

**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: **September 30, 2024**

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**  
(State or other jurisdiction of  
incorporation or organization)

**11-2682486**  
(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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 October 31, 2024 was 22,156,735.

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**LIFETIME BRANDS, INC.**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2024**  
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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	September 30, 2024	December 31, 2023
	(unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,984	\$ 16,189
Accounts receivable, less allowances of \$13,237 at September 30, 2024 and \$15,952 at December 31, 2023	142,238	155,180
Inventory	235,015	188,647
Prepaid expenses and other current assets	13,814	16,339
Income taxes receivable	2,894	—
<b>TOTAL CURRENT ASSETS</b>	<b>399,945</b>	<b>376,355</b>
PROPERTY AND EQUIPMENT, net	16,562	16,970
OPERATING LEASE RIGHT-OF-USE ASSETS	62,007	69,756
INVESTMENT	—	1,826
INTANGIBLE ASSETS, net	187,977	199,133
OTHER ASSETS	2,247	3,102
<b>TOTAL ASSETS</b>	<b>\$ 668,738</b>	<b>\$ 667,142</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturity of term loan	\$ 6,867	\$ 4,742
Accounts payable	79,608	54,154
Accrued expenses	68,428	78,356
Income taxes payable	—	641
Current portion of operating lease liabilities	14,818	14,075
<b>TOTAL CURRENT LIABILITIES</b>	<b>169,721</b>	<b>151,968</b>
OTHER LONG-TERM LIABILITIES	14,153	9,126
INCOME TAXES PAYABLE, LONG-TERM	1,493	1,493
OPERATING LEASE LIABILITIES	60,094	70,009
DEFERRED INCOME TAXES	7,700	7,438
REVOLVING CREDIT FACILITY	64,489	60,395
TERM LOAN	130,170	135,834
<b>STOCKHOLDERS' EQUITY</b>		
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 September 30, 2024 and December 31, 2023; shares issued and outstanding: 22,157,361 at September 30, 2024 and 21,813,266 at December 31, 2023	222	218
Paid-in capital	279,530	277,728
Accumulated deficit	(40,510)	(13,568)
Accumulated other comprehensive loss	(18,324)	(33,499)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>220,918</b>	<b>230,879</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 668,738</b>	<b>\$ 667,142</b>

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 183,837	\$ 191,669	\$ 467,745	\$ 483,540
Cost of sales	116,420	120,718	288,231	302,756
Gross margin	67,417	70,951	179,514	180,784
Distribution expenses	20,034	17,125	51,267	49,742
Selling, general and administrative expenses	38,770	40,214	116,637	113,984
Restructuring expenses	—	—	—	856
Income from operations	8,613	13,612	11,610	16,202
Interest expense	(5,834)	(5,246)	(16,605)	(16,110)
Mark to market loss on interest rate derivatives	(928)	(98)	(1,184)	(135)
Gain on extinguishments of debt, net	—	—	—	1,520
Loss on equity securities	—	—	(14,152)	—
Income (loss) before income taxes and equity in losses	1,851	8,268	(20,331)	1,477
Income tax provision	(1,507)	(3,015)	(1,660)	(2,909)
Equity in losses, net of taxes	—	(1,047)	(2,092)	(9,687)
<b>NET INCOME (LOSS)</b>	<b>\$ 344</b>	<b>\$ 4,206</b>	<b>\$ (24,083)</b>	<b>\$ (11,119)</b>
<b>BASIC INCOME (LOSS) PER COMMON SHARE</b>	<b>\$ 0.02</b>	<b>\$ 0.20</b>	<b>\$ (1.12)</b>	<b>\$ (0.52)</b>
<b>DILUTED INCOME (LOSS) PER COMMON SHARE</b>	<b>\$ 0.02</b>	<b>\$ 0.20</b>	<b>\$ (1.12)</b>	<b>\$ (0.52)</b>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 344	\$ 4,206	\$ (24,083)	\$ (11,119)
Other comprehensive income (loss), net of taxes:				
Net change in translation adjustment	872	(1,242)	15,117	1,556
Net change in cash flow hedges	(203)	435	20	(1,018)
Effect of retirement benefit obligations	13	12	38	35
Other comprehensive income (loss), net of taxes	682	(795)	15,175	573
Comprehensive income (loss)	<u>\$ 1,026</u>	<u>\$ 3,411</u>	<u>\$ (8,908)</u>	<u>\$ (10,546)</u>

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	Accumulated deficit	Accumulated other comprehensive loss	Total
	Shares	Amount				
<b>BALANCE AT DECEMBER 31, 2023</b>	21,813	\$ 218	\$ 277,728	\$ (13,568)	\$ (33,499)	\$ 230,879
Net loss	—	—	—	(6,260)	—	(6,260)
Other comprehensive income, net of taxes	—	—	—	—	254	254
Performance shares issued to employees	152	2	(2)	—	—	—
Net issuance of restricted shares granted to employees	213	2	(2)	—	—	—
Stock compensation expense	—	—	799	—	—	799
Shares effectively repurchased for required employee withholding taxes	(105)	(1)	(1,027)	—	—	(1,028)
Dividends <sup>(1)</sup>	—	—	—	(943)	—	(943)
<b>BALANCE AT MARCH 31, 2024</b>	22,073	\$ 221	\$ 277,496	\$ (20,771)	\$ (33,245)	\$ 223,701
Net loss	—	—	—	(18,167)	—	(18,167)
Other comprehensive income, net of taxes	—	—	—	—	14,239	14,239
Net issuance of restricted shares granted to employees and directors	92	1	(1)	—	—	—
Stock compensation expense	—	—	1,044	—	—	1,044
Shares effectively repurchased for required employee withholding taxes	(7)	—	(55)	—	—	(55)
Dividends <sup>(1)</sup>	—	—	—	(957)	—	(957)
<b>BALANCE AT JUNE 30, 2024</b>	22,158	\$ 222	\$ 278,484	\$ (39,895)	\$ (19,006)	\$ 219,805
Net income	—	—	—	344	—	344
Other comprehensive income, net of taxes	—	—	—	—	682	682
Net issuance of restricted shares granted to employees	(1)	—	—	—	—	—
Stock compensation expense	—	—	1,046	—	—	1,046
Dividends <sup>(1)</sup>	—	—	—	(959)	—	(959)
<b>BALANCE AT SEPTEMBER 30, 2024</b>	22,157	\$ 222	\$ 279,530	\$ (40,510)	\$ (18,324)	\$ 220,918

<sup>(1)</sup> Cash dividends declared per share of common stock were \$0.1275 and \$0.1275 in the nine months ended September 30, 2024 and 2023, respectively.

	Common stock		Paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Total
	Shares	Amount				
<b>BALANCE AT DECEMBER 31, 2022</b>	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 <sup>(1)</sup>	—	—	—	(930)	—	(930)
<b>BALANCE AT MARCH 31, 2023</b>	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 <sup>(1)</sup>	—	—	—	(950)	—	(950)
<b>BALANCE AT JUNE 30, 2023</b>	21,814	\$ 218	\$ 275,915	\$ (18,596)	\$ (34,486)	\$ 223,051
Net income	—	—	—	4,206	—	4,206
Other comprehensive loss, net of taxes	—	—	—	—	(795)	(795)
Stock compensation expense	—	—	898	—	—	898
Dividends <sup>(1)</sup>	—	—	—	(943)	—	(943)
<b>BALANCE AT SEPTEMBER 30, 2023</b>	21,814	\$ 218	\$ 276,813	\$ (15,333)	\$ (35,281)	\$ 226,417

<sup>(1)</sup> Cash dividends declared per share of common stock were \$0.1275 and \$0.1275 in the nine months ended September 30, 2024 and 2023, respectively.

See accompanying notes to unaudited condensed consolidated financial statements.



