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

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**FORM 10-Q**

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(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, 2020**

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**

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**LIFETIME BRANDS, INC.**

(Exact name of registrant as specified in its charter)

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**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)

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**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, 2020 was 21,768,020.

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**LIFETIME BRANDS, INC.**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2020**  
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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, 2020 (unaudited)	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 42,675	\$ 11,370
Accounts receivable, less allowances of \$14,782 at September 30, 2020 and \$9,681 at December 31, 2019	180,289	128,639
Inventory	209,825	173,427
Prepaid expenses and other current assets	9,619	14,140
Income taxes receivable	—	1,577
<b>TOTAL CURRENT ASSETS</b>	<b>442,408</b>	<b>329,153</b>
PROPERTY AND EQUIPMENT, net	23,839	28,168
OPERATING LEASE RIGHT-OF-USE ASSETS	98,126	106,871
INVESTMENTS	17,734	21,289
INTANGIBLE ASSETS, net	247,180	280,471
OTHER ASSETS	2,559	4,071
<b>TOTAL ASSETS</b>	<b>\$ 831,846</b>	<b>\$ 770,023</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturity of term loan	\$ 18,522	\$ 8,413
Accounts payable	109,509	36,173
Accrued expenses	81,167	52,060
Income taxes payable	1,522	—
Current portion of operating lease liabilities	11,329	10,661
<b>TOTAL CURRENT LIABILITIES</b>	<b>222,049</b>	<b>107,307</b>
OTHER LONG-TERM LIABILITIES	16,394	12,214
INCOME TAXES PAYABLE, LONG-TERM	1,217	1,217
OPERATING LEASE LIABILITIES	104,183	112,180
DEFERRED INCOME TAXES	12,829	13,685
REVOLVING CREDIT FACILITY	25,654	32,822
TERM LOAN	237,727	254,281
<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, 2020 and December 31, 2019; shares issued and outstanding: 21,768,020 at September 30, 2020 and 21,255,660 at December 31, 2019	218	213
Paid-in capital	267,200	263,386
(Accumulated deficit) retained earnings	(13,842)	7,173
Accumulated other comprehensive loss	(41,783)	(34,455)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>211,793</b>	<b>236,317</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 831,846</b>	<b>\$ 770,023</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,	
	2020	2019	2020	2019
Net sales	\$ 224,750	\$ 215,502	\$ 519,960	\$ 507,964
Cost of sales	145,958	142,561	334,066	336,683
Gross margin	78,792	72,941	185,894	171,281
Distribution expenses	18,961	18,537	50,710	49,938
Selling, general and administrative expenses	38,325	37,389	114,274	118,379
Restructuring expenses	—	338	253	1,119
Goodwill and other impairments	—	9,748	20,100	9,748
Income (loss) from operations	21,506	6,929	557	(7,903)
Interest expense	(4,128)	(5,539)	(13,094)	(15,505)
Mark to market gain (loss) on interest rate derivatives	99	367	(2,316)	717
Income (loss) before income taxes and equity in earnings (losses)	17,477	1,757	(14,853)	(22,691)
Income tax provision	(3,711)	(15,066)	(3,013)	(6,813)
Equity in earnings (losses), net of taxes	147	(210)	(362)	(395)
<b>NET INCOME (LOSS)</b>	<b>\$ 13,913</b>	<b>\$ (13,519)</b>	<b>\$ (18,228)</b>	<b>\$ (29,899)</b>
<b>BASIC INCOME (LOSS) PER COMMON SHARE</b>	<b>\$ 0.66</b>	<b>\$ (0.66)</b>	<b>\$ (0.87)</b>	<b>\$ (1.46)</b>
<b>DILUTED INCOME (LOSS) PER COMMON SHARE</b>	<b>\$ 0.65</b>	<b>\$ (0.66)</b>	<b>\$ (0.87)</b>	<b>\$ (1.46)</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,	
	2020	2019	2020	2019
Net income (loss)	\$ 13,913	\$ (13,519)	\$ (18,228)	\$ (29,899)
Other comprehensive income (loss), net of taxes:				
Translation adjustment	2,145	(2,385)	(4,827)	(4,032)
Net change in cash flow hedges	216	151	(2,560)	1,729
Effect of retirement benefit obligations	20	13	59	38
Other comprehensive income (loss), net of taxes	2,381	(2,221)	(7,328)	(2,265)
Comprehensive income (loss)	<u>\$ 16,294</u>	<u>\$ (15,740)</u>	<u>\$ (25,556)</u>	<u>\$ (32,164)</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	Retained Earnings	Accumulated other comprehensive loss	Total
	Shares	Amount				
<b>BALANCE AT DECEMBER 31, 2018</b>	20,764	\$ 208	\$ 258,637	\$ 55,264	\$ (34,616)	\$ 279,493
Comprehensive (loss) income:						
Net loss	—	—	—	(4,867)	—	(4,867)
Translation adjustment	—	—	—	—	1,306	1,306
Net change in cash flow hedges	—	—	—	—	596	596
Effect of retirement benefit obligations	—	—	—	—	13	13
Total comprehensive loss						(2,952)
Net issuance of restricted shares to employees	169	1	(1)	—	—	—
Stock compensation expense	—	—	900	—	—	900
Net exercise of stock options	19	—	—	—	—	—
Shares effectively repurchased for required employee withholding taxes	(25)	—	(232)	—	—	(232)
Dividends <sup>(1)</sup>	—	—	—	(898)	—	(898)
<b>BALANCE AT MARCH 31, 2019</b>	20,927	\$ 209	\$ 259,304	\$ 49,499	\$ (32,701)	\$ 276,311
Comprehensive (loss) income:						
Net loss	—	—	—	(11,513)	—	(11,513)
Translation adjustment	—	—	—	—	(2,953)	(2,953)
Net change in cash flow hedges	—	—	—	—	982	982
Effect of retirement benefit obligations	—	—	—	—	12	12
Total comprehensive loss						(13,472)
Restricted shares issued to directors	61	1	(1)	—	—	—
Net issuance of restricted shares to employees	250	3	(3)	—	—	—
Stock compensation expense	—	—	1,186	—	—	1,186
Net exercise of stock options	34	—	133	—	—	133
Shares effectively repurchased for required employee withholding taxes	(17)	—	(158)	—	—	(158)
Dividends (1)	—	—	—	(896)	—	(896)
<b>BALANCE AT JUNE 30, 2019</b>	21,255	\$ 213	\$ 260,461	\$ 37,090	\$ (34,660)	\$ 263,104
Comprehensive (loss) income:						
Net loss	—	—	—	(13,519)	—	(13,519)
Translation adjustment	—	—	—	—	(2,385)	(2,385)
Derivative fair value adjustment	—	—	—	—	151	151
Effect of retirement benefit obligations	—	—	—	—	13	13
Total comprehensive loss						(15,740)
Net issuance of restricted shares to employees	1	—	—	—	—	—
Stock compensation expense	—	—	1,498	—	—	1,498
Dividends (1)	—	—	—	(937)	—	(937)
<b>BALANCE AT SEPTEMBER 30, 2019</b>	21,256	\$ 213	\$ 261,959	\$ 22,634	\$ (36,881)	\$ 247,925

(1) Cash dividends declared per share of common stock were \$0.1275 and \$0.1275 in the nine months ended September 30, 2019 and 2020, respectively.

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

	Common stock		Paid-in capital	Retained Earnings (Accumulated deficit)	Accumulated other comprehensive loss	Total
	Shares	Amount				
<b>BALANCE AT DECEMBER 31, 2019</b>	21,256	\$ 213	\$ 263,386	\$ 7,173	\$ (34,455)	\$ 236,317
Comprehensive (loss) income:						
Net loss	—	—	—	(28,164)	—	(28,164)
Translation adjustment	—	—	—	—	(4,458)	(4,458)
Net change in cash flow hedges	—	—	—	—	(2,877)	(2,877)
Effect of retirement benefit obligations	—	—	—	—	20	20
Total comprehensive loss						(35,479)
Performance shares issued to employees	62	1	(1)	—	—	—
Net issuance of restricted shares to employees	220	2	(2)	—	—	—
Stock compensation expense	—	—	1,320	—	—	1,320
Shares effectively repurchased for required employee withholding taxes	(52)	(1)	(298)	—	—	(299)
Dividends <sup>(1)</sup>	—	—	—	(932)	—	(932)
<b>BALANCE AT MARCH 31, 2020</b>	21,486	\$ 215	\$ 264,405	\$ (21,923)	\$ (41,770)	\$ 200,927
Comprehensive (loss) income:						
Net loss	—	—	—	(3,977)	—	(3,977)
Translation adjustment	—	—	—	—	(2,514)	(2,514)
Net change in cash flow hedges	—	—	—	—	101	101
Effect of retirement benefit obligations	—	—	—	—	19	19
Total comprehensive loss						(6,371)
Net issuance of restricted shares to employees	309	3	(3)	—	—	—
Stock compensation expense	—	—	1,415	—	—	1,415
Shares effectively repurchased for required employee withholding taxes	(26)	—	(187)	—	—	(187)
Dividends (1)	—	—	—	(913)	—	(913)
<b>BALANCE AT JUNE 30, 2020</b>	21,769	\$ 218	\$ 265,630	\$ (26,813)	\$ (44,164)	\$ 194,871
Comprehensive income:						
Net income	—	—	—	13,913	—	13,913
Translation adjustment	—	—	—	—	2,145	2,145
Net change in cash flow hedges	—	—	—	—	216	216
Effect of retirement benefit obligations	—	—	—	—	20	20
Total comprehensive income						16,294
Stock compensation expense	—	—	1,570	—	—	1,570
Shares effectively repurchased for required employee withholding taxes	(1)	—	—	—	—	—
Dividends (1)	—	—	—	(942)	—	(942)
<b>BALANCE AT SEPTEMBER 30, 2020</b>	21,768	\$ 218	\$ 267,200	\$ (13,842)	\$ (41,783)	\$ 211,793

(1) Cash dividends declared per share of common stock were \$0.1275 and \$0.1275 in the nine months ended September 30, 2019 and 2020, 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>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (18,228)	\$ (29,899)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,385	18,771
Goodwill and other impairments	20,100	9,748
Amortization of financing costs	1,326	1,312
Mark to market loss (gain) on interest rate derivatives	2,316	(717)
Non-cash lease expense	2,915	1,050
Provision for doubtful accounts	3,011	316
Stock compensation expense	4,321	3,605
Undistributed equity in losses, net of taxes	362	395
SKU Rationalization	—	8,500
Changes in operating assets and liabilities:		
Accounts receivable	(55,466)	(37,659)
Inventory	(37,303)	(66,195)
Prepaid expenses, other current assets and other assets	3,573	1,473
Accounts payable, accrued expenses and other liabilities	100,798	43,465
Income taxes receivable	1,577	1,442
Income taxes payable	1,521	4,434
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>49,208</b>	<b>(39,959)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,645)	(7,618)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,645)</b>	<b>(7,618)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from revolving credit facility	107,418	258,647
Repayments of revolving credit facility	(113,652)	(208,737)
Repayments of term loan	(7,583)	(2,063)
Payments for finance lease obligations	(75)	(18)
Payments of tax withholding for stock based compensation	(486)	(390)
Proceeds from the exercise of stock options	—	133
Cash dividends paid	(1,862)	(2,693)
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(16,240)</b>	<b>44,879</b>
Effect of foreign exchange on cash	(18)	(188)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>31,305</b>	<b>(2,886)</b>
Cash and cash equivalents at beginning of period	11,370	7,647
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 42,675</b>	<b>\$ 4,761</b>

See accompanying notes to unaudited condensed consolidated financial statements.

