,531	21,174	21,642
Basic loss per common share	$ (0.31)	$ (0.16)	$ (0.72)	$ (0.14)
Diluted loss per common share	$ (0.31)	$ (0.16)	$ (0.72)	$ (0.14)
Antidilutive Securities[1]	1,624	1,704	1,603	1,671

[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 provision of $1.2 million and income tax benefit of $0.1 million for the three and six months ended June 30, 2023, respectively, represent taxes on both U.S. and foreign earnings at a combined effective income tax provision rate of 212.3% and income tax benefit rate of 1.6%, respectively. The effective tax rate for the three months ended June 30, 2023 differs from the federal statutory income tax rate of 21.0% primarily due to state and local tax expense, the impact of non-deductible expenses, and foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance, partially offset by a benefit for federal credits. The effective tax rate for the six months ended June 30, 2023 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.

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.

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

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, 2023 and June 30, 2022.

LIFETIME BRANDS, INC.
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(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 (loss) 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,	
	2023	2022	2023	2022
	(in thousands)			
Net sales				
U.S.	$ 134,979	$ 137,191	$ 268,464	$ 303,409
International	11,457	14,123	23,407	30,622
Total net sales	$ 146,436	$ 151,314	$ 291,871	$ 334,031
Income (loss) from operations				
U.S.	$ 11,736	$ 7,530	$ 17,690	$ 21,856
International	(2,829)	(3,072)	(4,721)	(7,190)
Unallocated corporate expenses	(4,511)	(4,922)	(10,379)	(10,775)
Income (loss) from operations	$ 4,396	$ (464)	$ 2,590	$ 3,891
Depreciation and amortization				
U.S.	$ 4,646	$ 4,698	$ 9,264	$ 9,247
International	279	340	531	690
Total depreciation and amortization	$ 4,925	$ 5,038	$ 9,795	$ 9,937

	June 30, 2023	December 31, 2022
	(in thousands)	
Assets		
U.S.	$ 556,652	$ 608,496
International	90,415	93,794
Unallocated corporate	18,171	23,598
Total Assets	$ 665,238	$ 725,888

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 (“OU-1”), 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. In February 2017, the EPA indicated that it planned to expand its field investigation for the RI/FS to a second operable unit (“OU-2”) to 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 requested access to the property occupied by WSPR to install monitoring wells and to undertake groundwater sampling as part of this expanded investigation. WSPR consented to the EPA’s access request, provided that the EPA received 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 with the U.S. government 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. The tolling agreements have been extended multiple times and currently expire in November 2023. 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 OU-2 in July 2019, and on September 30, 2019, the EPA issued the ROD OU-2. The EPA elected to implement its preferred remedy consisting 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 for OU-2 is $17.3 million, and the EPA is currently leading remediation of OU-2.

In August 2021, WSPR received a Notice of Liability for the Site from the Department of Justice on behalf of the EPA, and in September 2021, WSPR responded with a good faith offer to conduct additional testing and remedial design work for OU-1. Since that time, WSPR has been actively participating in negotiations among the U.S. Government (the Department of Justice and the EPA) and other potentially responsible parties with respect to the remedial work at OU-1. While the U.S. Government and the potentially responsible parties (including WSPR) all signed the Consent Decree as of July 19, 2023, several procedural steps remain before the Consent Decree is effective. On July 26, 2023, the U.S. Government filed a complaint in United States District Court for the District of Puerto Rico for the purpose of seeking judicial approval of the Consent Decree, which is required for the Consent Decree to be effective. As required by applicable regulations, the U.S. Government simultaneously

lodged the Consent Decree for public comment. After conclusion of the comment period, the U.S. Government will file with the Court any comments received as well as responses to the comments. At that time, if appropriate, the U.S. Government will file a Motion to Enter the Consent Decree.

The Company has reserved $5.6 million to cover probable and estimable liabilities with respect to the above remedial design and remedial action for the initial operable unit. However, it is not possible at this time for the Company to estimate its share of its ultimate liability for the Site. 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 $0.9 million. In such event, it is reasonably possible that additional penalties could be assessed, depending upon the level of culpability found, of up to $1.7 million for negligence and up to $3.4 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, 2023 were as follows:

Dividend per share	Date declared	Date of record	Payment date
$0.0425	3/8/2023	5/1/2023	5/15/2023
$0.0425	6/22/2023	8/1/2023	8/15/2023

During the six months ended June 30, 2023, the Company paid dividends of $1.9 million. This included payments made on February 15, 2023 and May 15, 2023 of $0.9 million and $0.9 million to stockholders of record on February 1, 2023 and May 1, 2023, 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, 2023, the Company reduced retained earnings for the accrual of $1.0 million relating to the dividend payable on August 15, 2023.

On August 2, 2023, the Board declared a quarterly dividend of $0.0425 per share of common stock payable on November 15, 2023 to stockholders of record on November 1, 2023.

Stock repurchase program

On March 14, 2022, the Company announced that its Board authorized the repurchase of up to $20.0 million of the Company's common stock, replacing the Company's previously-authorized $10.0 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 six months ended June 30, 2023, the Company repurchased 320,204 shares for a total cost of $2.5 million and thereafter retired the shares.