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

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (24,083)	\$ (11,119)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	16,241	14,616
Amortization of financing costs	2,195	1,397
Mark to market loss on interest rate derivatives	1,184	135
Operating leases, net	(1,476)	(1,617)
(Recovery) provision for doubtful accounts	(241)	2,193
Deferred income taxes	144	5
Stock compensation expense	2,886	2,770
Equity in losses, net of taxes	2,092	9,687
Contingent consideration fair value adjustments	—	(50)
Gain on extinguishments of debt, net	—	(1,520)
Loss on equity securities	14,152	—
Changes in operating assets and liabilities		
Accounts receivable	13,859	(14,279)
Inventory	(44,821)	4,828
Prepaid expenses, other current assets and other assets	2,929	1,784
Accounts payable, accrued expenses and other liabilities	16,759	9,615
Income taxes receivable	(2,894)	(1,254)
Income taxes payable	(663)	(230)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(1,737)</b>	<b>16,961</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,604)	(1,765)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,604)</b>	<b>(1,765)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from revolving credit facility	180,725	69,954
Repayments of revolving credit facility	(177,984)	(51,123)
Repayments of term loan	(5,625)	(44,866)
Payment of financing costs	—	(433)
Payments for finance lease obligations	(22)	(20)
Payments of tax withholding for stock based compensation	(1,083)	(537)
Payments for stock repurchase	—	(2,539)
Cash dividends paid	(2,893)	(2,832)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(6,882)</b>	<b>(32,396)</b>
Effect of foreign exchange on cash	18	(80)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,205)</b>	<b>(17,280)</b>
Cash and cash equivalents at beginning of period	16,189	23,598
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 5,984</b>	<b>\$ 6,318</b>

See accompanying notes to unaudited condensed consolidated financial statements.

**LIFETIME BRANDS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2024**  
(unaudited)

**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, 2023.

Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

The Company’s business and working capital needs are seasonal, with a majority of sales occurring in the third and fourth quarters. In 2023 and 2022, net sales for the third and fourth quarters accounted for 57% and 54% of total annual net sales, respectively. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

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

**Revenue recognition**

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

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

**Cost of sales**

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

**LIFETIME BRANDS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2024**  
(unaudited)

**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 nine months ended September 30, 2024 and September 30, 2023.

At September 30, 2024, \$18.0 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):

	September 30, 2024	December 31, 2023
Finished goods	\$ 223,036	\$ 180,860
Work in process	122	106
Raw materials	11,857	7,681
Total	<u>\$ 235,015</u>	<u>\$ 188,647</u>

**LIFETIME BRANDS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2024**  
(unaudited)

**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 6 — 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”) ASC 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, 2023 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, 2023, the fair value of the U.S. reporting unit exceeded the carrying value of goodwill by 4%.

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”), and the cost of capital. Projected net sales and projected EBITDA were determined to be significant assumptions because they are the 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.

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.

**LIFETIME BRANDS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2024**  
(unaudited)

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 significant assumptions used in the relief from royalty model are future net sales for the related brands, royalty rates and the cost of capital to determine the fair value of the indefinite-lived intangibles. The Company completed the quantitative impairment analysis for its indefinite-lived asset as of October 1, 2023, by comparing the fair value of the indefinite-lived trade name to the carrying value using a relief from royalty method. As of October 1, 2023, the fair value of the Company's indefinite-lived trade name exceeded its carrying value by 7%. While the indefinite-lived trade name was not determined to be impaired, if the indefinite-lived trade name does not perform as projected or if market factors utilized in the impairment analysis deteriorate, including an unfavorable change in the weighted average cost of capital, could materially affect the expected cash flows, and such impacts could potentially result in a material non-cash impairment charge.

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 5 — 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.

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During the nine months ended September 30, 2023, the Company incurred \$0.8 million of unallocated corporate expense related to the termination payment with its former 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 payment, which was paid on April 7, 2023.

#### **New accounting pronouncements**

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

In November 2023, the FASB issued Accounting Standards Update No. (“ASU”) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures: which enhances the disclosures required for operating segments in the Company’s annual and interim consolidated financial statements. The new guidance is effective for public business entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. Early adoption is permitted. The adoption requires additional disclosures, but is not expected to have a material impact on the Company’s consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures: This guidance is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. Early adoption is permitted. The new guidance is effective for public business entities for annual periods beginning after December 15, 2024 on a prospective basis. Retrospective application is permitted. Management is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The guidance requires additional disclosure in the notes to the financial statements for specified information about certain costs and expenses. The new guidance is effective for public business entities for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this ASU may be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to all prior periods presented in the financial statements. Management is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

#### **NOTE 2 —REVENUE**

The Company sells products wholesale, to retailers and distributors, and 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 \$0.9 million and \$2.2 million for the three and nine months ended September 30, 2024, respectively and \$0.8 million and \$1.7 million for the three and nine months ended September 30, 2023, 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 sales incentives and promotions represent variable consideration and are reflected as reductions in net sales in the Company’s unaudited condensed consolidated statements of operations. While many of the sales incentives and promotions are contractually agreed upon with the Company’s customers, certain of the sales incentives and promotions are non-contractual and require the Company to estimate the amount of variable consideration based on historical experience and other known factors or as the most likely amount in a range of possible outcomes. On a quarterly

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basis, variable consideration is assessed on a portfolio approach in estimating the extent to which the components of variable consideration are constrained. Payment terms vary by customer, but generally range from 30 to 90 days or at the point of sale for the Company's retail direct sales.

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

The following tables present the Company's net sales disaggregated by segment, product category and geographic region for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>U.S. segment</b>				
Kitchenware	\$ 97,343	\$ 97,656	\$ 261,660	\$ 267,403
Tableware	40,917	48,881	93,017	99,029
Home Solutions	31,962	32,856	76,528	81,425
<b>Total U.S. segment</b>	<b>170,222</b>	<b>179,393</b>	<b>431,205</b>	<b>447,857</b>
<b>International segment</b>	13,615	12,276	36,540	35,683
Total net sales	<b>\$ 183,837</b>	<b>\$ 191,669</b>	<b>\$ 467,745</b>	<b>\$ 483,540</b>
United States	\$ 159,759	\$ 166,917	\$ 409,588	\$ 421,458
United Kingdom	8,909	8,129	23,525	24,420
Rest of World	15,169	16,623	34,632	37,662
Total net sales	<b>\$ 183,837</b>	<b>\$ 191,669</b>	<b>\$ 467,745</b>	<b>\$ 483,540</b>

### NOTE 3 — 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 nine months ended September 30, 2024 and 2023 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease expenses <sup>(1)</sup> :				
Fixed lease expense	\$ 4,276	\$ 4,256	\$ 12,804	\$ 12,662
Variable lease expense	1,628	1,444	4,646	4,194
<b>Total</b>	<b>\$ 5,904</b>	<b>\$ 5,700</b>	<b>\$ 17,450</b>	<b>\$ 16,856</b>

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

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Supplemental cash flow information for lease related liabilities and assets for the nine months ended September 30, 2024 and 2023 were as follows (in thousands):

	Nine Months Ended September 30,	
	2024	2023
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows for operating leases	\$ 14,280	\$ 14,279
	Nine Months Ended September 30,	
	2024	2023
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ 479	\$ 5,582

The aggregate future lease payments for operating leases as of September 30, 2024 were as follows (in thousands):

	<b>Operating</b>
2024 (excluding the nine months ended September 30, 2024)	\$ 4,825
2025	19,050
2026	18,671
2027	14,432
2028	12,957
2029	6,819
Thereafter	12,313
Total lease payments	89,067
Less: Interest	(14,155)
Present value of lease payments	\$ 74,912

Average lease terms and discount rates were as follows:

	September 30, 2024
<b>Operating leases:</b>	
Weighted-average remaining lease term (years)	5.4
Weighted-average discount rate	6.4 %

**NOTE 4 — INVESTMENT**

As of September 30, 2024, the Company owned 24.7% of the outstanding capital stock of Grupo Vasconia S.A.B. (“Vasconia”), an integrated manufacturer of aluminum products and a housewares company in Mexico. Shares of Vasconia’s capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI. During the second quarter of 2024, Vasconia’s shareholders’ approved a resolution to a reorganization process in terms of the Law of Commercial Bankruptcy in Mexico and subsequently a bankruptcy suit was filed against Vasconia by one of its largest suppliers. The Company concluded that the recent events constituted a loss of significant influence and resulted in the discontinuation of the equity method of accounting. The Company accounts for its Vasconia investment at fair value in accordance with Accounting Standards Codification (“ASC”) *Topic 321: Investments — Equity Securities*, with any changes in fair value recorded within income (loss) on equity securities on the consolidated statements of operations. As a result of the loss of significant influence, the accumulated other comprehensive losses previously recognized under the equity method of accounting were reclassified to the carrying value of the Vasconia investment and subsequently resulted in a non-cash loss of



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\$14.2 million to reduce the investment to its fair value during the three months ended June 30, 2024. The fair value of the Vasconia investment was not material as of September 30, 2024.