**LIFETIME BRANDS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2020**  
(unaudited)

**NOTE 1 — BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES**

**Organization and business**

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 Internet websites) and, to a lesser extent, to distributors. The Company also sells a limited selection of its products directly to consumers through its own Internet 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 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, some specifically associated with recent events surrounding the COVID-19 pandemic, 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, 2019.

Operating results for the three and nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

The Company's business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2019 and 2018, net sales for the third and fourth quarters accounted for 60% and 62% 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.

Although the Company's current estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could differ from expectations, which could materially affect the Company's results of operations and financial position. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 pandemic. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and difficult to predict.

**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 consists primarily of costs associated with the production and procurement of product, inbound freight costs, purchasing costs, royalties, tooling, and other product procurement related charges.

**LIFETIME BRANDS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2020**  
(unaudited)

In 2019, the Company implemented programs to improve the productivity of its inventory and simplify its U.S. business. In connection therewith, it initiated a stock keeping unit rationalization (“SKU Rationalization”) initiative to identify inventory to discontinue from active status, consistent with the objectives of these programs.

During the nine months ended September 30, 2019, the Company recorded an \$8.5 million charge to cost of sales associated with the SKU Rationalization initiative. The inventory charge, which was recognized in cost of sales during the three months ended June 30, 2019, represented approximately 8% of the Company's consolidated inventory at June 30, 2019.

#### **Distribution expenses**

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

#### **Accounts receivable**

The Company periodically reviews the collectability of its accounts receivable and establishes allowances for estimated losses that could result from the inability of its customers to make required payments, taking into consideration customer credit history and financial condition, industry and market segment information, credit reports, and economic trends and conditions such as the impacts of the COVID-19 pandemic in 2020. A considerable amount of judgment is required to assess the ultimate realization of these receivables, including assessing the initial and on-going creditworthiness of the Company's customers.

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

#### **Receivable purchase agreement**

The Company has an uncommitted Receivables Purchase Agreement with HSBC Bank USA, National Association (“HSBC”) as Purchaser (the “Receivables Purchase Agreement”). The sale of accounts receivable, under the Receivables Purchase Agreement with HSBC, is excluded from the Company's unaudited condensed consolidated balance sheets at the time of sale and the related sale expense is included in selling, general and administrative expenses in the Company's unaudited condensed consolidated statements of operations. Pursuant to this agreement, the Company sold to HSBC \$43.0 million and \$116.9 million of receivables during the three and nine months ended September 30, 2020, respectively, and \$32.5 million and \$81.7 million of receivables during the three and nine months ended September 30, 2019, respectively. Charges of \$0.1 million and \$0.4 million related to the sale of the receivables are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2020, respectively. Charges of \$0.2 million and \$0.4 million related to the sale of the receivables are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2019, respectively. At September 30, 2020 and 2019, \$26.7 million and \$17.8 million, respectively, of receivables sold were outstanding and due to HSBC from customers.

#### **Inventory**

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

**LIFETIME BRANDS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2020**  
(unaudited)

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

	September 30, 2020	December 31, 2019
Finished goods	\$ 201,453	\$ 165,950
Work in process	145	61
Raw materials	8,227	7,416
Total	<u>\$ 209,825</u>	<u>\$ 173,427</u>

#### **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 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 change in the fair value of hedges is included in accumulated other comprehensive loss and is subsequently recognized in the Company’s unaudited condensed consolidated statements of operations to mirror the location of the hedged items impacting earnings. Changes to the 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 Accounting Standards Update (“ASU”) Topic 350, Intangibles – Goodwill and Other. If, after assessing qualitative factors, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the quantitative test is unnecessary and the Company’s goodwill is considered to be unimpaired. However, if based on the Company’s qualitative assessment it concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, or if the Company elects to bypass the qualitative assessment, the Company will proceed with performing the quantitative impairment test.

The Company reviews goodwill and other intangibles that have indefinite lives for impairment annually as of October 1 or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available, including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. The significant assumptions used under the income approach, or discounted cash flow method, are projected net sales, projected earnings before interest, tax, depreciation and amortization (“EBITDA”), terminal growth rates, and the cost of capital. Projected net sales, projected EBITDA and terminal growth rates were determined to be significant assumptions because they are three primary drivers of the projected cash flows in the discounted cash flow fair value model. Cost of capital was also determined to be a significant assumption as it is the discount rate used to calculate the current fair value of those projected cash flows.

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

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related market capitalization could impact key assumptions in the overall estimated fair values of its reporting units and could result in non-cash impairment charges that could be material to the Company's consolidated balance sheet or results of operations. Should the carrying value of a reporting unit be in excess of the estimated fair value of that reporting unit, an impairment charge will be recorded to reduce the reporting unit to fair value. The Company also evaluates qualitative factors to determine whether or not its indefinite lived intangibles have been impaired and then performs quantitative tests if required. These tests can include the relief from royalty model or other valuation models.

Long-lived assets, including intangible assets deemed to have finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, historical 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 group may be impaired. When impairment indicators are present, the recoverability of the asset group is measured by comparing the carrying value of the asset group to the estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group is not recoverable, the impairment to be recognized is measured by the amount by which the carrying amount of the long-lived asset group exceeds the fair value of the asset group.

See Note 5 – Intangible Assets to the unaudited condensed consolidated financial statements included in this Quarterly Report 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 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 accounts 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. A liability has been incurred at the point of closure for any remaining operating lease obligations and at the communication date for severance.

During the nine months ended September 30, 2020, the Company's international segment incurred \$0.3 million of restructuring expenses related to severance associated with the strategic reorganization of the international segment's product development and sales workforce. The strategic reorganization is the result of the Company's efforts for product development efficiencies and a country tailored international sales approach. As of September 30, 2020, \$0.1 million of severance was accrued. The Company does not expect to incur any additional restructuring charges for these strategic reorganization efforts for the remainder of 2020.

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During the nine months ended September 30, 2019, the Company incurred \$0.4 million of Filament restructuring charges, primarily related to severance.

During the three and nine months ended September 30, 2019, the Company incurred \$0.3 million and \$0.7 million of restructuring expenses, primarily related to severance, for the integration of its legal entities operating in Europe. In 2018, the Company finalized its integration plans for its European operations and took further steps to consolidate its operations.

#### **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 December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles and simplifies the application of U.S. GAAP for other areas of Topic 740 by clarifying and amending the existing guidance. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2020. Early adoption is permitted. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. Management is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

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

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

On April 10, 2020, the FASB staff issued a question-and-answer document to address stakeholder questions on the application of the lease accounting guidance for lease concessions related to the effects of the COVID-19 pandemic (the "Question-and-Answer Document"). The guidance allows concessions related to the timing of payments, where the total consideration has not changed, to not be accounted for as lease modifications. Instead, any such concessions can be accounted for as if no change was made to the contract or as variable lease payments. The Company adopted the guidance on April 1, 2020 and elected to account for COVID-19-related rent concessions that did not result in a substantial increase in the rights of the lessor or the obligations of the lessee not as lease modifications. See Note 3 – Leases for additional information on the Company's adoption of this guidance.

#### **NOTE 2 —REVENUE**

The Company sells products wholesale, to retailers and distributors, and sells products retail, directly to consumers. Wholesale sales and retail sales are recognized at the point in time the customer obtains control of the products in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is not a formality, the customer must have accepted the product or service. The Company's principal terms of sale are Free On Board ("FOB") Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB Shipping Point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. Shipping and handling fees that are billed to customers in sales transactions are included in net sales and amounted to \$0.9 million and \$2.6 million for the three

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and nine months ended September 30, 2020, respectively, and \$1.0 million and \$2.3 million for the three and nine months ended September 30, 2019, respectively. Net sales exclude taxes that are collected from customers and remitted to the taxing authorities.

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

Payment terms vary by customer, but generally range from 30 to 90 days or at the point of sale for the Company's retail direct sales. As a result of the COVID-19 pandemic, many of the Company's customers which operate retail locations have temporarily closed their stores voluntarily or as mandated by government stay at home orders. In response to these closings, the affected customers have requested extended payment terms. The Company has been working with these customers to address their temporary extended payment requests.

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, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>U.S. segment</b>				
Kitchenware	\$ 119,566	\$ 99,257	\$ 283,258	\$ 234,149
Tableware	51,285	57,332	98,534	112,543
Home Solutions	30,688	38,610	81,546	98,637
Total U.S. segment	<u>201,539</u>	<u>195,199</u>	<u>463,338</u>	<u>445,329</u>
<b>International segment</b>				
Kitchenware	19,186	16,406	45,500	42,918
Tableware	4,025	3,897	11,122	19,717
Total International segment	<u>23,211</u>	<u>20,303</u>	<u>56,622</u>	<u>62,635</u>
Total net sales	<u>\$ 224,750</u>	<u>\$ 215,502</u>	<u>\$ 519,960</u>	<u>\$ 507,964</u>
United States	\$ 193,432	\$ 179,565	\$ 447,087	\$ 417,657
United Kingdom	15,646	13,985	36,418	44,697
Rest of World	15,672	21,952	36,455	45,610
Total net sales	<u>\$ 224,750</u>	<u>\$ 215,502</u>	<u>\$ 519,960</u>	<u>\$ 507,964</u>

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**NOTE 3 — LEASES**

The Company has operating leases for corporate offices, distribution facilities, manufacturing plants, and certain vehicles. Leases with an initial term of 12 months or less are not recorded on the condensed consolidated balance sheet.

In response to the COVID-19 pandemic, the Company negotiated COVID-19-related rent concessions for several of its leased properties. The majority of these rent concessions were in the form of deferred rent payments for one or more months. For these rent concessions the Company elected to account for these as if no changes to the lease were made and continued to recognize the straight-line lease expense for these leases in accordance with the FASB Question-and-Answer Document. COVID-19-related deferred rent payments at September 30, 2020 were \$1.4 million and were recorded in accrued expenses in the unaudited condensed consolidated balance sheet at September 30, 2020. In addition, there were a limited number of rent concessions obtained by the Company in the form of rent abatement and changes in lease terms. These lease modifications were accounted for as a resolution to a contingency that fixes previously variable lease payments which resulted in the remeasurement of the right-of-use asset and lease liability. The remeasurement of the right-of-use and lease liability did not have a material effect on our consolidated financial statements or results of operations. The Company continues to assess its leased properties in seeking commercially reasonable lease concessions given the current environment.

The components of lease expense for the three and nine months ended September 30, 2020 and 2019 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Operating lease expenses:</b>				
Fixed	\$ 4,450	\$ 4,796	\$ 13,755	\$ 13,927

Supplemental cash flow information for lease related liabilities and assets for the nine months ended September 30, 2020 and 2019 were as follows (in thousands):

	Nine Months Ended September 30,	
	2020	2019
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows for operating leases	\$ 10,839	\$ 12,877

	Nine Months Ended September 30,	
	2020	2019
<b>Right-of-use assets obtained in exchange for new lease obligations:</b>		
Operating leases	\$ 38	\$ 118,054



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The aggregate future lease payments for operating leases as of September 30, 2020 were as follows (in thousands):

	<b>Operating</b>
2020 (excluding the nine months ending September 30, 2020)	\$ 4,639
2021	17,965
2022	18,071
2023	18,050
2024	17,723
2025	17,697
Thereafter	54,993
Total lease payments	149,138
Less: Interest	(33,626)
Present value of lease payments	<u>\$ 115,512</u>

The Company expects to make payments related to the deferrals obtained as a result of COVID-19-related rent concessions of \$0.4 million in 2020 and \$1.0 million in 2021, per the updated terms of the applicable lease agreements.