Supplemental cash flow information

	Six Months Ended June 30,	
	2023	2022
	(in thousands)	
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 10,453	$ 6,598
Cash paid for taxes, net of refunds	3,188	5,862

Components of accumulated other comprehensive loss, net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(in thousands)			
Accumulated translation adjustment:				
Balance at beginning of period	$ (34,511)	$ (31,868)	$ (36,072)	$ (31,752)
Translation adjustment during period	1,237	(4,307)	2,798	(4,423)
Balance at end of period	$ (33,274)	$ (36,175)	$ (33,274)	$ (36,175)
Accumulated deferred (losses) gains on cash flow hedges:				
Balance at beginning of period	$ (230)	$ 686	$ 923	$ 78
Change in unrealized (losses) gains	(261)	1,079	(511)	1,577
Amounts reclassified from accumulated other comprehensive loss:				
Settlement of cash flow hedge [1]	(39)	(129)	(942)	(19)
Net change in cash flow hedges, net of taxes of $0, $243, $(2), $413	(300)	950	(1,453)	1,558
Balance at end of period	$ (530)	$ 1,636	$ (530)	$ 1,636
Accumulated effect of retirement benefit obligations:				
Balance at beginning of period	$ (693)	$ (1,846)	$ (705)	$ (1,875)
Amounts reclassified from accumulated other comprehensive loss: [2]				
Amortization of actuarial loss, net of taxes of $(4), $(10), $(8), $(19)	11	29	23	58
Balance at end of period	$ (682)	$ (1,817)	$ (682)	$ (1,817)
Total accumulated other comprehensive loss at end of period	$ (34,486)	$ (36,356)	$ (34,486)	$ (36,356)

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

(2) 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, 2022 (the "2022 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;
- 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 2022, Kitchenware products and Tableware products accounted for approximately 82% of the Company’s U.S. segment’s net sales and 84% 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®, Mikasa®, KitchenAid®, Taylor®, Rabbit®, Pfaltzgraff®, Built NY®, Sabatier®, Fred® & Friends, Kamenstein®, and S'well®. 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

The global economy is experiencing relatively high inflation, which has in part been caused by the supply chain disruptions and higher consumer spending. The rise in inflation is contributing to higher prices, which may result in increased transportation and labor cost and consumer spending and buying patterns. Retailers have responded to the economic challenges by rightsizing inventory levels, and further reducing safety stock and weekly supply on hand. Further, the U.K. economy has been facing unfavorable economic and market conditions, with high inflation and low consumer confidence due to uncertain geopolitical and economic outlooks. The Company has been adversely impacted by these trends in 2022 and these trends have continued in 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 (loss) 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 INVESTMENT

As of June 30, 2023, 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. 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, 2023 and 2022 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 (the "Vasconia Board"). As of June 30, 2023, the Vasconia Board was comprised of eleven members, of whom the Company had no designated members.

SEASONALITY

The Company's business and working capital needs are seasonal, with a majority of sales occurring in the third and fourth quarters. In 2022 and 2021, net sales for the third and fourth quarters accounted for 54% and 56% of total annual net sales, respectively. The current market conditions and shifts in both consumer and retailer purchasing patterns has impacted the seasonality of the Company's net sales compared to historical trends. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period. In 2023, the Company's inventory trends may deviate from historical trends due to a change in inventory strategy to react to the current market conditions impacting the Company and retailers.

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.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to the Company's critical accounting estimates discussed in the 2022 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,	
	2023	2022	2023	2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	61.8	63.5	62.4	64.6
Gross margin	38.2	36.5	37.6	35.4
Distribution expenses	10.7	11.5	11.2	11.0
Selling, general and administrative expenses	24.5	25.3	25.3	23.2
Restructuring expenses	—	—	0.2	—
Income (loss) from operations	3.0	(0.3)	0.9	1.2
Interest expense	(3.7)	(2.5)	(3.7)	(2.3)
Mark to market gain (loss) on interest rate derivatives	0.1	0.2	—	0.4
Gain on early retirement of debt	1.0	—	0.5	—
Income (loss) before income taxes and equity in (losses) earnings	0.4	(2.6)	(2.3)	(0.7)
Income tax (provision) benefit	(0.9)	0.1	—	(0.4)
Equity in (losses) earnings, net of taxes	(4.0)	0.2	(3.0)	0.2
Net loss	(4.5)%	(2.3)%	(5.3)%	(0.9)%

MANAGEMENT’S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED JUNE 30, 2023 COMPARED TO THE THREE MONTHS ENDED
JUNE 30, 2022

Net Sales

Consolidated net sales for the three months ended June 30, 2023 were $146.4 million, representing a decrease of $4.9 million, or 3.2%, as compared to net sales of $151.3 million for the corresponding period in 2022. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations and was determined by applying 2023 average rates to 2022 local currency amounts, consolidated net sales decreased by $5.3 million, or 3.5%, as compared to consolidated net sales in the corresponding period in 2022.