Given Vasconia's limited trading activity, recent operating results of Vasconia and impact of the bankruptcy related activity, the fair value of the Vasconia investment was measured using the income approach based on Level 3 unobservable inputs.

Prior to accounting for the investment in Vasconia at fair value, equity in losses, net of taxes recognized for the nine months ended September 30, 2024 and the three and nine months ended September 30, 2023, included the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Vasconia equity in losses, net of taxes	\$ —	\$ (707)	\$ (2,092)	\$ (2,853)
Impairment on investment in Vasconia	—	(340)	—	(6,834)
Equity in losses, net of taxes	<u>\$ —</u>	<u>\$ (1,047)</u>	<u>\$ (2,092)</u>	<u>\$ (9,687)</u>

**NOTE 5 — INTANGIBLE ASSETS**

Intangible assets consisted of the following as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024			December 31, 2023		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
<b>Goodwill<sup>(1)</sup></b>	\$ 33,237	\$ —	\$ 33,237	\$ 33,237	\$ —	\$ 33,237
<b>Indefinite-lived intangible asset:</b>						
Trade name <sup>(1)</sup>	42,000	—	42,000	42,000	—	42,000
<b>Finite-lived intangible assets:</b>						
Licenses	15,847	(12,451)	3,396	15,847	(12,110)	3,737
Trade names <sup>(2)</sup>	62,605	(27,008)	35,597	62,493	(23,862)	38,631
Customer relationships <sup>(2)</sup>	143,159	(71,046)	72,113	143,158	(63,630)	79,528
Other <sup>(2)</sup>	5,892	(4,258)	1,634	5,872	(3,872)	2,000
<b>Total</b>	<u>\$ 302,740</u>	<u>\$ (114,763)</u>	<u>\$ 187,977</u>	<u>\$ 302,607</u>	<u>\$ (103,474)</u>	<u>\$ 199,133</u>

<sup>(1)</sup> The gross and net value at September 30, 2024 and December 31, 2023 reflect a reduction of \$91.7 million in impairment charges on goodwill and \$1.0 million impairment charge on the indefinite-lived intangible asset.

<sup>(2)</sup> The gross value and accumulated amortization at September 30, 2024 and December 31, 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 6 — 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. 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.

On November 14, 2023, the Company entered into Amendment No. 2 to amend the Loan Agreement, dated as of March 2, 2018, among the Company, as borrower, the other loan parties from time to time party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (as amended, the "Term Loan" and together with the ABL Agreement, the "Debt Agreements"). The Term Loan has a principal amount of \$150.0 million, and matures on August 26, 2027.

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The Term Loan requires the Company to make quarterly payments of principal each equal to 1.25% of the aggregate principal amount of the Term Loan, commencing on March 31, 2024, with the remaining balance payable on the maturity date. The Term Loan requires the Company to make an annual prepayment of principal, beginning with those for the fiscal year ending December 31, 2024, 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. Per the Term Loan, when the Company makes an Excess Cash Flow prepayment, 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 maximum borrowing amount under the ABL Agreement may be increased to up to \$250.0 million if certain conditions are met. 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 3.25 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 September 30, 2024 and December 31, 2023, the total availability under the ABL Agreement were as follows (in thousands):

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Maximum aggregate principal allowed	\$ 200,000	\$ 181,919
Outstanding borrowings under the ABL Agreement	(64,489)	(60,395)
Standby letters of credit	(8,828)	(2,894)
<b>Total availability under the ABL Agreement</b>	<b>\$ 126,683</b>	<b>\$ 118,630</b>

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, 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. The Company's borrowing capacity may be further limited by the Term Loan financial covenant of 5.00 to 1.00 maximum Total Net Leverage Ratio. As of September 30, 2024, the availability under the ABL Agreement, limited by the Term Loan financial covenant, was \$51.6 million.

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
<b>Current portion of Term Loan:</b>		
Term Loan payment	\$ 7,500	\$ 7,500
Estimated Excess Cash Flow principal payment	2,000	—
Estimated unamortized debt issuance costs	(2,633)	(2,758)
<b>Total Current portion of Term Loan</b>	<b>\$ 6,867</b>	<b>\$ 4,742</b>
<b>Non-current portion of Term Loan:</b>		
Term Loan, net of current portion	\$ 134,875	\$ 142,500
Estimated unamortized debt issuance costs	(4,705)	(6,666)
<b>Total Non-current portion of Term Loan</b>	<b>\$ 130,170</b>	<b>\$ 135,834</b>

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The estimated Excess Cash Flow principal payment recorded at September 30, 2024 represents the Company's estimate for the Excess Cash Flow Payment due in 2025. There was no Excess Cash Flow payment due in 2024.

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 and (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 September 30, 2024 was between 4.79% and 6.68%. The Company paid a commitment fee of 0.25% on the unused portion of the ABL Agreement during the nine months ended September 30, 2024.

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 4.5% or (ii) Adjusted Term SOFR (Term SOFR plus the Term SOFR Adjustment) for the applicable interest period, but not less than 1.0%, plus a margin of 5.5%. The interest rate on outstanding borrowings under the Term Loan at September 30, 2024 was 10.73%.

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. Under the Term Loan, the Total Net Leverage Ratio is not permitted to be greater than 5.00 to 1.00 determined as of the end of each fiscal quarters. 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 September 30, 2024.

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

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off and fees of \$0.4 million were incurred. The gain on the early retirement of the Term Loan of \$1.5 million, net of fees and expenses, was recognized during the three and nine months ended September 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 7 — DERIVATIVES**

##### *Interest Rate Swap Agreements*

In June 2019 the Company entered into interest rate swap agreements, with an aggregate notional value of \$25.0 million and expire in February 2025. In March 2024, the Company entered into a new interest rate swap agreement, with an aggregate notional value of \$25.0 million and expire in August 2027. These non-designated interest rate swaps serve as cash flow hedges of the Company's exposure to the variability of the payment of interest on a portion of its Term Loan borrowings. The Company's total outstanding notional value of interest rate swaps was \$50.0 million at September 30, 2024.

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 September 30, 2024.

##### *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 September 30, 2024 was \$2.8 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 September 30, 2024, 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):

<b>Derivatives designated as hedging instruments</b>	<b>Balance Sheet Location</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Foreign exchange contracts	Prepaid expenses and other current assets	\$ —	\$ 56
	Accrued expenses	167	144

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Derivatives not designated as hedging instruments	Balance Sheet Location	September 30, 2024	December 31, 2023
Interest rate swaps	Prepaid expenses and other current assets	\$ 268	\$ —
	Other assets	—	793
	Other long-term liabilities	659	—

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 September 30, 2024, 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):

Derivatives designated as hedging instruments	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest rate swaps	\$ —	\$ —	\$ —	\$ (120)
Foreign exchange contracts	(203)	435	20	(898)
	<u>\$ (203)</u>	<u>\$ 435</u>	<u>\$ 20</u>	<u>\$ (1,018)</u>

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 and nine months ended September 30, 2024, the Company reclassified \$0.03 million and \$0.2 million, respectively, of cash flow hedges in accumulated other comprehensive losses to earnings, related to foreign exchange contracts recognized in cost of sales. At September 30, 2024, the estimated amount of existing net losses expected to be reclassified into earnings within the next 12 months was \$0.2 million.

During the three months ended September 30, 2023, the Company reclassified \$0.2 million of cash flow hedges in accumulated other comprehensive losses to earnings. This was a loss of \$0.2 million related to foreign exchange contracts recognized in cost of sales. During the nine months ended September 30, 2023, the Company reclassified \$0.8 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 \$0.7 million related to foreign exchange contracts recognized in cost of sales.

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

Derivatives not designated as hedging instruments	Location of gain (loss)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
Interest rate swaps	Mark to market loss on interest rate derivatives	\$ (928)	\$ (98)	\$ (1,184)	\$ (135)
	Interest expense	298	218	828	579
		<u>\$ (630)</u>	<u>\$ 120</u>	<u>\$ (356)</u>	<u>\$ 444</u>

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**NOTE 8 — STOCK COMPENSATION**

On June 20, 2024, the stockholders of the Company approved an amendment and restatement of the Company's Amended and Restated 2000 Long Term Incentive Plan (the "Plan"). The amendment and restatement of the Plan revised the terms and conditions of the Plan to, among other things, increase the shares available for grant under the Plan by 1,500,000 shares. As of September 30, 2024, there were 1,805,462 shares available for the grant of awards under the Plan, assuming maximum performance of performance-based awards.