Average lease terms and discount rates were as follows:

	<b>September 30, 2020</b>
<b>Operating leases:</b>	
Weighted-average remaining lease term (years)	8.4
Weighted-average discount rate	6.2 %

#### NOTE 4 — INVESTMENTS

The Company owns approximately 30% of the outstanding capital stock of Grupo Vasconia S.A.B. ("Vasconia"), an integrated manufacturer of aluminum products and one of Mexico's largest housewares companies. Shares of Vasconia's capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI. The Company accounts for its investment in Vasconia using the equity method of accounting and records its proportionate share of Vasconia's net income in the Company's condensed consolidated statements of operations. Accordingly, the Company has recorded its proportionate share of Vasconia's net income (reduced for amortization expense related to the customer relationships acquired) for the three and nine months ended September 30, 2020 and 2019 in the accompanying unaudited condensed consolidated statements of operations.

The value of the Company's investment balance has been translated from Mexican Pesos ("MXN") to U.S. Dollars ("USD") using the spot rates of MXN 22.26 and MXN 18.91 at September 30, 2020 and December 31, 2019, respectively.

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Average exchange rate (USD to MXN)	22.06	19.42	19.91 - 23.31	19.11 - 19.42

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The effect of the translation of the Company's investment, as well as the translation of Vasconia's balance sheet, resulted in a decrease to the investment of \$3.4 million and \$1.8 million during the nine months ended September 30, 2020 and 2019, respectively. These translation effects are recorded in accumulated other comprehensive loss.

Summarized income statement information for the three and nine months ended September 30, 2020 and 2019 for Vasconia in USD and MXN is as follows (in thousands):

	Three Months Ended September 30,			
	2020		2019	
	USD	MXN	USD	MXN
Net sales	\$ 39,565	\$ 872,647	\$ 36,566	\$ 710,118
Gross profit	9,556	210,770	5,572	108,205
Income (loss) from operations	2,957	65,229	(581)	(11,288)
Net income (loss)	536	11,812	(647)	(12,571)

	Nine Months Ended September 30,			
	2020		2019	
	USD	MXN	USD	MXN
Net Sales	\$ 99,932	\$ 2,171,695	\$ 115,100	\$ 2,216,293
Gross profit	21,025	459,731	22,801	438,478
Income from operations	3,821	87,229	4,117	78,739
Net loss	(36)	(6,344)	(1,158)	(22,384)

The Company recorded equity in earnings (losses) of Vasconia, net of taxes, of \$0.1 million and \$(0.2) million for the three and nine months ended September 30, 2020, respectively. The Company recorded equity in losses of Vasconia, net of taxes, of \$0.2 million and \$0.4 million for the three and nine months ended September 30, 2019, respectively.

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

Vasconia due to and due from balances	Balance Sheet Location	September 30, 2020	December 31, 2019
Amounts due from Vasconia	Prepaid expenses and other current assets	\$ 75	\$ 63
Amounts due to Vasconia	Accrued expenses and Accounts payable	(380)	(77)

As of September 30, 2020 and December 31, 2019, the fair value (based upon the quoted stock price) of the Company's investment in Vasconia was \$29.3 million and \$34.7 million, respectively. The carrying value of the Company's investment in Vasconia was \$17.7 million and \$21.3 million as of September 30, 2020 and December 31, 2019, respectively.

Lifetime Brands Do Brasil Participacoes Ltda., a 100% owned subsidiary of Lifetime Brands, Inc., was dissolved on May 5, 2020. The subsidiary held a note receivable relating to the 2016 sale of its 40% equity interest in GS International S/A ("GSP"), a wholesale distributor of branded housewares products in Brazil, which was accounted for as an equity method investment. The final installment due on the note receivable was received prior to dissolution of the subsidiary. Foreign currency translation losses of \$0.2 million, which were previously recorded as a component of stockholder's equity within accumulated other comprehensive loss, were recognized in earnings upon dissolution of this subsidiary for the nine months ended September 30, 2020. The Company included this loss within equity in earnings (losses), net of taxes.

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**NOTE 5 — INTANGIBLE ASSETS**

Intangible assets consisted of the following as of September 30, 2020 and December 31, 2019 (in thousands):

	September 30, 2020				December 31, 2019			
	Gross	Impairment	Accumulated Amortization	Net	Gross	Impairment	Accumulated Amortization	Net
<b>Goodwill</b>	\$ 49,371	\$ (19,100)	—	\$ 30,271	\$ 92,361	\$ (42,990)	\$ —	\$ 49,371
<b>Indefinite-lived intangible assets:</b>								
Trade names	58,216	(1,000)	—	57,216	58,216	—	—	58,216
<b>Finite-lived intangible assets:</b>								
Licenses	15,847		(10,628)	5,219	15,847		(10,287)	5,560
Trade names	43,714		(19,605)	24,109	43,986		(17,337)	26,649
Customer relationships	175,831		(49,685)	126,146	176,602		(40,605)	135,997
Other	6,521		(2,302)	4,219	6,546		(1,868)	4,678
<b>Total</b>	<u>\$ 349,500</u>	<u>\$ (20,100)</u>	<u>\$ (82,220)</u>	<u>\$ 247,180</u>	<u>\$ 393,558</u>	<u>\$ (42,990)</u>	<u>\$ (70,097)</u>	<u>\$ 280,471</u>

In the first quarter of 2020, as a result of the economic downturn caused by the COVID-19 pandemic, the Company concluded that a triggering event had occurred and performed an interim impairment test of goodwill and certain intangible assets as of March 31, 2020. The Company performed the first quarter 2020 interim impairment test of goodwill by comparing its fair value with its carrying value. The analysis was performed by using a discounted cash flow method and market multiple method. For goodwill, the outcome of the valuation is largely dependent upon estimates made by the Company with respect to significant assumptions, including projected net sales, projected earnings before interest, tax, depreciation and amortization (“EBITDA”), terminal growth rates, and the cost of capital under the discounted cash flow method.

For its indefinite-lived trade names the Company performed a quantitative impairment analysis by comparing the fair value of the indefinite-lived trade names to their respective carrying values in the first quarter of 2020. The Company values its indefinite-lived trade names using a relief-from-royalty approach, which assumes the value of the trade name is the discounted cash flows of the amount that would be paid by a hypothetical market participant had they not owned the trade name and instead licensed the trade name from another company. Significant assumptions used in the Company’s fair value analysis included future net sales for the related brands, royalty rates, and the cost of capital.

Based upon these analyses performed, the Company recognized a non-cash goodwill impairment charge of \$19.1 million, and a \$1.0 million non-cash impairment charge for certain of its indefinite-lived intangible assets in the U.S. segment in the first quarter of 2020. The Company has determined that as of September 30, 2020 a triggering event has not occurred which would require an interim impairment test to be performed.

There are some inherent estimates and assumptions used in determining fair value of indefinite-lived intangible assets and reporting units that are outside the control of management, such as interest rates, cost of capital, tax rates, industry growth, credit ratings, foreign exchange rates, labor inflation and tariffs including the current trade negotiations with China. Accordingly, the Company may be required to perform additional impairment testing based on further deterioration of the global economic environment, disruptions to the Company’s business, declines in operating results of the Company’s reporting units and/or trade names, further sustained deterioration of the Company’s market capitalization, and other factors, which could result in impairment charges in the future. Although management cannot predict when improvements in macroeconomic conditions will occur, if consumer confidence and consumer spending decline significantly in the future or if commercial and industrial economic activity or the market capitalization experiences a sustained deterioration significantly from current levels, it is reasonably likely the Company will be required to record impairment charges in the future.

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**NOTE 6 — DEBT**

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

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

As of September 30, 2020 and December 31, 2019, the total availability under the ABL Agreement was as follows (in thousands):

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Maximum aggregate principal allowed	\$ 150,000	\$ 150,000
Outstanding borrowings under the ABL Agreement	(25,654)	(32,822)
Standby letters of credit	(2,678)	(2,288)
<b>Total availability under the ABL Agreement</b>	<b>\$ 121,668</b>	<b>\$ 114,890</b>

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

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Current portion of Term Loan facility:</b>		
Term Loan facility payment	\$ —	\$ 2,750
Estimated Excess Cash Flow principal payment	20,000	7,145
Estimated unamortized debt issuance costs	(1,478)	(1,482)
<b>Total Current portion of Term Loan facility</b>	<b>\$ 18,522</b>	<b>\$ 8,413</b>
<b>Non-current portion of Term Loan facility:</b>		
Term Loan facility, net of current portion	\$ 242,605	\$ 260,293
Estimated unamortized debt issuance costs	(4,878)	(6,012)
<b>Total Non-current portion of Term Loan facility</b>	<b>\$ 237,727</b>	<b>\$ 254,281</b>

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

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

Borrowings under the ABL Agreement bear interest, at the Company’s option, at one of the following rates: (i) alternate base rate, defined, for any day, as the greater of the prime rate, a federal funds and overnight bank funding based rate plus 0.5% or one-month LIBOR plus 1.0%, plus a margin of 0.25% to 0.75%, or (ii) LIBOR plus a margin of 1.25% to 1.75%. The respective margins are based upon the Company’s total leverage ratio, as defined in and computed pursuant to the ABL Agreement. The interest rate on outstanding borrowings under the ABL Agreement at September 30, 2020 was 1.8%. In addition, the Company pays a commitment fee of 0.375% on the unused portion of the ABL Agreement.

The Term Loan facility bears interest, at the Company’s option, at one of the following rates: (i) alternate base rate, defined, for any day, as the greater of (x) the prime rate, (y) a federal funds and overnight bank funding based rate plus 0.5% or (z) one-month LIBOR, but not less than 1.0%, plus 1.0%, which alternate base rate shall not be less than 2%, plus a margin of 2.5% or (ii) LIBOR, but not less than 1.0%, plus a margin of 3.5%. The interest rate on outstanding borrowings under the Term Loan at September 30, 2020 was 4.5%.

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

The Company was in compliance with the covenants of the Debt Agreements at September 30, 2020. 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.

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**NOTE 7 — DERIVATIVES***Interest Rate Swap Agreements*

The Company is a party to interest rate swap agreements, with an aggregate notional value of \$75.0 million at September 30, 2020. The interest rate swaps are 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. The hedge periods of these agreements commenced in April 2018 and expire in March 2023. The notional amounts are reduced over these periods.

The Company entered into additional interest rate swap agreements, with an aggregate notional value of \$25.0 million at September 30, 2020, that do not meet the criteria for hedge accounting treatment. As a result, these interest rate swap agreements are considered non-designated interest rate swaps that serve as economic hedges of the Company's exposure to the variability of the payment of interest on a portion of its Term Loan borrowings and expire in February 2025.

The Company's total outstanding notional value of interest rate swaps was \$100.0 million at September 30, 2020.

*Foreign Exchange Contracts*

The Company is a 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 U.S. dollar 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 short-term (i.e., 12 months or less) foreign currency forward contracts 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 Company's foreign exchange contracts, that had been designed as hedges in order to apply hedge accounting, matured in April 2020. At September 30, 2020 the Company did not have any outstanding foreign exchange contracts.

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, 2020, the Company does not have any foreign currency forward contract derivatives that are not designated as hedges.