Net sales for the U.S. segment for the three months ended June 30, 2023 were $135.0 million, a decrease of $2.2 million, or 1.6%, as compared to net sales of $137.2 million for the corresponding period in 2022.

Net sales for the U.S. segment’s Kitchenware product category were $84.0 million for the three months ended June 30, 2023, a decrease of $0.3 million, or 0.4%, as compared to $84.3 million for the corresponding period in 2022. The decrease was driven by lower sales for cutlery and boards reflecting retail inventory rightsizing, offset by higher sales in other product lines, most notably for Taylor branded measurement products.

Net sales for the U.S. segment’s Tableware product category were $26.1 million for the three months ended June 30, 2023, a decrease of $3.8 million, or 12.7%, as compared to $29.9 million for the corresponding period in 2022. The decrease was attributable to lower dinnerware sales primarily due to a warehouse club program not repeated in 2023 and lower sales in other distribution channels.

Net sales for the U.S. segment’s Home Solutions product category were $24.9 million for the three months ended June 30, 2023, an increase of $1.9 million, or 8.3%, as compared to $23.0 million for the corresponding period in 2022. The increase was in Taylor branded bath measurement products, partially offset by hydration products.

Net sales for the International segment were $11.4 million for the three months ended June 30, 2023, a decrease of $2.7 million, or 19.1%, as compared to net sales of $14.1 million for the corresponding period in 2022. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations, net sales decreased $2.7 million, or 18.8%, as compared to consolidated net sales in the corresponding period in 2022. The decrease was a result of a slowing of replenishment orders in the United Kingdom (“U.K.”) due to weaker end market demand caused by macroeconomic factors and lower e-commerce sales.

Gross margin

Gross margin for the three months ended June 30, 2023 was $56.0 million, or 38.2%, as compared to $55.2 million, or 36.5%, for the corresponding period in 2022.

Gross margin for the U.S. segment was $51.7 million, or 38.3%, for the three months ended June 30, 2023, as compared to $50.9 million, or 37.1%, for the corresponding period in 2022. The improvement in the gross margin percentage for the U.S. segment was driven by lower inbound freight costs and product mix.

Gross margin for the International segment was $4.3 million, or 37.7%, for the three months ended June 30, 2023, as compared to $4.3 million, or 30.5%, for the corresponding period in 2022. The improvement in the gross margin percentage was attributable to lower product costs, lower inbound freight costs and product mix. In addition, the current year reflects the benefit of lower duty costs on goods sold to European Union (“EU”) customers now distributed from the EU through the Company’s Netherlands distribution facility rather than the U.K.

Distribution expenses

Distribution expenses for the three months ended June 30, 2023 were $15.7 million, as compared to $17.4 million for the corresponding period in 2022. Distribution expenses as a percentage of net sales were 10.7% for the three months ended June 30, 2023, as compared to 11.5% for the three months ended June 30, 2022.

Distribution expenses as a percentage of net sales for the U.S. segment were approximately 9.3% and 10.5% for the three months ended June 30, 2023 and 2022, respectively. Distribution expenses during the three months ended June 30, 2023 and 2022 included $0.2 million and $0.1 million, respectively, for redesign costs related to the Company's U.S. warehouses. As a

percentage of sales shipped from the Company’s U.S. warehouses, excluding non-recurring expenses, distribution expenses were 9.7% and 11.3% for the three months ended June 30, 2023 and 2022, respectively. The decrease in expenses as a percentage of sales was attributable to improved labor management efficiencies resulting in a decrease of employee expenses, lower storage expenses, and pallet expenses.

Distribution expenses as a percentage of net sales for the International segment were 27.7% for the three months ended June 30, 2023, compared to 21.4% for the corresponding period in 2022. As a percentage of sales shipped from the Company’s international warehouses distribution expenses were 25.1% and 22.1% for the three months ended June 30, 2023 and 2022, respectively. The increase in expenses as a percentage of sales was attributable to lower shipment volume.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended June 30, 2023 were $35.9 million, a decrease of $2.4 million, or 6.3%, as compared to $38.3 million for the corresponding period in 2022.

Selling, general and administrative expenses for the U.S. segment were $27.4 million for the three months ended June 30, 2023, as compared to $29.1 million for the corresponding period in 2022. As a percentage of net sales, selling, general and administrative expenses were 20.3% and 21.2% for the three months ended June 30, 2023 and 2022, respectively. The decrease in expense was primarily due to integration costs related to the S'well acquisition incurred in the prior year.

Selling, general and administrative expenses for the International segment were $4.0 million for the three months ended June 30, 2023, as compared to $4.3 million for the corresponding period in 2022. As a percentage of net sales, selling, general and administrative expenses were 35.1% and 30.5% for the three months ended June 30, 2023 and 2022, respectively. The expense decrease was attributable to lower employee costs. The reduction in employee costs was a result of the restructuring action taken by the Company in the fourth quarter of 2022.