*Option Awards*

A summary of the Company's stock option activity and related information for the nine months ended September 30, 2024 is as follows:

	Options	Weighted- average exercise price	Weighted- average remaining contractual life (years)	Aggregate intrinsic value (in thousands)
<b>Options outstanding, January 1, 2024</b>	999,500	\$ 13.31		
Grants <sup>(1)</sup>	65,000	9.46		
Expirations	(252,000)	18.68		
<b>Options outstanding, September 30, 2024<sup>(1)</sup></b>	<b>812,500</b>	<b>11.34</b>	<b>5.0</b>	<b>\$ 36</b>
<b>Options exercisable, September 30, 2024</b>	<b>674,500</b>	<b>\$ 11.78</b>	<b>4.3</b>	<b>\$ 13</b>
<b>Total unrecognized stock option expense remaining (in thousands)</b>	<b>\$ 509</b>			
<b>Weighted-average years expected to be recognized over</b>		<b>1.6</b>		

<sup>(1)</sup> Includes a non-plan stock option award of 15,000 stock options.

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 September 30, 2024. 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 September 30, 2024 and the exercise price.

*Restricted Stock*

A summary of the Company's restricted stock activity and related information for the nine months ended September 30, 2024 is as follows:

	Restricted Shares	Weighted- average grant date fair value
<b>Non-vested restricted shares, January 1, 2024</b>	597,528	\$ 8.44
Grants	313,199	9.54
Vested	(306,425)	7.53
Cancellations	(9,150)	10.01
<b>Non-vested restricted shares, September 30, 2024</b>	<b>595,152</b>	<b>\$ 9.46</b>
<b>Total unrecognized compensation expense remaining (in thousands)</b>	<b>\$ 4,253</b>	
<b>Weighted-average years expected to be recognized over</b>		<b>1.6</b>

The total fair value of restricted stock that vested during the nine months ended September 30, 2024 was \$2.8 million.

*Performance shares*

Each performance award represents the right to receive up to 150% of the target number of shares of common stock. The number of shares of common stock earned will be determined based on the attainment of specified performance goals at the end

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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 nine months ended September 30, 2024 is as follows:

	Performance-based stock awards <sup>(1)</sup>	Weighted-average grant date fair value
<b>Non-vested performance-based awards, January 1, 2024</b>	486,972	\$ 10.44
Grants	219,975	9.76
Vested	(152,188)	14.18
Cancellations	(24,315)	13.23
<b>Non-vested performance-based awards, September 30, 2024</b>	<u>530,444</u>	<u>\$ 8.96</u>
<b>Total unrecognized compensation expense remaining (in thousands)<sup>(2)</sup></b>	<u>\$ 2,105</u>	
<b>Weighted-average years expected to be recognized over</b>	2.0	

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

<sup>(2)</sup> 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 nine months ended September 30, 2024 was \$1.5 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 nine months ended September 30, 2024 is as follows:

	Cash-settled performance-based awards <sup>(1)</sup>	Weighted-average fair value
<b>Non-vested cash-settled performance-based awards, January 1, 2024</b>	83,611	\$ 6.71
Cancellations	(1,419)	6.77
<b>Non-vested cash-settled performance-based awards, September 30, 2024</b>	<u>82,192</u>	<u>\$ 6.54</u>
<b>Total unrecognized compensation expense remaining (in thousands)<sup>(2)</sup></b>	<u>\$ —</u>	
<b>Weighted-average years expected to be recognized over</b>	0.0	

<sup>(1)</sup> Represents the target number of units to be settled in cash.

<sup>(2)</sup> 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.

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

Stock Compensation Expense Components	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Equity based stock option expense	\$ 73	\$ 46	\$ 183	\$ 225
Restricted and performance-based stock awards expense	973	852	2,706	2,549
<b>Stock compensation expense for equity based awards</b>	<b>\$ 1,046</b>	<b>\$ 898</b>	<b>\$ 2,889</b>	<b>\$ 2,774</b>
Liability based stock option expense	(4)	—	(3)	(4)
<b>Total Stock Compensation Expense</b>	<b>\$ 1,042</b>	<b>\$ 898</b>	<b>\$ 2,886</b>	<b>\$ 2,770</b>

**NOTE 9 —INCOME (LOSS) PER COMMON SHARE**

Basic income (loss) per common share has been computed by dividing net income (loss) by the weighted-average number of shares of the Company's common stock outstanding during the relevant period. Diluted income (loss) per common share adjusts net income (loss) and basic income (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 income (loss) per common share for the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands, except per share amounts)			
<b>Net income (loss) – Basic and Diluted</b>	\$ 344	\$ 4,206	\$ (24,083)	\$ (11,119)
<b>Weighted-average shares outstanding – Basic</b>	21,562	21,216	21,454	21,188
<b>Effect of dilutive securities:</b>				
Stock options and other stock awards	48	77	—	—
<b>Weighted-average shares outstanding – Diluted</b>	<b>21,610</b>	<b>21,293</b>	<b>21,454</b>	<b>21,188</b>
<b>Basic income (loss) per common share</b>	<b>\$ 0.02</b>	<b>\$ 0.20</b>	<b>\$ (1.12)</b>	<b>\$ (0.52)</b>
<b>Diluted income (loss) per common share</b>	<b>\$ 0.02</b>	<b>\$ 0.20</b>	<b>\$ (1.12)</b>	<b>\$ (0.52)</b>
<b>Antidilutive Securities<sup>(1)</sup></b>	<b>1,231</b>	<b>1,237</b>	<b>1,504</b>	<b>1,600</b>

<sup>(1)</sup> Stock options and other stock awards that have been excluded from the denominator as their inclusion would have been anti-dilutive.



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**NOTE 10— INCOME TAXES**

Income tax provision of \$1.5 million and \$1.7 million for the three and nine months ended September 30, 2024, respectively, represent taxes on both U.S. and foreign earnings at a combined effective income tax provision rate of 81.4% and (8.2)%, respectively. The effective tax rate for the three months ended September 30, 2024 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 negative rate for the nine months ended September 30, 2024 reflects tax expense on a pretax financial reporting loss. The effective tax rate for the nine months ended September 30, 2024 differs from the federal statutory income tax rate of 21.0% primarily due to 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.

Income tax provision of \$3.0 million and \$2.9 million for the three and nine months ended September 30, 2023, respectively, represent taxes on both U.S. and foreign earnings at a combined effective income tax provision rate of 36.5% and 197.0%, respectively. The effective tax rate for the three months ended September 30, 2023 differs from the federal statutory income tax rate of 21.0% primarily due to foreign losses for which no tax benefit is recognized as such amounts are fully offset with a valuation allowance. The effective tax rate for the nine months ended September 30, 2023 differs from the federal statutory income tax rate of 21.0% primarily due to 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.

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 September 30, 2024 and September 30, 2023.

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**NOTE 11 – BUSINESS SEGMENTS**

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	(in thousands)			
<b>Net sales</b>				
U.S.	\$ 170,222	\$ 179,393	\$ 431,205	\$ 447,857
International	13,615	12,276	36,540	35,683
Total net sales	<u>\$ 183,837</u>	<u>\$ 191,669</u>	<u>\$ 467,745</u>	<u>\$ 483,540</u>
<b>Income from operations</b>				
U.S.	\$ 16,191	\$ 21,480	\$ 34,822	\$ 39,170
International	(3,292)	(2,995)	(9,313)	(7,716)
Unallocated corporate expenses	(4,286)	(4,873)	(13,899)	(15,252)
Income from operations	<u>\$ 8,613</u>	<u>\$ 13,612</u>	<u>\$ 11,610</u>	<u>\$ 16,202</u>
<b>Depreciation and amortization</b>				
U.S.	\$ 6,113	\$ 4,549	\$ 15,381	\$ 13,813
International	295	272	860	803
Total depreciation and amortization	<u>\$ 6,408</u>	<u>\$ 4,821</u>	<u>\$ 16,241</u>	<u>\$ 14,616</u>

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
		(in thousands)
<b>Assets</b>		
U.S.	\$ 572,549	\$ 560,716
International	87,311	90,237
Unallocated corporate	8,878	16,189
Total Assets	<u>\$ 668,738</u>	<u>\$ 667,142</u>

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**NOTE 12 — 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 organic compounds 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. In order to protect the health of its employees and continue its business operations, WSPR has implemented corrective action measures to respond to 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 damage at and from the Site and to determine the nature of the remedial action needed to address the damage. 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. The EPA has also issued notices of potential liability to a number of other entities affiliated with the Site, which used the organic compounds 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 2025. 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 for 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. WSPR has actively participated 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, which negotiations culminated in the finalization of a Consent Decree for Remedial Design and Remedial Action at Operable Unit One of the San German Groundwater Contamination Site (“Decree”). 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 Decree. As required by applicable regulations, the U.S. Government simultaneously lodged the Decree for public comment. No comments were received during the public comment period. On September 6, 2023, at the conclusion of the public comment period, the U.S. Government filed a Motion

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to Enter the Decree, and the court entered the Decree into order on December 14, 2023, thereby effectuating the Decree. On January 10, 2024, EPA issued a notice to proceed with the OU-1 remedial work. The Company thereafter commenced remedial work on OU-1 in accordance with the 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 third quarter of fiscal 2024, the statute of limitations has expired for the collection of nearly all of the duties and penalties related to this matter. At this time, the Company considers any potential losses related to this matter would not have a material adverse effect on the Company's results of operations.