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, 2020</b>	<b>December 31, 2019</b>
Interest rate swaps	Prepaid expenses	\$ —	\$ 427
	Other assets	—	1,267
	Accrued expenses	614	—
	Other Long-Term Liabilities	1,233	—
Foreign exchange contracts	Prepaid expenses	—	180
<b>Derivatives not designated as hedging instruments</b>	<b>Balance Sheet Location</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Interest rate swaps	Other assets	\$ —	\$ 402
	Other Long-Term Liabilities	1,913	—

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

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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. The Company does not anticipate non-performance by any of its counterparties.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Derivatives designated as hedging instruments</b>				
Interest rate swaps	\$ 216	\$ 107	\$ (2,669)	\$ 1,331
Foreign exchange contracts	—	44	109	398
	<u>\$ 216</u>	<u>\$ 151</u>	<u>\$ (2,560)</u>	<u>\$ 1,729</u>

Realized gains and losses on the interest rate swaps are reclassified into earnings as the interest expense on the debt is recognized. The Company had no terminated or matured interest rate swaps during the three and nine months ended September 30, 2020.

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

During the three months ended September 30, 2020, the Company reclassified \$0.3 million of cash flow hedges in other comprehensive losses to earnings related to realized interest rate swap losses. During the nine months ended September 30, 2020, the Company reclassified \$0.7 million of cash flow hedges in other comprehensive losses to earnings. This was comprised of \$0.9 million related to realized interest rate swap losses and a gain of \$0.2 million related to foreign exchange contracts recognized in cost of sales.

During the three months ended September 30, 2019, the Company reclassified \$0.1 million of cash flow hedges in other comprehensive losses to earnings. This was comprised of \$0.1 million related to realized interest rate swap losses and a gain of \$0.2 million related to foreign exchange contracts recognized in cost of sales. During the nine months ended September 30, 2019, the Company reclassified \$0.2 million of cash flow hedges in other comprehensive losses to earnings. This was comprised of \$0.1 million related to realized interest rate swap losses and a gain of \$0.3 million related to foreign exchange contracts recognized in cost of sales.

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

	Location of gain (loss)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
<b>Derivatives not designated as hedging instruments</b>					
Interest rate swaps	Mark to market gain (loss) on interest rate derivatives	\$ 99	\$ 367	\$ (2,316)	\$ 717
	Interest expense	(111)	23	(213)	23
		<u>\$ (12)</u>	<u>\$ 390</u>	<u>\$ (2,529)</u>	<u>\$ 740</u>

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**NOTE 8 — STOCK COMPENSATION**

On June 25, 2020, the shareholders 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 850,000 shares. As of September 30, 2020, there were 760,741 shares available for the grant of awards under the Plan.

*Option Awards*

A summary of the Company's stock option activity and related information for the nine months ended September 30, 2020 is as follows:

	Options	Weighted- average exercise price	Weighted- average remaining contractual life (years)	Aggregate intrinsic value (in thousands)
<b>Options outstanding, January 1, 2020</b>	1,508,325	\$ 13.43		
Grants	37,500	6.36		
Cancellations	(12,313)	11.86		
Expirations	(232,737)	13.18		
<b>Options outstanding, September 30, 2020</b>	<u>1,300,775</u>	13.28	5.0	\$ 179
<b>Options exercisable, September 30, 2020</b>	<u>995,982</u>	\$ 14.27	3.9	\$ 22
<b>Total unrecognized stock option expense remaining (in thousands)</b>	<u>\$ 731</u>			
<b>Weighted-average years expected to be recognized over</b>		1.3		

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, 2020. 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, 2020 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, 2020 is as follows:

	Restricted Shares	Weighted- average grant date fair value
<b>Non-vested restricted shares, January 1, 2020</b>	593,341	\$ 10.70
Grants	534,940	5.94
Vested	(289,034)	10.81
Cancellations	(6,295)	9.37
<b>Non-vested restricted shares, September 30, 2020</b>	<u>832,952</u>	\$ 7.61
<b>Total unrecognized compensation expense remaining (in thousands)</b>	<u>\$ 4,469</u>	
<b>Weighted-average years expected to be recognized over</b>		1.3

The total fair value of restricted stock that vested during the nine months ended September 30, 2020 was \$1.8 million.



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*Performance shares*

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

A summary of the Company's performance-based award activity and related information for the nine months ended September 30, 2020 is as follows:

	Performance-based stock awards <sup>(1)</sup>	Weighted-average grant date fair value
<b>Non-vested performance-based awards, January 1, 2020</b>	405,059	\$ 12.43
Grants	106,275	6.36
Vested	(62,215)	18.45
Cancellations	(15,274)	16.92
<b>Non-vested performance-based awards, September 30, 2020</b>	433,845	\$ 9.92
<b>Total unrecognized compensation expense remaining (in thousands)</b>	\$ 1,469	
<b>Weighted-average years expected to be recognized over</b>	1.5	

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

The total fair value of performance-based awards that vested during the nine months ended September 30, 2020 was \$0.4 million.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Stock Compensation Expense Components</b>				
Equity based stock option expense	\$ 143	\$ 206	\$ 428	\$ 454
Restricted and performance-based stock awards expense	1,427	1,292	3,877	3,130
<b>Stock compensation expense for equity based awards</b>	\$ 1,570	\$ 1,498	\$ 4,305	\$ 3,584
Liability based stock option expense	5	7	16	21
<b>Total Stock Compensation Expense</b>	\$ 1,575	\$ 1,505	\$ 4,321	\$ 3,605

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**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, 2020 and 2019 are as follows:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	(in thousands, except per share amounts)			
<b>Net income (loss) – Basic and Diluted</b>	\$ 13,913	\$ (13,519)	\$ (18,228)	\$ (29,899)
<b>Weighted-average shares outstanding – Basic</b>	20,935	20,429	20,835	20,494
<b>Effect of dilutive securities:</b>				
Stock options and other stock awards	350	—	—	—
<b>Weighted-average shares outstanding – Basic and Diluted</b>	<u>21,285</u>	<u>20,429</u>	<u>20,835</u>	<u>20,494</u>
<b>Basic income (loss) per common share</b>	<u>\$ 0.66</u>	<u>\$ (0.66)</u>	<u>\$ (0.87)</u>	<u>\$ (1.46)</u>
<b>Diluted income (loss) per common share</b>	<u>\$ 0.65</u>	<u>\$ (0.66)</u>	<u>\$ (0.87)</u>	<u>\$ (1.46)</u>
<b>Antidilutive Securities</b>	1,850	2,128	2,133	2,246

**NOTE 10— INCOME TAXES**

In interim reporting periods through March 30, 2020, the Company had historically calculated the provision for income taxes using a forecasted rate methodology and applying an estimate of the annual effective tax rate for the full fiscal year to pre-tax income or loss for the reporting period. For the three and six months ended June 30, 2020, the Company used a discrete tax methodology to calculate taxes as management determined that minimal changes in projected pre-tax income or loss would result in significant changes in the estimated annual effective tax rate, and the historical method would not provide a reliable estimate. For the three and nine months ended September 30, 2020, the Company continues to apply the discrete tax methodology as the historical method would not provide a reliable estimate.

Income tax provision of \$3.7 million and \$3.0 million for the three and nine months ended September 30, 2020, respectively, represent taxes on both U.S. and foreign earnings at combined effective income tax provision rates of 21.2% and (20.3)%, respectively. The effective tax rate for the three months ended September 30, 2020 is consistent with the federal statutory income tax rate of 21% and includes an increase for state and local taxes offset by other items that are not material. The negative rate for the nine months ended September 30, 2020 reflects tax expense on a pretax financial reporting loss. The effective rate for the nine months ended September 30, 2020 differs from the federal statutory income tax rate primarily due to state and local taxes, equity based awards, and the non-deductible portion of the U.S. goodwill impairment recorded in the three months ended March 31, 2020.

Income tax provision of \$15.1 million and \$6.8 million for the three and nine months ended September 30, 2019, respectively, represent taxes on both U.S. and foreign earnings at combined effective income tax provision rates of 857.5% and (30.0)%, respectively. The negative rate for the nine months ended September 30, 2019 reflects tax expense on a pretax financial reporting loss. The effective tax rate for the three and nine months ended September 30, 2019 differs from the federal statutory income tax rate of 21% primarily due to state and local taxes and the impact of non-deductible expenses, offset by a benefit for federal credits. Included within the non-deductible expenses is the European goodwill impairment recorded in the three months ended September 30, 2019, which is not deductible for income tax purposes in the foreign jurisdiction.

The Company has identified the following jurisdictions as “major” tax jurisdictions: U.S. Federal, California, Massachusetts, Texas and the United Kingdom. The Company's 2015 U.S. Federal income tax return audit was completed as of June 30, 2020

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with no assessments. The Company's New York State tax returns for years 2014-2016 remain under audit with no material assessments as of September 30, 2020.

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, 2020 and September 30, 2019.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted into law and the new legislation contains several key tax provisions, including the five-year net operating loss carryback, an adjusted business interest limitation, and payroll tax deferral. The Company is required to recognize the effect of tax law changes in the period of enactment. The Company has assessed the applicability of the CARES Act and determined there is no material impact to the Company.

**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 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>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	(in thousands)			
<b>Net sales</b>				
U.S.	\$ 201,539	\$ 195,199	\$ 463,338	\$ 445,329
International	23,211	20,303	56,622	62,635
Total net sales	<u>\$ 224,750</u>	<u>\$ 215,502</u>	<u>\$ 519,960</u>	<u>\$ 507,964</u>
<b>Income (loss) from operations</b>				
U.S.	\$ 29,111	\$ 24,328	\$ 28,383	\$ 24,036
International	(1,353)	(12,898)	(11,904)	(16,813)
Unallocated corporate expenses	(6,252)	(4,501)	(15,922)	(15,126)
Income (loss) from operations	<u>\$ 21,506</u>	<u>\$ 6,929</u>	<u>\$ 557</u>	<u>\$ (7,903)</u>
<b>Depreciation and amortization</b>				
U.S.	\$ 4,926	\$ 5,094	\$ 14,922	\$ 15,575
International	1,164	1,028	3,463	3,196
Total depreciation and amortization	<u>\$ 6,090</u>	<u>\$ 6,122</u>	<u>\$ 18,385</u>	<u>\$ 18,771</u>

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	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	(in thousands)	
<b>Assets</b>		
U.S.	\$ 690,297	\$ 639,047
International	98,916	117,935
Unallocated corporate	42,633	13,041
<b>Total Assets</b>	<b>\$ 831,846</b>	<b>\$ 770,023</b>

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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 United States Environmental Protection Agency (the “EPA”) announced that the San Germán Ground Water Contamination site in Puerto Rico (the “Site”) had been added to the Superfund National Priorities List due to contamination present in the local drinking water supply.

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

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

In December 2018, the Company, WSPR, and other identified Potentially Responsible Parties affiliated with the Site entered into tolling agreements to extend the statute of limitations for potential claims for the recovery of response costs for the initial operable unit under Section 107 of CERCLA. In February 2020, the tolling agreements were extended to November 2020. In October 2020, the Department of Justice requested that the parties enter into a further extension of the tolling agreement to November 2021. The Company and WSPR executed such extension agreement on October 30, 2020 and the extension agreement will be effective once countersigned by the Department of Justice. The tolling agreements do not constitute in any way an admission or acknowledgment of any fact, conclusion of law or liability by the parties to the agreements.

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

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Accordingly, based on the above uncertainties and variables, it is not possible at this time for the Company to estimate its share of liability, if any, related to this matter. However, in the event of one or more adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact on the Company's results of operations could be material.

*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 has compiled and submitted to CBP a complete set of supporting documents for the remaining three protests (for the remaining 29 tableware collections that were imported by the Company under the protested shipments). These claims are now under review. If the CBP approves these additional claims and accepts the evidence presented as it did with the Lead Protest, then no additional duties will be owed for the remaining protested shipments.