Unallocated corporate expenses for the three months ended June 30, 2023 were $4.5 million, as compared to $4.9 million for the corresponding period in 2022. The current period decrease was driven by lower stock compensation expense and salary costs. The decrease in salary is due to the elimination of the Executive Chairman role as of March 31, 2023. The decrease was partially offset by an increase in professional expenses.

Interest expense

Interest expense was $5.5 million and $3.7 million for the three months ended June 30, 2023 and 2022, respectively. The increase in expense was a result of higher interest rates on outstanding borrowings, partially offset by lower average outstanding borrowings.

Mark to market gain (loss) on interest rate derivatives

Mark to market gain on interest rate derivatives was $0.2 million for the three months ended June 30, 2023, as compared to a mark to market gain on interest rate derivatives of $0.3 million for the three months ended June 30, 2022. The gain recognized for the three months ended June 30, 2022 was attributable to the change in the fair value due to the change in the projected interest rate environment. 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, 2023, the intent of the Company is to hold these derivative contracts until their maturity.

Gain on early retirement of debt

Gain on early retirement of debt was $1.5 million for the three months ended June 30, 2023. The gain recognized for the three months ended June 30, 2023 was attributable to the repurchase of $47.2 million in principal amount of the Term Loan. Refer to NOTE 7 — DEBT for additional information.

Income taxes

Income tax provision of $1.2 million and income tax benefit of $0.1 million for the three months ended June 30, 2023 and 2022, respectively, represent taxes on both U.S. and foreign earnings at a combined effective income tax provision rate of 212.3% and an income tax benefit rate of 2.5%, respectively. The effective tax rate for the three months ended June 30, 2023 differs from the federal statutory income tax rate of 21.0% primarily due to state and local tax expense, the impact of non-deductible expenses, and foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance, partially offset by a benefit for federal credits. 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.

Equity in (losses) earnings

Equity in losses of Vasconia, net of taxes, was $1.4 million for the three months ended June 30, 2023, as compared to equity in earnings of Vasconia, net of taxes, of $0.3 million for the three months ended June 30, 2022. For the three months ended June 30, 2023, equity in losses included a non-cash impairment charge of $4.4 million to reduce the carrying value of the Company's investment in Vasconia to its fair value. The decline in the fair value was determined to be other than temporary due to the decline in the quoted stock price, the continued decline in the operating results of Vasconia and the recent downgrade in Vasconia's debt rating.

Vasconia reported income from operations of $0.2 million for the three months ended June 30, 2023, as compared to income from operations of $0.5 million for the three months ended June 30, 2022. The decrease in income from operations was primarily attributable to decreased operating results in the current period in Vasconia's aluminum division.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED JUNE 30, 2023 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2022

Net Sales

Consolidated net sales for the six months ended June 30, 2023 were $291.9 million, a decrease of $42.1 million, or 12.6%, as compared to net sales of $334.0 million for the corresponding period in 2022. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations and was determined by applying 2023 average rates to 2022 local currency amounts, consolidated net sales decreased by $40.3 million, or 12.1%, as compared to consolidated net sales in the corresponding period in 2022.

Net sales for the U.S. segment for the six months ended June 30, 2023 were $268.5 million, a decrease of $34.9 million, or 11.5%, as compared to net sales of $303.4 million for the corresponding period in 2022.

Net sales for the U.S. segment's Kitchenware product category were $169.7 million for the six months ended June 30, 2023, a decrease of $28.8 million, or 14.5%, as compared to $198.5 million for the corresponding period in 2022. The decrease was mainly driven by lower sales across most distribution channels for kitchen tools and gadgets, cutlery and board, and bakeware products. The decrease was a result of slowing replenishment orders as retailers reduced safety stock and weeks supply, which began in the second quarter of 2022.

Net sales for the U.S. segment's Tableware product category were $50.1 million for the six months ended June 30, 2023, a decrease of $6.4 million, or 11.3%, as compared to $56.5 million for the corresponding period in 2022. The decrease was primarily driven by dinnerware sales due to a warehouse club program not repeated in 2023 and lower sales for e-commerce and brick-and-mortar customers. This was partially offset by an increase in sales to off-price retailers.

Net sales for the U.S. segment's Home Solutions product category were $48.7 million for the six months ended June 30, 2023, an increase of $0.3 million, or 0.6%, as compared to $48.4 million for the corresponding period in 2022. The increase was primarily driven by a private label hydration program.

Net sales for the International segment were $23.4 million for the six months ended June 30, 2023, a decrease of $7.2 million, or 23.5%, as compared to net sales of $30.6 million for the corresponding period in 2022. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations, net sales decreased $5.4 million, or 18.6%, as compared to consolidated net sales in the corresponding period in 2022. The decrease was driven by a slowing of replenishment orders in the U.K. due to weaker end market demand caused by macroeconomic factors and lower e-commerce sales.

Gross margin

Gross margin for the six months ended June 30, 2023 was $109.8 million, or 37.6%, as compared to $118.2 million, or 35.4%, for the corresponding period in 2022.