*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.

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**NOTE 13 — OTHER****Cash dividends**

Dividends declared in the nine months ended September 30, 2024 were as follows:

<b>Dividend per share</b>	<b>Date declared</b>	<b>Date of record</b>	<b>Payment date</b>
\$0.0425	3/8/2024	5/1/2024	5/15/2024
\$0.0425	6/20/2024	8/1/2024	8/15/2024
\$0.0425	8/6/2024	11/1/2024	11/15/2024

During the nine months ended September 30, 2024, the Company paid dividends of \$2.9 million. This included payments made on February 15, 2024, May 15, 2024 and August 15, 2024 of \$0.9 million, \$0.9 million and \$0.9 million to stockholders of record on February 1, 2024, May 1, 2024 and August 1, 2024 respectively, and payments of \$0.2 million for dividends payable upon the vesting of restricted shares and performance shares.

In the three months ended September 30, 2024, the Company reduced retained earnings for the accrual of \$1.0 million relating to the dividend payable on November 15, 2024.

On November 5, 2024, the Board declared a quarterly dividend of \$0.0425 per share of common stock payable on February 14, 2025 to stockholders of record on January 31, 2025.

**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. No repurchases were effected during the nine months ended September 30, 2024. As of September 30, 2024, the remaining dollar amount available for repurchases under the Board authorized plan was \$11.1 million.

**Supplemental cash flow information**

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2024</b>	<b>2023</b>
	(in thousands)	
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 14,860	\$ 15,204
Cash paid for taxes, net of refunds	5,073	4,388

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**Components of accumulated other comprehensive loss, net**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	(in thousands)			
<i>Accumulated translation adjustment:</i>				
Balance at beginning of period	\$ (18,369)	\$ (33,274)	\$ (32,614)	\$ (36,072)
Translation adjustment during period	872	(1,242)	965	1,556
Amounts reclassified from accumulated other comprehensive loss <sup>(1)</sup>	—	—	14,152	—
Net change in translation adjustment	872	(1,242)	15,117	1,556
Balance at end of period	<u>\$ (17,497)</u>	<u>\$ (34,516)</u>	<u>\$ (17,497)</u>	<u>\$ (34,516)</u>
<i>Accumulated deferred losses on cash flow hedges:</i>				
Balance at beginning of period	\$ 89	\$ (530)	\$ (134)	\$ 923
Change in unrealized (losses) gains	(235)	254	(163)	(257)
Amounts reclassified from accumulated other comprehensive loss:				
Settlement of cash flow hedge <sup>(2)</sup>	32	181	183	(761)
Net change in cash flow hedges, net of taxes of \$0, \$0, \$0, \$(2)	(203)	435	20	(1,018)
Balance at end of period	<u>\$ (114)</u>	<u>\$ (95)</u>	<u>\$ (114)</u>	<u>\$ (95)</u>
<i>Accumulated effect of retirement benefit obligations:</i>				
Balance at beginning of period	\$ (726)	\$ (682)	\$ (751)	\$ (705)
Amounts reclassified from accumulated other comprehensive loss: <sup>(3)</sup>				
Amortization of actuarial loss, net of taxes of \$(5), \$(4), \$(13), \$(12)	13	12	38	35
Balance at end of period	<u>\$ (713)</u>	<u>\$ (670)</u>	<u>\$ (713)</u>	<u>\$ (670)</u>
Total accumulated other comprehensive loss at end of period	<u>\$ (18,324)</u>	<u>\$ (35,281)</u>	<u>\$ (18,324)</u>	<u>\$ (35,281)</u>

<sup>(1)</sup> Amounts reclassified to the Vasconia investment carrying value as a result of the discontinuation of the equity method investment of accounting and subsequently recognized as a loss on equity securities in the unaudited condensed consolidated statements of operations, to reduce the Vasconia investment to its fair value. Refer to NOTE 4—INVESTMENT for additional information.

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

<sup>(3)</sup> 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, 2023 (the “2023 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 labor disputes, inflationary impacts and disruptions to the global supply chain;
- Increase in supply chain costs, including raw materials, sourcing, transportation and energy;
- 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;
- Intense market competition, changing customer practices or preferences and inventory rationalization among retailers;
- Dependence on third-party manufacturers;
- Technology, cybersecurity and data privacy risks;
- Geopolitical conditions, including political instability in the U.S. and abroad, unrest and sanctions, war, conflict, including the ongoing conflicts between Russia and the Ukraine, conflicts in the Middle East, and increasing tensions between China and Taiwan;
- 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).

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®, S'well® and Dolly®. 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 experienced relatively high inflation throughout 2023. As global inflation levels moderate, the impact of elevated inflation and high interest rates have negatively impacted, and may continue to negatively impact consumer spending and buying patterns in 2024. Shifts in consumer spending and buying patterns may directly impact our retailer ordering patterns, which may adversely impact the Company's results. In addition, disruptions in the global supply chain, including the heightened risks of attacks on commercial vessels in the Red Sea and the potential longshoremen strike in the U.S., have and may continue to adversely impact the Company's results due to supply delays leading to an increase in safety stock levels and an increase in transportation costs. The Company expects continued uncertainty as result of these trends in 2024.

## **BUSINESS SEGMENTS**

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

## **EQUITY INVESTMENT**

As of September 30, 2024, the Company owned 24.7% of the outstanding capital stock of Grupo Vasconia S.A.B. ("Vasconia"), an integrated manufacturer of aluminum products and a housewares company in Mexico. Shares of Vasconia's capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI. During the second quarter of 2024, Vasconia's shareholders' approved a resolution to a reorganization process in terms of the Law of Commercial Bankruptcy in Mexico and subsequently a bankruptcy suit was filed against Vasconia by one of its largest suppliers. The Company concluded that the recent events constituted a loss of significant influence and resulted in the



discontinuation of the equity method of accounting. The Company accounts for its Vasconia investment at fair value in accordance with Accounting Standards Codification (“ASC”) *Topic 321: Investments — Equity Securities*, with any changes in fair value recorded within income (loss) on equity securities on the consolidated statements of operations. As a result of the loss of significant influence, the accumulated other comprehensive losses previously recognized under the equity method of accounting were reclassified to the carrying value of the Vasconia investment and subsequently resulted in a non-cash loss of \$14.2 million to reduce the investment to its fair value during the three months ended June 30, 2024. The fair value of the Vasconia investment was not material as of September 30, 2024.

## SEASONALITY

The Company’s business and working capital needs are seasonal, with a majority of sales occurring in the third and fourth quarters. In 2023 and 2022, net sales for the third and fourth quarters accounted for 57% and 54% of total annual net sales, respectively. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

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

## CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to the Company’s critical accounting estimates discussed in the 2023 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	63.3	63.0	61.6	62.6
Gross margin	36.7	37.0	38.4	37.4
Distribution expenses	10.9	8.9	11.0	10.3
Selling, general and administrative expenses	21.1	21.0	24.9	23.6
Restructuring expenses	—	—	—	0.1
Income from operations	4.7	7.1	2.5	3.4
Interest expense	(3.2)	(2.7)	(3.5)	(3.4)
Mark to market loss on interest rate derivatives	(0.5)	(0.1)	(0.3)	—
Gain on extinguishments of debt, net	—	—	—	0.3
Loss on equity securities	—	—	(3.0)	—
Income (loss) before income taxes and equity in losses	1.0	4.3	(4.3)	0.3
Income tax provision	(0.8)	(1.6)	(0.4)	(0.6)
Equity in losses, net of taxes	—	(0.5)	(0.4)	(2.0)
Net income (loss)	0.2 %	2.2 %	(5.1)%	(2.3)%

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO THE THREE MONTHS ENDED**  
**SEPTEMBER 30, 2023**

**Net Sales**

Consolidated net sales for the three months ended September 30, 2024 were \$183.8 million, representing a decrease of \$7.9 million, or 4.1%, as compared to net sales of \$191.7 million for the corresponding period in 2023. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations and was determined by applying 2024 average rates to 2023 local currency amounts, consolidated net sales decreased by \$8.1 million, or 4.2%, as compared to consolidated net sales in the corresponding period in 2023.