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

In the event CBP accepts the evidence presented, then no additional duties or penalties will be owed. If CBP rejects the Company's position, then the estimated amount of duties that could be owed is \$3.1 million. In such event, it is reasonably possible that additional penalties could be assessed, depending upon the level of culpability found, of up to \$6.2 million for negligence and up to \$12.4 million for gross negligence. In the event penalties are assessed, the Company will have the opportunity to further contest CBP's findings and seek cancellation or mitigation of such assessments.

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

*Other*

The Company is involved in other legal proceedings from time to time. 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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(unaudited)

**NOTE 13 — OTHER****Cash dividends**

Dividends declared in the nine months ended September 30, 2020 were as follows:

<b>Dividend per share</b>	<b>Date declared</b>	<b>Date of record</b>	<b>Payment date</b>
\$0.0425	3/10/2020	11/16/2020	12/16/2020
\$0.0425	6/25/2020	8/3/2020	8/17/2020
\$0.0425	8/4/2020	11/2/2020	11/16/2020

On February 14, 2020 and August 17, 2020 the Company paid dividends of \$0.9 million and \$0.9 million to shareholders of record on January 31, 2020 and August 3, 2020.

In 2020, the Company declared dividends as follows:

- On March 10, 2020, the Board of Directors declared a quarterly dividend of \$0.0425 per share payable on May 15, 2020 to shareholders of record on May 1, 2020. Subsequently, the Company issued a press release on April 23, 2020, announcing that the Board of Directors unanimously approved the rescheduling of the May quarterly dividend. Accordingly, shareholders of record as of November 16, 2020 will be eligible to receive a dividend of \$0.0425 per share on December 16, 2020.
- On June 25, 2020, the Board of Directors declared a quarterly dividend of \$0.0425 per share payable on August 17, 2020 to shareholders of record on August 3, 2020.
- On August 4, 2020, the Board of Directors declared a quarterly dividend of \$0.0425 per share payable on November 16, 2020 to shareholders of record on November 2, 2020.
- On November 3, 2020, the Board of Directors declared a quarterly dividend of \$0.0425 per share payable on February 12, 2021 to shareholders of record on January 29, 2021.

In the three months ended September 30, 2020, the Company reduced retained earnings for the accrual of \$0.9 million relating to the dividend payable on November 16, 2020. For the nine months ended September 30, 2020, the Company reduced retained earnings by \$2.8 million relating to the dividends declared through September 30, 2020.

**Supplemental cash flow information**

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	(in thousands)	
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 11,750	\$ 13,876
Cash paid for taxes (net of refunds)	(85)	938
<b>Non-cash investing activities:</b>		
Translation loss adjustment	\$ (5,062)	\$ (4,032)

**LIFETIME BRANDS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2020**  
(unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(in thousands)				
<i>Accumulated translation adjustment:</i>				
Balance at beginning of period	\$ (40,991)	\$ (35,374)	\$ (34,019)	\$ (33,727)
Translation income (loss) during period	2,145	(2,385)	(5,062)	(4,032)
Amounts reclassified from accumulated other comprehensive loss <sup>(1)</sup>	—	—	235	—
Translation Adjustment	2,145	(2,385)	(4,827)	(4,032)
Balance at end of period	<u>\$ (38,846)</u>	<u>\$ (37,759)</u>	<u>\$ (38,846)</u>	<u>\$ (37,759)</u>
<i>Accumulated deferred (losses) gains on cash flow hedges:</i>				
Balance at beginning of period	\$ (1,612)	\$ 1,739	\$ 1,164	\$ 161
Amounts reclassified from accumulated other comprehensive loss:				
Settlement of cash flow hedge <sup>(2)</sup>	305	(143)	664	(166)
Change in unrealized (losses) gains	(89)	294	(3,224)	1,895
Net change in cash flow hedges, net of taxes of \$73 and \$36 for the three months ended September 30, 2020 and 2019, respectively and \$(856) and \$531 for the nine months ended September 30, 2020 and 2019, respectively.	216	151	(2,560)	1,729
Balance at end of period	<u>\$ (1,396)</u>	<u>\$ 1,890</u>	<u>\$ (1,396)</u>	<u>\$ 1,890</u>
<i>Accumulated effect of retirement benefit obligations:</i>				
Balance at beginning of period	\$ (1,561)	\$ (1,025)	\$ (1,600)	\$ (1,050)
Amounts reclassified from accumulated other comprehensive loss: <sup>(3)</sup>				
Amortization of actuarial loss, net of taxes	20	13	59	38
Balance at end of period	<u>\$ (1,541)</u>	<u>\$ (1,012)</u>	<u>\$ (1,541)</u>	<u>\$ (1,012)</u>
Total accumulated other comprehensive loss at end of period	<u>\$ (41,783)</u>	<u>\$ (36,881)</u>	<u>\$ (41,783)</u>	<u>\$ (36,881)</u>

<sup>(1)</sup> Amount is recorded in equity in earnings (losses) on the unaudited condensed consolidated statements of operations.

<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. 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. Important factors that could cause the Company's actual results to differ materially from those expressed as forward-looking statements are set forth in this Quarterly Report in Part II, Item 1A. *Risk Factors*, and in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "2019 Annual Report on Form 10-K") in Part I, Item 1A under the heading *Risk Factors*. Such risks, uncertainties and other important factors include, among others, risks related to:

- General economic factors and political conditions;
- Exit of the United Kingdom from the European Union;
- Tariffs;
- Indebtedness and compliance with credit agreements;
- Access to the capital markets and credit markets;
- The credit-worthiness of our customers and the counterparties to our derivatives;
- Restructuring and integration of our European operations;
- Seasonality;
- Liquidity;
- Interest rates;
- Acquisition integration;
- Competition;
- Customer practices;
- Intellectual property, brands and licenses;
- Goodwill;
- International operations;
- Supply chain;
- Foreign exchange rates;
- International trade, including trade negotiations;
- Transportation;
- Product liability;
- Regulatory matters;
- Product development;
- Stock keeping unit rationalization ("SKU Rationalization") initiative;
- Reputation;
- Technology;

- Personnel;
- Price fluctuations;
- Business interruptions;
- Projections;
- Fixed costs;
- Governance;
- Acquisitions and investments;
- Public health pandemics and related effects, such as the COVID-19 pandemic; and
- Social unrest, including related protests or disturbances.

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 United States Securities and Exchange Commission (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 Annual Report. The Company makes available on its website the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports as soon as reasonably practicable after these reports are filed with or furnished to the SEC. Users can access these reports free of charge on the Company's website. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding the Company's electronic filings with the SEC at <http://www.sec.gov>.

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

## **ABOUT THE COMPANY**

The Company designs, sources and sells branded kitchenware, tableware and other products used in the home. The Company's product categories include two categories of products used to prepare, serve, and consume foods: Kitchenware (kitchen tools and gadgets, cutlery, kitchen scales, thermometers, cutting boards, shears, cookware, pantryware, spice racks, and bakeware) and Tableware (dinnerware, stemware, flatware, and giftware); and one category, Home Solutions, which comprises other products used in the home (thermal beverageware, bath scales, weather and outdoor household products, food storage, neoprene travel products and home décor). In 2019, Kitchenware products and Tableware products accounted for approximately 79% of the Company's U.S. segment's net sales and 82% of the Company's consolidated net sales.

The Company markets several product lines within each of its product categories and under most of the Company's brands, primarily targeting moderate price points through virtually every major level of trade. The Company believes it possesses certain competitive advantages based on its brands, its emphasis on innovation and new product development, and its sourcing capabilities. The Company owns or licenses a number of leading brands in its industry, including Farberware®, Mikasa®, Taylor®, KitchenAid®, KitchenCraft®, Pfaltzgraf®, Built NY®, Rabbit®, Kamenstein®, and MasterClass®. Historically, the Company's sales growth has come from expanding product offerings within its product categories, by developing existing brands, acquiring new brands (including complementary brands in markets outside the U.S.), 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.

## **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 and consulting fees, are not allocated to the specific segments and are reflected as unallocated corporate expenses.

## **EQUITY INVESTMENTS**

The Company owns approximately 30% of the outstanding capital stock of Grupo Vasconia S.A.B. ("Vasconia"), an integrated manufacturer of aluminum products and one of Mexico's largest housewares companies. Shares of Vasconia's capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI. The Company accounts for its investment in Vasconia using the equity method of accounting and records its proportionate share of Vasconia's net income in the Company's condensed consolidated statements of operations. Accordingly, the Company has recorded its proportionate share of Vasconia's net income (reduced for amortization expense related to the customer relationships acquired) for the three and nine months ended September 30, 2020 and 2019 in the accompanying unaudited condensed consolidated statements of operations. Pursuant to a Shares Subscription Agreement, the Company may designate four persons to be nominated as members of Vasconia's Board of Directors. As of September 30, 2020, Vasconia's Board of Directors is comprised of fourteen members of whom the Company has designated three members.

## **SEASONALITY**

The Company's business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2019 and 2018, net sales for the third and fourth quarters accounted for 60% and 62% 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.

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

## **RESTRUCTURING**

During the nine months ended September 30, 2020, the Company's international segment incurred \$0.3 million of restructuring expenses related to severance associated with the strategic reorganization of the international segment's product development and sales workforce. The strategic reorganization is the result of the Company's efforts for product development efficiencies and a country tailored international sales approach. As of September 30, 2020, \$0.1 million of severance was accrued. The Company does not expect to incur any additional restructuring charges for these strategic reorganization efforts for the remainder of 2020.

During the nine months ended September 30, 2019, the Company incurred \$0.4 million of Filament restructuring charges, primarily related to severance.

During the three and nine months ended September 30, 2019, the Company incurred \$0.3 million and \$0.7 million of restructuring expenses, primarily related to severance, for the integration of its legal entities operating in Europe. In 2018, the Company finalized its integration plans for its European operations and took further steps to consolidate its operations.

## **RECENT DEVELOPMENTS**

The COVID-19 pandemic continues to affect the United States and the rest of the world. The pandemic has resulted in an increase in sales of certain of the Company's products as well as a decrease in sales in other of its products. The Company has experienced a reduction in sales at certain retailers that have been closed or have had a limited number of stores that are open during the pandemic. This reduction in sales has been offset by higher sales at retailers that have remained open. Many of the retailers that remain open provide products that are deemed essential. In addition, the Company's e-commerce sales have increased during the pandemic.

The Company's distribution centers remain operational and continue to support e-commerce and brick-and-mortar retail customers. The Company has not experienced disruptions in its supply chain related to the COVID-19 pandemic. However, in limited instances and categories, increased demand has strained the manufacturing capacity of certain of the Company's suppliers. Additionally, in the U.S., the Company has experienced some instances of trucking availability shortages, resulting in delays of shipments to certain of its customers.

In response to the COVID-19 pandemic, the Company announced and implemented cost reductions in April 2020. Also in April 2020, the Company's Board of Directors authorized the postponement of the Company's quarterly cash dividend, which was to be paid on May 15, 2020, to shareholders of record on May 1, 2020. The Company set November 16, 2020 as the new record date for such dividend payable on December 16, 2020.