Gross margin for the U.S. segment was $100.6 million, or 37.5%, for the six months ended June 30, 2023, as compared to $108.7 million, or 35.8%, for the corresponding period in 2022. The decrease in gross margin for the U.S. was driven by lower sales. The improvement in gross margin percentage was due to lower inbound freight costs and product mix.

Gross margin for the International segment was $9.2 million, or 39.3%, for the six months ended June 30, 2023, as compared to $9.5 million, or 31.0%, for the corresponding period in 2022. The decrease in gross margin was driven by lower sales. The increase in gross margin percentage was due to lower product costs and inbound freight costs. In addition, the current year reflects the benefit of lower duty costs on goods sold to European Union (“EU”) customers now distributed from the EU through the Company’s Netherlands distribution facility rather than the U.K.

Distribution expenses

Distribution expenses for the six months ended June 30, 2023 were $32.6 million, as compared to $36.6 million for the corresponding period in 2022. Distribution expenses as a percentage of net sales were 11.2% for the six months ended June 30, 2023, as compared to 11.0% for the six months ended June 30, 2022.

Distribution expenses as a percentage of net sales for the U.S. segment were approximately 9.7% and 9.6% for the six months ended June 30, 2023 and 2022, respectively. Distribution expenses during the six months ended June 30, 2023 and 2022 include $0.4 million and $0.2 million, respectively, for redesign costs related to the Company's U.S. warehouses. As a percentage of sales shipped from the Company’s U.S. warehouses, excluding non-recurring expenses, distribution expenses were 10.0% and 10.6% for the six months ended June 30, 2023 and 2022, respectively. The decrease in the expenses as a percentage of sales was a result of lower pallet expenses, improved labor management efficiencies resulting in a decrease of employee expenses and lower storage expenses, partially offset by higher real estate taxes.

Distribution expenses as a percentage of net sales for the International segment were 27.6% for the six months ended June 30, 2023, compared to 24.0% for the corresponding period in 2022. 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 24.5% and 21.9% for the six months ended June 30, 2023 and 2022, respectively. The increase was primarily attributed to lower shipment volume.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended June 30, 2023 were $73.8 million, a decrease of $3.9 million, or 5.0%, as compared to $77.7 million for the corresponding period in 2022.

Selling, general and administrative expenses for the U.S. segment were $56.7 million for the six months ended June 30, 2023, as compared to $57.6 million for the corresponding period in 2022. As a percentage of net sales, selling, general and administrative expenses were 21.1% and 19.0% for the six months ended June 30, 2023 and 2022, respectively. The increase in selling, general and administrative expense as a percentage of net sales is due to the impact of fixed costs on lower sales volume. The decrease was attributable to cost incurred in the prior year for integration costs related to the S'well acquisition and financing fees on receivables sold to HSBC, and lower rent expense in the current period. The decrease was partially offset by the provision for doubtful accounts in the current period related to significant declines in the financial condition of the Company's customer Bed, Bath and Beyond Inc.

Selling, general and administrative expenses for the International segment were $7.5 million for the six months ended June 30, 2023, as compared to $9.3 million for the corresponding period in 2022. The decrease was primarily attributable to lower foreign currency exchange losses and lower employee costs. The reduction in employee costs was a result of the restructuring action taken by the Company in the fourth quarter of 2022.

Unallocated corporate expenses for the six months ended June 30, 2023 were $9.5 million, as compared to $10.8 million for the corresponding period in 2022. The decrease was driven by lower salary costs, as a result of the elimination of the Executive Chairman role as of March 31, 2023 and lower stock compensation expense.

Restructuring expenses

For the six months ended June 30, 2023, the Company incurred $0.8 million of unallocated corporate expense related to the termination payment with its Executive Chairman. On November 1, 2022, the Company entered into a transition agreement with its Executive Chairman, which provides for termination of his employment with the Company, effective March 31, 2023. The transition agreement amends his employment agreement which was set to expire on December 31, 2022. The employment agreement provided for a one-time termination payment which was paid in April, 2023.

Interest expense

Interest expense was $10.9 million and $7.5 million for the six months ended June 30, 2023 and 2022, respectively. The increase in expense was a result of higher interest rates on outstanding borrowings, partially offset by lower average outstanding borrowings.

Mark to market gain (loss) on interest rate derivatives

Mark to market loss on interest rate derivatives was $0.04 million for the six months ended June 30, 2023, as compared to a mark to market gain on interest rate derivatives of $1.4 million for the six months ended June 30, 2022. The decrease 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, 2023, the intent of the Company is to hold these derivative contracts until their maturity.

Gain on early retirement of debt

Gain on early retirement of debt was $1.5 million for the six months ended June 30, 2023. The gain recognized for the six months ended June 30, 2023 was attributable to the repurchase of $47.2 million in principal amount of the Term Loan. Refer to NOTE 7 — DEBT for additional information.

Income taxes

Income tax benefit of $0.1 million and income tax provision of $1.6 million for the six months ended June 30, 2023 and 2022, respectively, represent taxes on both US and foreign earnings at a combined effective income tax benefit rate of 1.6% and an income tax provision of (69.8)%, 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, 2023 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. The effective tax rate for the 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.