Net sales for the U.S. segment for the three months ended September 30, 2024 were \$170.2 million, a decrease of \$9.2 million, or 5.1%, as compared to net sales of \$179.4 million for the corresponding period in 2023.

Net sales for the U.S. segment's Kitchenware product category were \$97.3 million for the three months ended September 30, 2024, a decrease of \$0.4 million, or 0.4%, as compared to \$97.7 million for the corresponding period in 2023. The decrease was driven by a reduction in sales for kitchen tools and gadgets, partially offset by higher sales for bakeware and cutlery and boards.

Net sales for the U.S. segment's Tableware product category were \$40.9 million for the three months ended September 30, 2024, a decrease of \$8.0 million, or 16.4%, as compared to \$48.9 million for the corresponding period in 2023. The decrease was attributable to lower dinnerware sales due to the timing of warehouse club programs in 2024 compared to the prior period and lower sales to brick-and-mortar customers.

Net sales for the U.S. segment's Home Solutions product category were \$32.0 million for the three months ended September 30, 2024, a decrease of \$0.8 million, or 2.4%, as compared to \$32.8 million for the corresponding period in 2023. The decrease was attributable to lower sales of hydration products and Taylor branded bath measurement products. The decrease was partially offset by higher sales for Home Décor products driven by sales for a new warehouse club program introduced in 2024.

Net sales for the International segment were \$13.6 million for the three months ended September 30, 2024, an increase of \$1.3 million, or 10.6%, as compared to net sales of \$12.3 million for the corresponding period in 2023. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations, net sales increased \$1.1 million, or 8.4%, as compared to consolidated net sales in the corresponding period in 2023. The increase was driven by higher sales in the U.K. and continental Europe.

**Gross margin**

Gross margin for the three months ended September 30, 2024 was \$67.4 million, or 36.7%, as compared to \$71.0 million, or 37.0%, for the corresponding period in 2023.

Gross margin for the U.S. segment was \$62.7 million, or 36.8%, for the three months ended September 30, 2024, as compared to \$67.0 million, or 37.3%, for the corresponding period in 2023. The decrease in the gross margin percentage was driven by product mix.

Gross margin for the International segment was \$4.7 million, or 34.6%, for the three months ended September 30, 2024, as compared to \$4.0 million, or 32.5%, for the corresponding period in 2023. The increase in the gross margin percentage was driven by customer and product mix.

**Distribution expenses**

Distribution expenses for the three months ended September 30, 2024 were \$20.0 million, as compared to \$17.1 million for the corresponding period in 2023. Distribution expenses as a percentage of net sales were 10.9% for the three months ended September 30, 2024, as compared to 8.9% for the three months ended September 30, 2023.

Distribution expenses as a percentage of net sales for the U.S. segment were 9.7% and 7.8% for the three months ended September 30, 2024 and 2023, respectively. Distribution expense during the three months ended September 30, 2024 and 2023 included \$0.6 million and \$0.2 million, respectively, for redesign costs related to the Company's warehouse. As a percentage of sales shipped from the Company's U.S. warehouses, excluding non-recurring expenses, distribution expenses were 10.1% and 9.1% for the three months ended September 30, 2024 and 2023, respectively. The increase in expenses as a percentage of sales

was attributable to higher depreciation expense due to changes in asset retirement obligation estimates, higher software expenses due to the launch of a new warehouse management system at the Company's west coast distribution center, higher pallet expenses and higher labor rates. These increases were partially offset by lower freight out expenses.

Distribution expenses as a percentage of net sales for the International segment were 25.4% for the three months ended September 30, 2024, compared to 26.1% for the corresponding period in 2023. As a percentage of sales shipped from the Company's international warehouses distribution expenses were 24.2% and 22.4% for the three months ended September 30, 2024 and 2023, respectively. The decrease in expenses as a percentage of net sales was primarily attributed to higher sales, partially offset by higher expenses for the distribution of the Company's products within its global trading business in Asia.

#### **Selling, general and administrative expenses**

Selling, general and administrative expenses for the three months ended September 30, 2024 were \$38.8 million, a decrease of \$1.4 million, or 3.5%, as compared to \$40.2 million for the corresponding period in 2023.

Selling, general and administrative expenses for the U.S. segment were \$30.0 million for the three months ended September 30, 2024, as compared to \$31.6 million for the corresponding period in 2023. As a percentage of net sales, selling, general and administrative expenses were 17.6% for both the three months ended September 30, 2024 and 2023. The decrease in expenses was attributable to lower employee expenses, primarily due to lower incentive compensation, and a decrease in the provision for doubtful accounts in the current period. This was partially offset by inflationary increases across several expense categories.

Selling, general and administrative expenses for the International segment were \$4.5 million for the three months ended September 30, 2024, as compared to \$3.7 million for the corresponding period in 2023. As a percentage of net sales, selling, general and administrative expenses were 33.1% and 30.1% for the three months ended September 30, 2024 and 2023, respectively. The increase in expenses was attributable to higher employee expenses and penalties related to tax filings incurred in the current period.

Unallocated corporate expenses for the three months ended September 30, 2024 were \$4.3 million, as compared to \$4.9 million for the corresponding period in 2023. The current period decrease was driven by lower incentive compensation, partially offset by higher legal expenses and professional fees.

#### **Interest expense**

Interest expense was \$5.8 million and \$5.2 million for the three months ended September 30, 2024 and 2023, respectively. The increase in expense was a result of higher interest rates on outstanding borrowings, partially offset by lower average outstanding borrowings in the current period.

#### **Mark to market loss on interest rate derivatives**

Mark to market loss on interest rate derivatives was \$0.9 million for the three months ended September 30, 2024, as compared to a mark to market loss on interest rate derivatives of \$0.1 million for the three months ended September 30, 2023. The loss recognized for the three months ended September 30, 2024 and 2023, respectively, 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 September 30, 2024, the intent of the Company is to hold these derivative contracts until their maturity.

#### **Income taxes**

Income tax provision of \$1.5 million and \$3.0 million for the three months ended September 30, 2024 and 2023, respectively, represent taxes on both U.S. and foreign earnings at a combined effective income tax provision rate of 81.4% and 36.5%, respectively. The effective tax rate for the three months ended September 30, 2024 and 2023 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, net of taxes**

Equity in losses of Vasconia, net of taxes, was \$1.0 million for the three months ended September 30, 2023. Equity in losses included a non-cash impairment charge of \$0.3 million, to reduce the carrying value of the Company's equity method investment in Vasconia to its fair value.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO THE NINE MONTHS ENDED**  
**SEPTEMBER 30, 2023**

**Net Sales**

Consolidated net sales for the nine months ended September 30, 2024 were \$467.7 million, a decrease of \$15.8 million, or 3.3%, as compared to net sales of \$483.5 million for the corresponding period in 2023. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations and was determined by applying 2024 average rates to 2023 local currency amounts, consolidated net sales decreased by \$16.5 million, or 3.4%, as compared to consolidated net sales in the corresponding period in 2023.

Net sales for the U.S. segment for the nine months ended September 30, 2024 were \$431.2 million, a decrease of \$16.7 million, or 3.7%, as compared to net sales of \$447.9 million for the corresponding period in 2023.

Net sales for the U.S. segment's Kitchenware product category were \$261.7 million for the nine months ended September 30, 2024, a decrease of \$5.7 million, or 2.1%, as compared to \$267.4 million for the corresponding period in 2023. The decrease was mainly driven by lower consumer demand for kitchen tools and gadgets, kitchen measurement and barware products, partially offset by higher sales for bakeware and cutlery and boards products.