The Company cannot estimate the length or severity of this pandemic. However the Company believes that it could have a material adverse impact on its future sales, results of operations, and cash flows, including the potential impairment of certain intangible and other long-lived assets.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to the Company's critical accounting policies and estimates discussed in the 2019 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,	
	2020	2019	2020	2019
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	64.9	66.2	64.2	66.3
Gross margin	35.1	33.8	35.8	33.7
Distribution expenses	8.4	8.6	9.8	9.8
Selling, general and administrative expenses	17.1	17.4	22.0	23.4
Restructuring expenses	—	0.2	0.0	0.3
Goodwill and other impairments	—	4.6	3.9	2.0
Income (loss) from operations	9.6	3.0	0.1	(1.8)
Interest expense	(1.8)	(2.6)	(2.5)	(3.1)
Mark to market gain (loss) on interest rate derivatives	0.0	0.2	(0.4)	0.1
Income (loss) before income taxes and equity in earnings (losses)	7.8	0.6	(2.9)	(4.8)
Income tax provision	(1.7)	(7.0)	(0.6)	(1.4)
Equity in earnings (losses), net of taxes	0.1	(0.1)	(0.1)	(0.1)
Net income (loss)	6.2 %	(6.5)%	(3.5)%	(6.3)%

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**THREE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO THE THREE MONTHS ENDED**  
**SEPTEMBER 30, 2019**

**Net Sales**

Consolidated net sales for the three months ended September 30, 2020 were \$224.8 million, representing an increase of \$9.3 million, or 4.3%, as compared to net sales of \$215.5 million for the corresponding period in 2019. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations and was determined by applying 2020 average rates to 2019 local currency amounts, consolidated net sales increased by \$8.4 million, or 3.9%, as compared to consolidated net sales in the corresponding period in 2019.

Net sales for the U.S. segment for the three months ended September 30, 2020 were \$201.5 million, an increase of \$6.3 million, or 3.2%, as compared to net sales of \$195.2 million for the corresponding period in 2019.

Net sales for the U.S. segment's Kitchenware product category were \$119.6 million for the three months ended September 30, 2020, an increase of \$20.3 million, or 20.4%, as compared to \$99.3 million for the corresponding period in 2019. The increase was mainly driven by higher consumer demand for essential kitchen tools and gadgets, and cutlery and board products during the pandemic.

Net sales for the U.S. segment's Tableware product category were \$51.3 million for the three months ended September 30, 2020, a decrease of \$6.0 million, or 10.5%, as compared to \$57.3 million for the corresponding period in 2019. The decrease was primarily driven by lower sales of dinnerware products in the wholesale channel, partially offset by an increase in sales of flatware product in the wholesale channel.

Net sales for the U.S. segment's Home Solutions product category were \$30.7 million for the three months ended September 30, 2020, a decrease of \$7.9 million, or 20.5%, as compared to \$38.6 million for the corresponding period in 2019. The decrease was primarily driven by lower home décor sales due to certain retailer program initiatives not repeating in 2020 and lower sales in the private label hydration and back-to-school lunch box category.

Net sales for the International segment were \$23.2 million for the three months ended September 30, 2020, an increase of \$2.9 million, or 14.3%, as compared to net sales of \$20.3 million for the corresponding period in 2019. In constant currency, which excludes the impact of foreign exchange fluctuations, net sales increased \$2.1 million, or 9.9%, as compared to consolidated net sales in the corresponding period in 2019. The increase in sales, and sales in constant currency, was primarily driven by an increase in e-commerce sales as well as improved order fulfillment processes in 2020 compared to the corresponding 2019 period.

**Gross margin**

Gross margin for the three months ended September 30, 2020 was \$78.8 million, or 35.1%, as compared to \$72.9 million, or 33.8%, for the corresponding period in 2019.

Gross margin for the U.S. segment was \$71.7 million, or 35.6%, for the three months ended September 30, 2020, as compared to \$67.0 million, or 34.3%, for the corresponding period in 2019. The gross margin increase was primarily due to changes in product and customer mix.

Gross margin for the International segment was \$7.0 million, or 30.2%, for the three months ended September 30, 2020, as compared to \$5.9 million, or 29.1%, for the corresponding period in 2019. The improvement in gross margin was attributable to a change in product and customer mix, partially offset by a provision against slower moving inventory recorded in the current period.

### **Distribution expenses**

Distribution expenses for the three months ended September 30, 2020 were \$19.0 million, as compared to \$18.5 million for the corresponding period in 2019. Distribution expenses as a percentage of net sales were 8.4% for the three months ended September 30, 2020, as compared to 8.6% for the three months ended September 30, 2019.

Distribution expenses as a percentage of net sales for the U.S. segment were approximately 7.6% and 7.2% for the three months ended September 30, 2020 and 2019, respectively. As a percentage of sales shipped from the Company's U.S. warehouses distribution expenses were 8.4% and 8.8% for the three months ended September 30, 2020 and 2019, respectively. The improvement reflects the continued realization of labor management efficiency, and the leverage benefit of fixed costs on higher sales volume.

Distribution expenses as a percentage of net sales for the International segment were 15.5% for the three months ended September 30, 2020, compared to 22.2% for the corresponding period in 2019. Distribution expenses during the three months ended September 30, 2019 include \$0.9 million for the Company's facility relocation costs. As a percentage of sales shipped from the Company's U.K. warehouses, excluding the moving and relocation costs for U.K. operations, distribution expenses were 13.6% and 19.1% for the three months ended September 30, 2020 and 2019, respectively. The decrease was primarily attributed to the improvement in the fulfillment of orders and labor efficiencies compared to the prior period.

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

Selling, general and administrative expenses for the three months ended September 30, 2020 were \$38.3 million, an increase of \$0.9 million, or 2.4%, as compared to \$37.4 million for the corresponding period in 2019.

Selling, general and administrative expenses for the U.S. segment were \$27.3 million for the three months ended September 30, 2020, as compared to \$28.7 million for the corresponding period in 2019. As a percentage of net sales, selling, general and administrative expenses were 13.5% and 14.7% for the three months ended September 30, 2020 and 2019, respectively. The decrease was primarily attributable to lower marketing and selling expenses resulting from the Company's cost reduction strategy in response to the COVID-19 pandemic. This was partially offset by higher employee incentive compensation.

Selling, general and administrative expenses for the International segment were \$4.8 million for the three months ended September 30, 2020, as compared to \$4.2 million for the corresponding period in 2019. The increase was primarily attributable to higher sales commissions and leasehold amortization expenses related to the new facility, offset by lower expenses from COVID-19 actions. In addition, certain expenses previously classified in distribution expenses are included in selling, general and administrative expenses in the current quarter.

Unallocated corporate expenses for the three months ended September 30, 2020 were \$6.3 million, as compared to \$4.5 million for the corresponding period in 2019. The increase was primarily attributable to higher employee incentive compensation and legal expenses, partially offset by lower professional fees.

### **Goodwill and infinite-lived intangible asset impairment**

For the three months ended September 30, 2019, the Company's qualitative assessment of goodwill indicated triggering events in its European kitchenware reporting unit, resulting in the Company performing a quantitative assessment that resulted in a \$9.7 million non-cash goodwill impairment charge.

### **Interest expense**

Interest expense was \$4.1 million for the three months ended September 30, 2020 and \$5.5 million for the three months ended September 30, 2019 as a result of lower debt outstanding and a lower interest rate environment.

### **Mark to market gain (loss) on interest rate derivatives**

Mark to market gain on interest rate derivatives was \$0.1 million for the three months ended September 30, 2020 as compared to a mark to market gain on interest rate derivatives of \$0.4 million for the three months ended September 30, 2019. The mark to market amount represents the change in fair value on the Company's interest rate derivatives. These derivatives were entered

into for purposes of locking-in a fixed interest rate on the Company's variable interest rate debt. The intent of the Company is to hold these derivative contracts until their maturity. Therefore, the Company expects that this loss will reverse over time.

#### **Income tax provision**

The provision for income taxes includes federal, foreign, state and local income taxes. The Company used a discrete tax methodology to calculate taxes for the three months ended September 30, 2020. Management determined that since minimal changes in projected pre-tax income or loss would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the three months ended September 30, 2020.

Income tax provision for the three months ended September 30, 2020 was \$3.7 million as compared to an income tax provision of \$15.1 million for the corresponding period in 2019. The Company's effective income tax provision rate for the three months ended September 30, 2020 was 21.2% as compared to a provision rate of 857.5% for the corresponding 2019 period. The effective tax rate for the three months ended September 30, 2020 is consistent with the federal statutory income tax rate of 21% and includes an increase for state and local taxes offset by other items that are not material. The effective tax rate for the three months ended September 30, 2019 differs from the federal statutory income tax rate primarily due to state and local taxes and the impact of non-deductible expenses, offset by a benefit for federal credits. Included within the non-deductible expenses is the European goodwill impairment recorded in the three months ended September 30, 2019, which is not deductible for income tax purposes in the foreign jurisdiction.

#### **Equity in earnings (losses)**

Equity in earnings of Vasconia, net of taxes, was \$0.1 million for the three months ended September 30, 2020, as compared to equity in losses of Vasconia, net of taxes, of \$0.2 million for the three months ended September 30, 2019. Vasconia reported income from operations of \$3.0 million for the three months ended September 30, 2020, as compared to loss from operations of \$0.6 million for the three months ended September 30, 2019. The increase is primarily from improved operating results in the current period in both Vasconia's kitchenware and aluminum divisions.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO THE NINE MONTHS ENDED**  
**SEPTEMBER 30, 2019**

**Net Sales**

Consolidated net sales for the nine months ended September 30, 2020 were \$520.0 million, representing an increase of \$12.0 million, or 2.4%, as compared to net sales of \$508.0 million for the corresponding period in 2019. In constant currency, a non-GAAP financial measure, which excludes the impact of foreign exchange fluctuations and was determined by applying 2020 average rates to 2019 local currency amounts, net sales also increased by \$12.0 million, or 2.4%, as compared to consolidated net sales in the corresponding period in 2019.

Net sales for the U.S. segment for the nine months ended September 30, 2020 were \$463.3 million, an increase of \$18.0 million, or 4.0%, as compared to net sales of \$445.3 million for the corresponding period in 2019.

Net sales for the U.S. segment's Kitchenware product category were \$283.3 million for the nine months ended September 30, 2020, an increase of \$49.1 million, or 21.0%, as compared to \$234.1 million for the corresponding period in 2019. The increase was mainly attributable to higher consumer demand in the e-commerce and wholesale channels for essential kitchen tools and gadgets, cutlery and boards, and cookware and bakeware products.

Net sales for the U.S. segment's Tableware product category were \$98.5 million for the nine months ended September 30, 2020, a decrease of \$14.0 million, or 12.4%, as compared to \$112.5 million for the corresponding period in 2019. The decrease was primarily driven by lower sales of dinnerware products to brick-and-mortar retailers due to the COVID-19 pandemic; this decrease was partially offset by increased e-commerce sales.

Net sales for the U.S. segment's Home Solutions product category were \$81.5 million for the nine months ended September 30, 2020, a decrease of \$17.1 million, or 17.3%, as compared to \$98.6 million for the corresponding period in 2019. The decrease was driven by lower sales in the private label hydration category, and lower home décor sales due to certain retailer program initiatives not repeating in 2020. This decrease was offset by higher sales resulting from new programs of branded hydration products in the wholesale channel.

Net sales for the International segment were \$56.6 million for the nine months ended September 30, 2020, a decrease of \$6.1 million, or 9.7%, as compared to net sales of \$62.7 million for the corresponding period in 2019. In constant currency, which excludes the impact of foreign exchange fluctuations, net sales decreased \$6.0 million, or 9.5%, as compared to consolidated net sales in the corresponding period in 2019. The decrease in sales was driven by several factors, including lower sales to national and independent retailers resulting from lower demand and store closures due to COVID-19, offset by increased e-commerce sales due to higher customer demand in online channels and order fulfillment operational improvements compared to the corresponding period in 2019.

**Gross margin**

Gross margin for the nine months ended September 30, 2020 was \$185.9 million, or 35.8%, as compared to \$171.3 million, or 33.7%, for the corresponding period in 2019.