Equity in (losses) earnings

Equity in losses of Vasconia, net of taxes, was $2.1 million for the six months ended June 30, 2023, as compared to equity in earnings of Vasconia, net of taxes, of $0.8 million for the six months ended June 30, 2022. For the six months ended June 30, 2023, equity in losses included a non-cash impairment charge of $6.5 million to reduce the carrying value of the Company’s investment in Vasconia to its fair value. The decline in the fair value was determined to be other than temporary due to the decline in the quoted stock price, the continued decline in the operating results of Vasconia and the recent downgrade in Vasconia’s debt rating.

Vasconia reported loss from operations of $0.8 million for the six months ended June 30, 2023, as compared to income from operations of $5.2 million for the six months ended June 30, 2022. The decrease in income from operations was primarily attributable to decreased operating results in the current period in Vasconia's aluminum divisions.

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, 2023, the Company had cash and cash equivalents of $15.1 million, compared to $23.6 million at December 31, 2022. Working capital was $222.4 million at June 30, 2023, compared to $270.4 million at December 31, 2022. Liquidity, which includes cash and cash equivalents, availability under the ABL Agreement, and available funding under the Receivables Purchase Agreement, was approximately $190.5 million at June 30, 2023.

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, 2023, inventory turnover was 1.7 times, or 213 days, as compared to 1.4 times, or 270 days, for the three months ended June 30, 2022. The improvement was attributable to lower inventory levels as compared to the prior year, which were elevated due to inventory buildup at retailers as a result of supply chain disruptions and weaker end market demand.

In connection with the Wallace EPA Matter, the Company expects in the next twelve months it will be required to provide financial assurance of $5.6 million, which it expects to provide in the form of a letter of credit. This would reduce availability under the revolving credit facility.

The Company believes that availability under the revolving credit facility under its ABL Agreement, 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

On August 26, 2022, the Company entered into Amendment No. 2 (the “Amendment”) to the Company’s credit agreement, dated as of March 2, 2018 (as amended, the “ABL Agreement”) among the Company, as a Borrower, certain subsidiaries of the Company, as Borrowers and/or Loan Parties, JPMorgan Chase Bank, N.A., as Administrative Agent and a Lender, HSBC Bank USA, National Association and Wells Fargo Bank, National Association, as Co-Documentation Agents and Lenders, and Manufacturers and Traders Trust Company. The ABL Agreement provides for a senior secured asset-based revolving credit facility in the maximum aggregate principal amount of $200.0 million, which facility will mature on August 26, 2027 (subject to an earlier springing maturity date that is 90 days prior to the Term Loan maturity date of February 28, 2025 if the Company’s Term Loan has not been repaid or refinanced by such date).

The Company’s loan agreement, dated as of March 2, 2018, (the “Term Loan” and together with the ABL Agreement, the “Debt Agreements”) provides for a senior secured term loan credit in the original principal amount of $275.0 million, which matures on February 28, 2025. On December 29, 2022, the Company entered into Amendment No. 1 to the Term Loan, which replaces the LIBOR-based interest rates with SOFR-based interest rates and modifies the provisions for determining the alternative rate of interest upon the occurrence of certain events relating to the availability of interest rate benchmarks. 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, each lender has the option to decline a portion or all of the prepayment amount payable to it. An estimate of the amount of the Excess Cash Flow payment is recorded in current maturity of term loan on the unaudited condensed consolidated balance sheets. Additionally, the Term Loan 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, which payments are to be adjusted from time to time to account for prepayments made. Per the Term Loan, when the Company makes an Excess Cash Flow payment, the payment is first applied

to satisfy the next eight (8) scheduled future quarterly required payments of the Term Loan in order of maturity and then to the remaining scheduled installments on a pro rata basis. The quarterly principal payments have been satisfied through maturity of the Term Loan by the annual Excess Cash Flow payments made to date.

The maximum borrowing amount under the ABL Agreement may be increased to up to $250.0 million if certain conditions are met but limited to $220.0 million pursuant to the Term Loan. One or more tranches of additional term loans (the “Incremental Term 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 on a pro forma basis pursuant to the Term Loan, after giving effect to such increase, is no greater than 3.75 to 1.00, subject to certain limitations and for the period defined pursuant to the Term Loan but not to mature earlier than the maturity date of the then existing term loans.

As of June 30, 2023 and December 31, 2022, the total availability under the ABL Agreement was as follows (in thousands):

	June 30, 2023	December 31, 2022
Maximum aggregate principal allowed	$ 180,721	$ 189,411
Outstanding borrowings under the ABL Agreement	(25,232)	(10,424)
Standby letters of credit	(3,384)	(2,765)
Total availability under the ABL Agreement	$ 152,105	$ 176,222

Availability under the ABL Agreement is limited to the lesser of the $200.0 million commitment thereunder and the borrowing base and therefore 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 $200.0 million commitment thereunder may not represent actual borrowing capacity.