Net sales for the U.S. segment's Tableware product category were \$93.0 million for the nine months ended September 30, 2024, a decrease of \$6.0 million, or 6.1%, as compared to \$99.0 million for the corresponding period in 2023. The decrease was across both dinnerware and flatware sales due to lower warehouse club programs in 2024 compared to 2023 and lower sales to brick-and-mortar customers.

Net sales for the U.S. segment's Home Solutions product category were \$76.5 million for the nine months ended September 30, 2024, a decrease of \$5.0 million, or 6.1%, as compared to \$81.5 million for the corresponding period in 2023. The decrease was attributable to lower sales of hydration products and decreased sales of Taylor branded bath measurement products. The decrease was partially offset by higher sales for Home Décor products driven by a new warehouse club program in 2024 and sales of a new licensed product brand.

Net sales for the International segment were \$36.5 million for the nine months ended September 30, 2024, an increase of \$0.9 million, or 2.5%, as compared to net sales of \$35.6 million for the corresponding period in 2023. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations, net sales stayed flat, as compared to consolidated net sales in the corresponding period in 2023. The increase was attributable to higher sales in Australia for the Company's global trading business in Asia and sales in continental Europe, partially offset by lower replenishment orders for e-commerce.

**Gross margin**

Gross margin for the nine months ended September 30, 2024 was \$179.5 million, or 38.4%, as compared to \$180.8 million, or 37.4%, for the corresponding period in 2023.

Gross margin for the U.S. segment was \$166.5 million, or 38.6%, for the nine months ended September 30, 2024, as compared to \$167.6 million, or 37.4%, for the corresponding period in 2023. The improvement in gross margin percentage was due to lower inbound freight costs and product mix.

Gross margin for the International segment was \$13.0 million, or 35.6%, for the nine months ended September 30, 2024, as compared to \$13.2 million, or 37.1%, for the corresponding period in 2023. The decrease in gross margin percentage was driven by higher product costs due to unfavorable fluctuations in foreign currency exchange rates.

**Distribution expenses**

Distribution expenses for the nine months ended September 30, 2024 were \$51.3 million, as compared to \$49.7 million for the corresponding period in 2023. Distribution expenses as a percentage of net sales were 11.0% for the nine months ended September 30, 2024, as compared to 10.3% for the nine months ended September 30, 2023.

Distribution expenses as a percentage of net sales for the U.S. segment were 9.6% and 8.9% for the nine months ended September 30, 2024 and 2023, respectively. Distribution expenses during the nine months ended September 30, 2024 and 2023 included \$0.7 million and \$0.5 million, respectively, for redesign costs related to the Company's U.S. warehouse. As a

percentage of sales shipped from the Company's U.S. warehouses, excluding non-recurring expenses, distribution expenses were 10.0% and 9.7% for the nine months ended September 30, 2024 and 2023, respectively. The increase in expenses as a percentage of net sales was a result of higher depreciation expense due to changes in asset retirement obligation estimates, higher labor rates, and higher software expenses due to the launch of a new warehouse management system at the Company's west coast distribution center. These increases were partially offset by lower storage expenses, improved labor management efficiencies resulting in a decrease of employee expenses, and lower pallet expenses.

Distribution expenses as a percentage of net sales for the International segment were 26.9% for the nine months ended September 30, 2024, compared to 27.2% for the corresponding period in 2023. As a percentage of sales shipped from the Company's international warehouse, distribution expenses were 24.3% and 23.8% for the nine months ended September 30, 2024 and 2023, respectively. The decrease in expenses as a percentage of net sales was primarily attributed to lower freight out expenses, higher sales, partially offset by higher expenses for the distribution of the Company's products within its global trading business in Asia.

#### **Selling, general and administrative expenses**

Selling, general and administrative expenses for the nine months ended September 30, 2024 were \$116.6 million, an increase of \$2.6 million, or 2.3%, as compared to \$114.0 million for the corresponding period in 2023.

Selling, general and administrative expenses for the U.S. segment were \$90.2 million for the nine months ended September 30, 2024, as compared to \$88.3 million for the corresponding period in 2023. As a percentage of net sales, selling, general and administrative expenses were 20.9% and 19.7% for the nine months ended September 30, 2024 and 2023, respectively. The increase in expenses was attributable to higher employee expenses, expenses related to the start-up of the Company's manufacturing operations in Mexico, legal expenses, and inflationary increases across several expense categories. This was partially offset by a decrease in the provision for doubtful accounts in the current period.

Selling, general and administrative expenses for the International segment were \$12.5 million for the nine months ended September 30, 2024, as compared to \$11.3 million for the corresponding period in 2023. The increase was primarily attributable to higher employee expenses and penalties related to tax filings incurred in the current period.

Unallocated corporate expenses for the nine months ended September 30, 2024 were \$13.9 million, as compared to \$14.4 million for the corresponding period in 2023. The decrease was driven by lower incentive compensation and insurance expenses.

#### **Restructuring expenses**

For the nine months ended September 30, 2023, the Company incurred \$0.8 million of unallocated corporate expense related to the termination payment with its Executive Chairman.

#### **Interest expense**

Interest expense was \$16.6 million and \$16.1 million for the nine months ended September 30, 2024 and 2023, respectively. The increase in expense was a result of higher interest rates on outstanding borrowings, partially offset by lower average outstanding borrowings in the current period.

#### **Mark to market loss on interest rate derivatives**

Mark to market loss on interest rate derivatives was \$1.2 million for the nine months ended September 30, 2024, as compared to \$0.1 million for the nine months ended September 30, 2023. The increase was attributable to the change in the fair value based on the increase in interest rates. The mark to market amount represents the change in fair value on the Company's interest rate derivatives that have not been designated as hedging instruments. These derivatives were entered into for purposes of locking-in a fixed interest rate on a portion of the Company's variable interest rate debt. As of September 30, 2024, the intent of the Company is to hold these derivative contracts until their maturity.

#### **Gain on extinguishments of debt**

Gain on extinguishments of debt was \$1.5 million for the nine months ended September 30, 2023. The gain recognized for the nine months ended September 30, 2023 was attributable to the repurchase of \$47.2 million in principal amount of the Term Loan. Refer to NOTE 6 — DEBT for additional information.

### **Loss on equity securities**

Loss on equity securities was \$14.2 million for the nine months ended September 30, 2024. In the second quarter of 2024, the Company lost significant influence over its investment in Vasconia and discontinued the equity method of accounting. This change resulted in the reclassification of previously recognized accumulated other comprehensive losses to the investment balance and subsequently resulted in a non-cash loss of \$14.2 million, to reduce the investment to its fair value. NOTE 4 —INVESTMENT for additional information.

### **Income taxes**

Income tax provision of \$1.7 million and \$2.9 million for the nine months ended September 30, 2024 and 2023, respectively, represent taxes on both U.S. and foreign earnings at a combined effective income tax provision rate of (8.2)% and 197.0%, respectively. The negative rate for the nine months ended September 30, 2024 reflects tax expense on a pretax financial reporting loss. The effective tax rate for the nine months ended September 30, 2024 and 2023 differs from the federal statutory income tax rate of 21.0% primarily due to 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.

### **Equity in losses, net of taxes**

Equity in losses of Vasconia, net of taxes, was \$2.1 million for the nine months ended September 30, 2024, as compared to \$9.7 million for the nine months ended September 30, 2023. For the nine months ended September 30, 2023, equity in losses included a non-cash impairment charge of \$6.8 million to reduce the carrying value of the Company's equity method investment in Vasconia to its fair value.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal sources of cash to fund liquidity needs are: (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, payments of dividends, and payments of principal and interest on its debt.

At September 30, 2024, the Company had cash and cash equivalents of \$6.0 million, compared to \$16.2 million at December 31, 2023. Working capital was \$230.2 million at September 30, 2024, compared to \$224.4 million at December 31, 2023. Liquidity as of September 30, 2024 was \$75.6 million, consisting of \$6.0 million of cash and cash equivalents, \$51.6 million of availability under the ABL Agreement, limited by the Term Loan financial covenant, and \$18.0 million of available funding under the Receivables Purchase Agreement.

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 September 30, 2024, inventory turnover was 2.1 times, or 175 days, as compared to 2.2 times, or 164 days, for the three months ended September 30, 2023. Inventory turns have remained relatively consistent.

On February 7, 2024, in connection with the Wallace EPA Matter, the Company provided financial assurance of \$5.6 million in the form of a letter of credit. This reduced the availability under the revolving credit facility in the period.