Gross margin for the U.S. segment was \$170.9 million, or 36.9%, for the nine months ended September 30, 2020, as compared to \$149.9 million, or 33.7%, for the corresponding period in 2019. Gross margin in the 2019 period reflects an \$8.5 million charge for the SKU Rationalization initiative. Excluding the SKU Rationalization initiative, the gross margin would have been 35.6%. The increase in gross margin, excluding the SKU Rationalization change, was primarily due to changes in product mix.

Gross margin for the International segment was \$15.0 million, or 26.5%, for the nine months ended September 30, 2020, as compared to \$21.4 million, or 34.1%, for the corresponding period in 2019. The decrease in gross margin percentage was primarily due to additional allowances to brick-and-mortar customers and higher inventory reserves.



### **Distribution expenses**

Distribution expenses for the nine months ended September 30, 2020 were \$50.7 million, as compared to \$49.9 million for the corresponding period in 2019. Distribution expenses as a percentage of net sales were 9.8% for the nine months ended September 30, 2020 and September 30, 2019.

Distribution expenses as a percentage of net sales for the U.S. segment were approximately 8.6% and 9.0% for the nine months ended September 30, 2020 and 2019, respectively. Distribution expenses during the nine months ended September 30, 2019 include \$0.2 million for the Company's facility relocation efforts of its west coast distribution facility. As a percentage of sales shipped from the Company's U.S. warehouses, excluding relocation expenses, distribution expenses were 9.0% and 10.3% for the nine months ended September 30, 2020 and 2019, respectively. The improvement reflects the continued realization of labor management efficiency and synergy savings as well as the leverage benefit of fixed costs on higher sales volume.

Distribution expenses as a percentage of net sales for the International segment were 19.5% for the nine months ended September 30, 2020, compared to 15.9% for the corresponding period in 2019. Distribution expenses for the nine months ended September 30, 2020 and 2019 include \$1.1 million and \$0.9 million, respectively, of cost related to the Company's facility relocation. As a percentage of sales shipped from the Company's U.K. warehouses, excluding the moving and relocation costs for U.K. operations, distribution expenses were 14.7% for the nine months ended September 30, 2020 and 2019.

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

Selling, general and administrative expenses for the nine months ended September 30, 2020 were \$114.3 million, a decrease of \$4.1 million, or 3.5%, as compared to \$118.4 million for the corresponding period in 2019.

Selling, general and administrative expenses for the U.S. segment were \$82.7 million for the nine months ended September 30, 2020, as compared to \$85.7 million for the corresponding period in 2019. As a percentage of net sales, selling, general and administrative expenses were 17.8% and 19.2% for the nine months ended September 30, 2020 and 2019, respectively. The decrease was primarily attributable to lower labor costs resulting from the Company's cost reduction strategy in response to the COVID-19 pandemic, as well as lower selling and marketing expenses, offset by higher estimates for bad debt expense related to the economic uncertainties caused by the COVID-19 pandemic.

Selling, general and administrative expenses for the International segment were \$15.7 million for the nine months ended September 30, 2020, as compared to \$17.6 million for the corresponding period in 2019. The decrease was primarily attributable to the realization of cost savings resulting from the Company's integration efforts, and lower employee and selling expenses resulting from the Company's cost reduction strategy in response to the COVID-19 pandemic, offset by higher estimates for bad debt expense related to the economic uncertainties caused by the COVID-19 pandemic.

Unallocated corporate expenses for the nine months ended September 30, 2020 were \$15.9 million, as compared to \$15.1 million for the corresponding period in 2019. The increase was primarily attributable to employee related expenses, offset by a decrease in executive salary costs and lower professional fees.

### **Restructuring expenses**

During the nine months ended September 30, 2020, the Company's international segment incurred \$0.3 million of restructuring expenses related to severance associated with the strategic reorganization of the international segment's product development and sales workforce. The strategic reorganization is the result of the Company's efforts for product development efficiencies and a country tailored international sales approach.

During the nine months ended September 30, 2019, the Company incurred \$0.4 million of Filament restructuring charges and \$0.7 million of restructuring expenses, primarily related to severance, for the integration of its legal entities operating in Europe.

### **Goodwill and infinite-lived intangible asset impairment**

During the nine months ended September 30, 2020, the Company recorded a \$20.1 million non-cash goodwill and intangible asset impairment charge related to the U.S. reporting unit. The impairment charge resulted from, among other factors, more conservative estimated future cash flows in light of the uncertain market conditions arising from the COVID-19 pandemic.

During the nine months ended September 30, 2019, the Company's qualitative assessment of goodwill indicated triggering events in its European kitchenware reporting unit, resulting in the Company performing a quantitative assessment, that resulted in a \$9.7 million non-cash goodwill impairment charge.

#### **Interest expense**

Interest expense was \$13.1 million for the nine months ended September 30, 2020 and \$15.5 million for the nine months ended September 30, 2019, primarily as a result of lower debt outstanding and a lower interest rate environment.

#### **Mark to market gain (loss) on interest rate derivatives**

Mark to market loss on interest rate derivatives was \$2.3 million for the nine months ended September 30, 2020 as compared to a mark to market gain on interest rate derivatives of \$0.7 million for the nine months ended September 30, 2019. The mark to market amount represents the change in the fair value on the Company's interest rate derivatives. These derivatives were entered into for purposes of locking-in a fixed interest rate on the Company's variable interest rate debt. The current period loss was caused by lower interest rates as compared to the nine months ended September 30, 2019. The intent of the Company is to hold these derivative contracts until their maturity. Therefore, the Company expects that this loss will reverse over time.

#### **Income tax provision**

The provision for income taxes includes federal, foreign, state and local income taxes. The Company used a discrete tax methodology to calculate taxes for the nine months ended September 30, 2020. Management determined that since minimal changes in projected pre-tax income or loss would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the nine months ended September 30, 2020.

Income tax provision for the nine months ended September 30, 2020 was \$3.0 million as compared to an income tax provision of \$6.8 million for the corresponding period in 2019. The Company's effective income tax provision rate for the nine months ended September 30, 2020 was (20.3)% as compared to a provision rate of (30.0)% for the corresponding 2019 period. The negative rates for the nine months ended September 30, 2020 and September 30, 2019 reflect tax expense on a pretax financial reporting loss. The effective rate for the nine months ended September 30, 2020 differs from the federal statutory income tax rate of 21% primarily due to state and local taxes, equity based awards, and the non-deductible portion of the U.S. goodwill impairment recorded in the three months ended March 31, 2020. The effective tax rate for the nine months ended September 30, 2019 differs from the federal statutory income tax rate primarily due to state and local taxes and the impact of non-deductible expenses, offset by a benefit for federal credits. Included within the non-deductible expenses is the European goodwill impairment recorded in the three months ended September 30, 2019, which is not deductible for income tax purposes in the foreign jurisdiction.

#### **Equity in earnings (losses)**

Equity in losses of Vasconia, net of taxes, was \$0.2 million for the nine months ended September 30, 2020, as compared to equity in losses of Vasconia, net of taxes, of \$0.4 million for the nine months ended September 30, 2019. Vasconia reported income from operations of \$3.8 million for the nine months ended September 30, 2020, as compared to income from operations of \$4.1 million for the nine months ended September 30, 2019. The decrease in income from operations was attributable to the effect of foreign exchange rates in the translation of income from operations from MXP to USD.

During the nine months ended September 30, 2020, the Company recognized a loss of \$0.2 million, relating to cumulative translation foreign currency losses that were recognized to earnings upon the dissolution of Lifetime Brands Do Brasil Participacoes Ltda., a 100% owned foreign subsidiary. The foreign currency translation losses related to the notes receivable due to the Company from the 2016 sale of its equity interest in GS International S/A.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

At September 30, 2020, the Company had cash and cash equivalents of \$42.7 million, compared to \$11.4 million at December 31, 2019. Working capital was \$220.4 million at September 30, 2020, compared to \$221.8 million at December 31, 2019. Liquidity, which includes cash and cash equivalents and availability under the ABL Agreement, was approximately \$164.3 million at September 30, 2020.

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, 2020, inventory turnover was 3.1 times, or 119 days, as compared to 2.6 times, or 142 days, for the three months ended September 30, 2019. The improvement was a result of programs implemented by the Company to improve the productivity of its inventory, including the SKU Rationalization initiative implemented in the second quarter of 2019, along with an increase in consumer demand for certain products beginning in the second quarter of 2020.

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 changes in customers' creditworthiness in the future. Some of the Company's customers may be adversely and materially affected by the COVID-19 pandemic.

Historically, due to the seasonality of our business our debt balances decline in the fourth quarter of the calendar year. In the fourth quarter of 2020, we may shorten payment terms to certain vendors and increase inventory levels to meet expected 2021 demand. These measures would cause our debt level to be higher than it would otherwise be if we don't take the aforementioned actions.

### **Credit Facilities**

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

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

As of September 30, 2020 and December 31, 2019, the total availability under the ABL Agreement was as follows (in thousands):

	September 30, 2020	December 31, 2019
Maximum aggregate principal allowed	\$ 150,000	\$ 150,000
Outstanding borrowings under the ABL Agreement	(25,654)	(32,822)
Standby letters of credit	(2,678)	(2,288)
Total availability under the ABL Agreement	<u>\$ 121,668</u>	<u>\$ 114,890</u>

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

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

	September 30, 2020	December 31, 2019
<b>Current portion of Term Loan facility:</b>		
Term Loan facility payment	\$ —	\$ 2,750
Estimated Excess Cash Flow principal payment	20,000	7,145
Estimated unamortized debt issuance costs	(1,478)	(1,482)
<b>Total Current portion of Term Loan facility</b>	<u>\$ 18,522</u>	<u>\$ 8,413</u>
<b>Non-current portion of Term Loan facility:</b>		
Term Loan facility, net of current portion	\$ 242,605	\$ 260,293
Estimated unamortized debt issuance costs	(4,878)	(6,012)
<b>Total Non-current portion of Term Loan facility</b>	<u>\$ 237,727</u>	<u>\$ 254,281</u>

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

Borrowings under the ABL Agreement bear interest, at the Company's option, at one of the following rates: (i) alternate base rate, defined, for any day, as the greater of the prime rate, a federal funds and overnight bank funding based rate plus 0.5% or one-month LIBOR plus 1.0%, plus a margin of 0.25% to 0.75%, or (ii) LIBOR plus a margin of 1.25% to 1.75%. The respective margins are based upon the Company's total leverage ratio, as defined in and computed pursuant to the ABL Agreement. The interest rate on outstanding borrowings under the ABL Agreement at September 30, 2020 was 1.8%. In addition, the Company pays a commitment fee of 0.375% on the unused portion of the ABL Agreement.

The Term Loan facility bears interest, at the Company's option, at one of the following rates: (i) alternate base rate, defined, for any day, as the greater of (x) the prime rate, (y) a federal funds and overnight bank funding based rate plus 0.5% or (z) one-

month LIBOR, but not less than 1.0%, plus 1.0%, which alternate base rate shall not be less than 2%, plus a margin of 2.5% or (ii) LIBOR, but not less than 1%, plus a margin of 3.5%. The interest rate on outstanding borrowings under the Term Loan at September 30, 2020 was 4.5%.

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

The Company was in compliance with the covenants of the Debt Agreements at September 30, 2020.

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*

Consolidated 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 following is the Company's consolidated adjusted EBITDA, for the last four fiscal quarters:

	<b>Consolidated adjusted EBITDA for the Four Quarters Ended September 30, 2020</b>	
	(in thousands)	
Three months ended September 30, 2020	\$	29,228
Three months ended June 30, 2020		12,388
Three months ended March 31, 2020		3,252
Three months ended December 31, 2019		27,873
Consolidated adjusted EBITDA	\$	<u>72,741</u>

Capital expenditures for the nine months ended September 30, 2020 were \$1.6 million.