On June 8, 2023, the Company completed the repurchase of $47.2 million in principal amount of the Term Loan, for $95.0 per $100.0 of principal. The repurchase was executed by way of a reverse Dutch auction, pursuant to and in accordance with the terms and conditions provided for in the Term Loan. In connection therewith, debt issuance costs of $0.5 million were written off and fees of $0.4 million were incurred. The gain on the early retirement of the Term Loan was $1.5 million, net of fees and expenses.

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

	June 30, 2023	December 31, 2022
Current portion of Term Loan:		
Estimated Excess Cash Flow principal payment	$ 16,000	$ —
Estimated unamortized debt issuance costs	(1,143)	—
Total Current portion of Term Loan	$ 14,857	$ —
Non-current portion of Term Loan:		
Term Loan, net of current portion	$ 182,684	$ 245,911
Estimated unamortized debt issuance costs	(734)	(3,054)
Total Non-current portion of Term Loan	$ 181,950	$ 242,857

The estimated Excess Cash Flow principal payment recorded at June 30, 2023 represents the Company’s estimate for the 2024 Excess Cash Flow Payment. There was no Excess Cash Flow payment due in 2023.

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 foreign subsidiary borrowers under the ABL Agreement are secured by security interests in substantially all of the assets of, and stock in, such foreign subsidiary borrowers, subject to certain limitations. 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 security interests in 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 interests consist of (1) a first-priority lien, subject to certain permitted liens, with respect to certain assets of the Company and certain of its 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 (2) a first-priority lien, subject to certain permitted liens, with respect to certain assets of the Company and certain of its 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 revolving credit facility bear interest, at the Company's option, at one of the following rates: (i) an 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 Adjusted Term Secured Overnight Financing Rate ("SOFR") plus 1.0% as of a specified date in advance of the determination, but in each case not less than 1.0%, plus a margin of 0.25% to 0.50%, or (ii) Adjusted Term SOFR, which is the Term SOFR Rate for the selected 1, 3 or 6 month interest period plus 0.10% (or Euro Interbank Offered Rate "EURIBOR" for borrowings denominated in Euro; or Sterling Overnight Index Average "SONIA" for borrowings denominated in Pounds Sterling), but in each case not less than zero, plus a margin of 1.25% to 1.50%. The respective margins are based upon average quarterly availability, as defined in and computed pursuant to the ABL Agreement. In addition, the Company pays a commitment fee of 0.20% to 0.25% per annum based on the average daily unused portion of the aggregate commitment under the ABL Agreement. The interest rate on outstanding borrowings under the ABL Agreement at June 30, 2023 was 4.93%. The Company paid a commitment fee of 0.25% during the six months ended June 30, 2023.

The Term Loan 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 Adjusted Term SOFR, but not less than 1.0%, plus 1.0%, plus a margin of 2.5% or (ii) SOFR for the applicable interest period, multiplied by any statutory reserve rate, 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, 2023 was 8.72%.

The Debt Agreements provide for customary restrictions and events of default. Restrictions include limitations on additional indebtedness, liens, 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 $20.0 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 $20.0 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, 2023.

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 trailing twelve months ended June 30, 2023 was $52.9 million.

Capital expenditures for the six months ended June 30, 2023 were $1.0 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 (loss) income, as reported, to adjusted EBITDA, for each of the last four quarters and the 12 months ended June 30, 2023:

	Quarter Ended				
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	Twelve Months Ended June 30, 2023
	(in thousands)				
Net (loss) income as reported	$ (6,358)	$ 3,272	$ (8,805)	$ (6,520)	$ (18,411)
Undistributed equity losses, net	8,159	2,058	2,777	5,863	18,857
Income tax provision (benefit)	1,845	2,308	(1,348)	1,242	4,047
Interest expense	4,581	5,125	5,336	5,528	20,570
Depreciation and amortization	4,598	5,001	4,870	4,925	19,394
Mark to market (gain) loss on interest rate derivatives	(637)	19	234	(197)	(581)
Stock compensation expense	1,026	281	861	1,011	3,179
Contingent consideration fair value adjustments	—	—	—	(50)	(50)
Gain on early retirement of debt	—	—	—	(1,520)	(1,520)
Acquisition related expenses	109	170	490	242	1,011
Restructuring expenses	—	1,420	856	—	2,276
Warehouse relocation and redesign expenses[1]	59	—	194	157	410
S'well integration costs[2]	250	—	—	—	250
Wallace facility remediation expense	5,140	—	—	—	5,140
Adjusted EBITDA, before limitation	18,772	19,654	5,465	10,681	54,572
Pro forma projected synergies adjustment[3]					$ 1,412
Pro forma Adjusted EBITDA, before limitation[5]					$ 55,984
Permitted non-recurring charge limitation [4]					(3,124)
Pro forma Adjusted EBITDA[5]	$ 18,772	$ 19,654	$ 5,465	$ 10,681	$ 52,860

[1] For the twelve months ended June 30, 2023, the warehouse relocation and redesign expenses were related to the U.S. segment.

[2] For the twelve months ended June 30, 2023, S'well integration costs included $0.3 million of expenses related to inventory step up adjustment in connection with S'well acquisition.