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.

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 future changes in these conditions.

## Indebtedness

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. 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.

On November 14, 2023, the Company entered into Amendment No. 2 to amend the Loan Agreement, dated as of March 2, 2018, among the Company, as borrower, the other loan parties from time to time party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (as amended, the “Term Loan” and together with the ABL Agreement, the “Debt Agreements”). The Term Loan has a principal amount of \$150.0 million, and matures on August 26, 2027.

The Term Loan requires the Company to make quarterly payments of principal each equal to 1.25% of the aggregate principal amount of the Term Loan, commencing on March 31, 2024, with the remaining balance payable on the maturity date. The Term Loan requires the Company to make an annual prepayment of principal, beginning with those for the fiscal year ending December 31, 2024, 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. Per the Term Loan, when the Company makes an Excess Cash Flow prepayment, 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 maximum borrowing amount under the ABL Agreement may be increased to up to \$250.0 million if certain conditions are met. 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 3.25 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 September 30, 2024 and December 31, 2023, the total availability under the ABL Agreement were as follows (in thousands):

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Maximum aggregate principal allowed	\$ 200,000	\$ 181,919
Outstanding borrowings under the ABL Agreement	(64,489)	(60,395)
Standby letters of credit	(8,828)	(2,894)
Total availability under the ABL Agreement	<u>\$ 126,683</u>	<u>\$ 118,630</u>

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, 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. The Company’s borrowing capacity may be further limited by the Term Loan financial covenant of 5.00 to 1.00 maximum Total Net Leverage Ratio. As of September 30, 2024, the availability under the ABL Agreement, limited by the Term Loan financial covenant, was \$51.6 million.

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

	September 30, 2024	December 31, 2023
<b>Current portion of Term Loan:</b>		
Term Loan payment	\$ 7,500	\$ 7,500
Estimated Excess Cash Flow principal payment	2,000	—
Estimated unamortized debt issuance costs	(2,633)	(2,758)
<b>Total Current portion of Term Loan</b>	<b>\$ 6,867</b>	<b>\$ 4,742</b>
<b>Non-current portion of Term Loan:</b>		
Term Loan, net of current portion	\$ 134,875	\$ 142,500
Estimated unamortized debt issuance costs	(4,705)	(6,666)
<b>Total Non-current portion of Term Loan</b>	<b>\$ 130,170</b>	<b>\$ 135,834</b>

The estimated Excess Cash Flow principal payment recorded at September 30, 2024 represents the Company's estimate for the Excess Cash Flow Payment due in 2025. There was no Excess Cash Flow payment due in 2024.

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 and (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 September 30, 2024 was between 4.79% and 6.68%. The Company paid a commitment fee of 0.25% on the unused portion of the ABL Agreement during the nine months ended September 30, 2024.

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 4.5% or (ii) Adjusted Term SOFR (Term SOFR plus the Term SOFR Adjustment) for the applicable interest period, but not less than 1.0%, plus a margin of 5.5%. The interest rate on outstanding borrowings under the Term Loan at September 30, 2024 was 10.73%.

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. Under the Term Loan, the Total Net Leverage Ratio is not permitted to be greater than 5.00 to 1.00 determined as of the end of each fiscal quarters. 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 September 30, 2024.

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 of \$1.5 million, net of fees and expenses, was recognized during the three and nine months ended September 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 for the trailing twelve months ended September 30, 2024 was \$53.9 million.

Capital expenditures for the nine months ended September 30, 2024 were \$1.6 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.

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The following is a reconciliation of the net income (loss), as reported, to adjusted EBITDA, for each of the last four quarters and the 12 months ended September 30, 2024:

	Quarter Ended				
	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024	Twelve Months Ended September 30, 2024
	(in thousands)				
Net income (loss) as reported	\$ 2,707	\$ (6,260)	\$ (18,167)	\$ 344	\$ (21,376)
Loss on equity securities	—	—	14,152	—	14,152
Equity in losses, net	2,978	2,092	—	—	5,070
Income tax provision (benefit)	3,313	210	(57)	1,507	4,973
Interest expense	5,618	5,614	5,157	5,834	22,223
Depreciation and amortization	4,955	4,939	4,894	6,408	21,196
Mark to market loss on interest rate derivatives	364	174	82	928	1,548
Stock compensation expense	917	807	1,037	1,042	3,803
Contingent consideration fair value adjustments	(600)	—	—	—	(600)
Loss on extinguishments of debt	759	—	—	—	759
Acquisition related expenses	407	95	641	210	1,353
Warehouse redesign expenses <sup>(1)</sup>	51	18	35	662	766
Adjusted EBITDA <sup>(2)</sup>	<u>\$ 21,469</u>	<u>\$ 7,689</u>	<u>\$ 7,774</u>	<u>\$ 16,935</u>	<u>\$ 53,867</u>

<sup>(1)</sup> For the twelve months ended September 30, 2024, the warehouse redesign expenses were related to the U.S. segment.

<sup>(2)</sup> Adjusted EBITDA is a non-GAAP financial measure that is defined in the Company's debt agreements. Adjusted EBITDA is defined as net income (loss), adjusted to exclude loss on equity securities, equity in losses, income tax provision (benefit), interest expense, depreciation and amortization, mark to market loss on interest rate derivatives, stock compensation expense, loss on extinguishments of debt, 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 nine months ended September 30, 2024 and September 30, 2023. At September 30, 2024, \$18.0 million of accounts receivables were available for sale to HSBC, net of applicable charges.

### **Derivatives**

#### *Interest Rate Swaps*

In June 2019 the Company entered into interest rate swap agreements, with an aggregate notional value of \$25.0 million and expire in February 2025. In March 2024, the Company entered into a new interest rate swap agreement, with an aggregate notional value of \$25.0 million and expire in August 2027. These non-designated interest rate swaps serve as cash flow hedges of the Company's exposure to the variability of the payment of interest on a portion of its Term Loan borrowings. The Company's total outstanding notional value of interest rate swaps was \$50.0 million at September 30, 2024.

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 September 30, 2024.

### *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 September 30, 2024 was \$2.8 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 September 30, 2024, these foreign exchange contracts have been designated as hedges in to order to apply hedge accounting.

### **Operating activities**

Net cash used in operating activities was \$1.7 million for the nine months ended September 30, 2024, as compared to net cash provided by operating activities of \$17.0 million for the nine months ended September 30, 2023. The decrease from 2024 compared to 2023 was attributable to increased use of cash related to inventory purchases and higher net loss, partially offset by timing of collections related to the Company's accounts receivables, and timing of payments for accounts payable and accrued expenses.

### **Investing activities**

Net cash used in investing activities was \$1.6 million and \$1.8 million for the nine months ended September 30, 2024 and 2023, respectively.

### **Financing activities**

Net cash used in financing activities was \$6.9 million for the nine months ended September 30, 2024, as compared to net cash used in financing activities of \$32.4 million for the nine months ended September 30, 2023. The change was attributable to the repurchase of a portion of the term loan and stock repurchases in the 2023 period, partially offset by lower net proceeds from revolving credit facility in the 2024 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. No repurchases were effected during the nine months ended September 30, 2024. As of September 30, 2024, the remaining dollar amount available for repurchases under the Board authorized plan was \$11.1 million.

### **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 2023 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 September 30, 2024, 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 12 — 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 2023 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 2023 Annual Report on Form 10-K.

### **Item 5. Other Information**

#### *Rule 10b5-1 Trading Plans*

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 September 30, 2024.

**Item 6. Exhibits**

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

**Exhibit Index**

**Exhibit No.**

31.1*	<a href="#">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</a>
31.2*	<a href="#">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</a>
32.1**	<a href="#">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</a>
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

\* Filed herewith

\*\* Furnished herewith

**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

November 7, 2024

Robert B. Kay  
Chief Executive Officer and Director  
(Principal Executive Officer)

/s/ Laurence Winoker

November 7, 2024

Laurence Winoker  
Executive Vice President, Treasurer and Chief  
Financial Officer  
(Principal Financial and Accounting Officer)

## 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: November 7, 2024

## 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: November 7, 2024



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 September 30, 2024 (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  
Robert B. Kay  
Chief Executive Officer and Director

/s/ Laurence Winoker  
Laurence Winoker  
Executive Vice President, Treasurer and Chief Financial Officer

Date: November 7, 2024

Date: November 7, 2024

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.