[3] Pro forma projected synergies represents the projected cost savings of $0.8 million associated with the reorganization of the International segment's workforce, $0.4 million associated with the Executive Chairman's cessation of service in such role, and $0.2 million associated with reorganization of the U.S. segment's sales management structure.

[4] Permitted non-recurring charges include restructuring expenses, integration charges, Wallace facility remediation expense, and warehouse relocation and redesign expenses. These are permitted exclusions from the Company's adjusted EBITDA, subject to limitations, pursuant to the Company's Debt Agreements.

[5] Adjusted EBITDA is a non-GAAP financial measure that is defined in the Company's debt agreements. Adjusted EBITDA is defined as net (loss) income, adjusted to exclude undistributed equity in losses, income tax provision (benefit), interest expense, depreciation and amortization, mark to market (gain) loss on interest rate derivatives, stock compensation expense, gain on early retirement of debt, Wallace facility remediation expense, and other items detailed in the table above that are consistent with exclusions permitted by our debt agreements.

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.

The Company did not sell receivables to HSBC during the three and six months ended June 30, 2023. 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. Charges of $0.2 million and $0.3 million, respectively, related to the sale of the receivables were included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2022. At June 30, 2023 and 2022, zero and $25.6 million, respectively, of receivables sold were outstanding and due to HSBC from customers.

At June 30, 2023, $23.3 million of accounts receivables were available for sale to HSBC, net of applicable charges.

Derivatives

Interest Rate Swaps

The Company's total outstanding notional value of interest rate swaps was $25.0 million at June 30, 2023. These non-designated interest rate swaps were entered into in June 2019 and 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.

The Company's interest rate swaps that were designated 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 expired in March 2023. The Company has no designated interest rate swaps at June 30, 2023.

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 value of foreign exchange contracts at June 30, 2023 was $7.0 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, 2023, these foreign exchange contracts have been designated as hedges in to order to apply hedge accounting.

Operating activities

Net cash provided by operating activities was $29.0 million for the six months ended June 30, 2023, as compared to net cash used in operating activities of $8.9 million for the six months ended June 30, 2022. The increase from 2023 compared to 2022 was attributable to a reduction in inventory levels and the 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 $1.0 million and $19.4 million for the six months ended June 30, 2023 and 2022, respectively. The decrease from 2023 compared to 2022 was attributable to the cash consideration of $18.0 million paid for the acquisition of S'well in 2022.

Financing activities

Net cash used in financing activities was $36.5 million for the six months ended June 30, 2023, as compared to net cash provided by financing activities of $7.7 million for the six months ended June 30, 2022. The change was mainly attributable to the repurchase of a portion of the term loan in the 2023 period, compared to the Excess Cash Flow principal payment on the term loan in the 2022 period and lower proceeds from the revolving credit facility in the 2023 period. The cash used in financing activities was partially offset by decreased payments for stock repurchases in the 2023 period.

Stock repurchase program

On March 14, 2022, the Company announced that its Board authorized the repurchase of up to $20.0 million of the Company's common stock, replacing the Company's previously-authorized $10.0 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 six months ended June 30, 2023, the Company repurchased 320,204 shares for a total cost of $2.5 million and thereafter retired the shares.

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 2022 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, 2023, 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 2022 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 2022 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, 2023	—	$ —	—	$ 11,140,752
May 1 - May 31, 2023	—	—	—	11,140,752
June 1 - June 30, 2023	17,910	5.50	—	11,140,752

(1) The repurchased shares were 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 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. No repurchases occurred during the three months ended June 30, 2023.

Item 5. Other Information

None of the Company's directors or officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended June 30, 2023.

Item 6. Exhibits

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

Exhibit Index

Exhibit No.	
10.1	Fourth Amendment to the Amended and Restated Employment Agreement, dated as of March 8, 2023, by and between the Company and Laurence Winoker (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022)
10.2	Third Amendment, dated March 8, 2023, to the Employment Agreement dated as of November 8, 2017, by and between Lifetime Brands, Inc. and Daniel Siegel (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022)
10.3	Third Amendment, dated March 8, 2023, to the Employment Agreement dated as of December 22, 2017 by and between Lifetime Brands, Inc. and Robert Kay (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022)
10.4	Amendment No. 2 to the Receivables Purchase Agreement, dated as of January 6, 2023 by and among the Company, as a Seller and as a Seller Agent and initial Servicer, for itself and each of its subsidiaries thereto as a Seller, and HSBC Bank USA, National Association, as Purchaser (incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022)
10.5	Amendment to Option Grant Certificates, dated as of March 8, 2023, by and among the Company and Jeffrey Siegel (incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022)
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
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 3, 2023
Robert B. Kay Chief Executive Officer and Director (Principal Executive Officer)	
/s/ Laurence Winoker	August 3, 2023
Laurence Winoker Executive Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	

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 3, 2023

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 3, 2023

Exhibit 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.

I, Robert B. Kay, Chief Executive Officer and Director, and I, Laurence Winoker, Executive Vice President, 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, 2023 (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 3, 2023	Date: August 3, 2023

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.