#### *Non-GAAP financial measure*

Consolidated 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. Consolidated adjusted EBITDA, as discussed above, is also one of the measures used to calculate financial covenants required to be provided to the Company's lenders pursuant to its Debt Agreements.

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

The following is a reconciliation of the net income (loss), as reported, to consolidated adjusted EBITDA, for each of the last four quarters and the 12 months ended September 30, 2020:

	<b>Three Months Ended</b>				<b>Twelve Months Ended September 30, 2020</b>
	<b>December 31, 2019</b>	<b>March 31, 2020</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>	
	(in thousands)				
Net (loss) income as reported	\$ (14,516)	\$ (28,164)	\$ (3,977)	\$ 13,913	\$ (32,744)
Undistributed equity losses (earnings), net	(738)	(339)	848	(147)	(376)
Income tax (benefit) provision	(5,704)	(3,729)	3,031	3,711	(2,691)
Interest expense	5,590	4,736	4,230	4,128	18,684
Mark to market loss (gain) on interest rate derivatives	—	2,251	164	(99)	2,316
Depreciation and amortization	6,344	6,234	6,061	6,090	24,729
Goodwill and other impairments	33,242	20,100	—	—	53,342
Stock compensation expense	1,436	1,326	1,420	1,575	5,757
Acquisition and divestment related expenses	55	47	55	57	214
Restructuring expenses	316	—	253	—	569
Integration charges	159	—	—	—	159
Warehouse relocation	1,689	790	303	—	2,782
<b>Consolidated adjusted EBITDA</b>	<b>\$ 27,873</b>	<b>\$ 3,252</b>	<b>\$ 12,388</b>	<b>\$ 29,228</b>	<b>\$ 72,741</b>

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

#### *Accounts Receivable Purchase Agreement*

To improve its liquidity during seasonally high working capital periods, the Company has an uncommitted Receivables Purchase Agreement with HSBC Bank USA, National Association ("HSBC") as Purchaser (the "Receivables Purchase Agreement"). Under the Receivables Purchase Agreement, the Company may offer to sell certain eligible accounts receivable (the "Receivables") to HSBC, which may accept such offer, and purchase the offered Receivables. Under the Receivables Purchase Agreement, following each purchase of Receivables, the outstanding aggregate purchased Receivables shall not exceed \$25.0 million. HSBC will assume the credit risk of the Receivables purchased, and the Company will continue to be responsible for all non-credit risk matters. The Company will service the Receivables, and as such servicer, collect and otherwise enforce the Receivables on behalf of HSBC. The term of the agreement is for 364 days and shall automatically be extended for annual successive terms unless terminated. Either party may terminate the agreement at any time upon sixty days' prior written notice to the other party.

Pursuant to this agreement, the Company sold to HSBC \$43.0 million and \$116.9 million of receivables during the three and nine months ended September 30, 2020, respectively, and \$32.5 million and \$81.7 million of receivables during the three and nine months ended September 30, 2019, respectively. Charges of \$0.1 million and \$0.4 million related to the sale of the receivables are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2020, respectively. Charges of \$0.2 million and \$0.4 million related to the sale of the receivables are included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2019, respectively. At September 30, 2020 and 2019, \$26.7 million and \$17.8 million, respectively, of receivables sold were outstanding and due to HSBC from customers.

#### **Derivatives**

##### *Interest Rate Swaps*

The Company is a party to interest rate swap agreements, with an aggregate notional value of \$75.0 million at September 30, 2020, 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. The hedge periods of these agreements commenced in April 2018 and expire in March 2023. The notional amounts are reduced over these periods.

The Company entered into additional interest rate swap agreements, with an aggregate notional value of \$25.0 million at September 30, 2020 that do not meet the criteria for hedge accounting treatment. As a result, these interest rate swap agreements are considered non-designated interest rate swaps that serve as economic hedges of the Company's exposure to the variability of the payment of interest on a portion of its Term Loan borrowings and expire in February 2025.

The Company's total outstanding notional value of interest rate swaps was \$100.0 million at September 30, 2020.

#### *Foreign Exchange Contracts*

The Company is a 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 U.S. dollar 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 short-term (i.e., 12 months or less) foreign currency forward contracts 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 Company's foreign exchange contracts, that had been designed as hedges in order to apply hedge accounting, matured in April 2020. At September 30, 2020 the Company did not have any outstanding foreign exchange contracts.

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, 2020, the Company does not have any foreign currency forward contract derivatives that are not designated as hedges.

#### **Operating activities**

Net cash provided by operating activities was \$49.2 million for the nine months ended September 30, 2020, as compared to net cash used in operating activities of \$40.0 million for the nine months ended September 30, 2019. The change in 2020 as compared to the corresponding 2019 period was primarily attributable to inventory reduction initiatives commencing in the second quarter of 2019, including the SKU Rationalization initiative, which impacted 2020 more favorably than 2019, and payment deferral strategies utilized in response to the COVID-19 pandemic.

#### **Investing activities**

Net cash used in investing activities was \$1.6 million and \$7.6 million for the nine months ended September 30, 2020 and 2019, respectively. The change in 2020 as compared to the corresponding 2019 period was primarily attributable to higher capital expenditures in the 2019 period resulting from the Company's U.K. reorganization and warehouse consolidation efforts.

#### **Financing activities**

Net cash used in financing activities was \$16.2 million for the nine months ended September 30, 2020, as compared to net cash provided by of \$44.9 million for the nine months ended September 30, 2019. The change was mainly attributable to repayments on the Company's revolving credit facility under its ABL Agreement and the Company's term loan in 2020.

### **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 2019 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, 2020, 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. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the effects that the COVID-19 pandemic may have on our internal controls to minimize the impact on their design and operating effectiveness.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

#### *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 United States Environmental Protection Agency (the "EPA") announced that the San Germán Ground Water Contamination site in Puerto Rico (the "Site") had been added to the Superfund National Priorities List due to contamination present in the local drinking water supply.

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

On August 13, 2015, the EPA released its remedial investigation and feasibility study ("RI/FS") for the Site. On December 11, 2015, the EPA issued the Record of Decision ("ROD") for an initial operable unit, electing to implement its preferred remedy which consists of soil vapor extraction and dual-phase extraction/in-situ treatment. This selected remedy includes soil vapor extraction ("SVE") to address soil (vadose zone) source areas at the Site, impermeable cover as necessary for the implementation of SVE, dual phase extraction in the shallow saprolite zone, and in-situ treatment as needed to address residual sources. The EPA's total net present worth estimated cost for its selected remedy is \$7.3 million. The EPA also designated a



second operable unit under which the EPA has and will continue to conduct further investigations to determine the nature and extent of groundwater contamination, as well as a determination by the EPA on the necessity of any further response actions to address groundwater contamination. In February 2017, the EPA indicated that it planned to expand its field investigation for the RI/FS to a second operable unit to further determine the nature and extent of the groundwater contamination at and from the Site and to determine the nature of the remedial action needed to address the contamination. The EPA has requested access to the property occupied by WSPR to install monitoring wells and to undertake groundwater sampling as part of this expanded investigation. WSPR has consented to the EPA's access request, provided that the EPA receives PRIDCO's consent, as the property owner. WSPR never used the primary contaminant of concern and did not take up its tenancy at the Site until after the EPA had discovered the contamination in the local water supply. The EPA has also issued notices of potential liability to a number of other entities affiliated with the Site, which used the contaminants of concern.

In December 2018, the Company, WSPR, and other identified Potentially Responsible Parties affiliated with the Site entered into tolling agreements to extend the statute of limitations for potential claims for the recovery of response costs for the initial operable unit under Section 107 of CERCLA. In February 2020, the tolling agreements were extended to November 2020. In October 2020, the Department of Justice requested that the parties enter into a further extension of the tolling agreement to November 2021. The Company and WSPR executed such extension agreement on October 30, 2020 and the extension agreement will be effective once countersigned by the Department of Justice. The tolling agreements do not constitute in any way an admission or acknowledgment of any fact, conclusion of law or liability by the parties to the agreements.

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

Accordingly, based on the above uncertainties and variables, it is not possible at this time for the Company to estimate its share of liability, if any, related to this matter. However, in the event of one or more adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact on the Company's results of operations could be material.

#### *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 has compiled and submitted to CBP a complete set of supporting documents for the remaining three protests (for the remaining 29 tableware collections that were imported by the Company under the protested shipments). These claims are now under review. If the CBP approves these additional claims and accepts the evidence presented as it did with the Lead Protest, then no additional duties will be owed for the remaining protested shipments.

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

In the event CBP accepts the evidence presented, then no additional duties or penalties will be owed. If CBP rejects the Company's position, then the estimated amount of duties that could be owed is \$3.1 million. In such event, it is reasonably possible that additional penalties could be assessed, depending upon the level of culpability found, of up to \$6.2 million for negligence and up to \$12.4 million for gross negligence. In the event penalties are assessed, the Company will have the opportunity to further contest CBP's findings and seek cancellation or mitigation of such assessments.

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

#### *Other*

The Company is involved in other legal proceedings from time to time. 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.

#### **Item 1A. Risk Factors**

In light of recent developments relating to COVID-19, the Company is supplementing Item 1A. *Risk Factors* in the 2019 Annual Report on Form 10-K. The following risk factor should be read in conjunction with the risk factors described in the 2019 Annual Report on Form 10-K.

***The Company must successfully manage the demand, supply, and operational challenges associated with the actual or perceived effects of the COVID-19 pandemic. Any failure to do so could have a material adverse impact on the Company's business, financial condition, results of operations, cash flows, and competitive position.***

The COVID-19 pandemic has negatively impacted the global economy and disrupted global supply chains. Continuing concerns over economic and business prospects in the U.S. and other countries have contributed to increased volatility and diminished expectations for the global economy. These factors, coupled with the prospect of decreased business and consumer confidence and increased unemployment resulting from the outbreak of COVID-19, may precipitate a prolonged economic slowdown and recession.

The Company's business may be unfavorably impacted by the fear of exposure to or actual effects of the COVID-19 pandemic, such as reduced travel or recommendations or mandates from governmental authorities to cease particular business activities.

These impacts include, but are not limited to:

- Reductions in demand or volatility in demand for one or more of the Company's products, which may be caused by, among other things: the temporary inability of consumers to purchase the Company's products due to illness, brick and mortar retailers closing their store operations, which has resulted in reduced demand from such customers, quarantine or other travel restrictions, or financial hardship for customers and consumers;
- Inability to meet the Company's customers' needs and achieve cost targets due to disruptions in the Company's supply chain arrangements as well as distribution centers caused by the loss or disruption of transportation, trucking availability, workforce, or other distribution capability;
- Failure of third parties on which the Company relies, including the Company's suppliers, third-party manufacturers, distributors, and external business partners, to meet their obligations to the Company, including due to a lack of manufacturing capacity, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties;
- Customers' inability to make payments due to the Company pursuant to existing payment terms as a result of store closures resulting from the COVID-19 pandemic;
- Significant changes in the political and labor conditions in markets in which the Company sells, or distributes products, including quarantines, governmental or regulatory actions, closures or other restrictions that limit or close the Company's distribution facilities, restrict the Company's employees' ability or willingness to travel or perform necessary business functions, or otherwise prevent the Company's facilities or its third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of the Company's products;
- Increased cybersecurity threats that could result from many of the Company's key employees working remotely; new and preexisting technologies such as reliance on home networks, virtual workspaces, videoconferencing, and other forms of remote work practices to support this temporary working environment may expose additional cybersecurity threats and vulnerabilities to the Company's network, and increase the exposure of the Company to electrical or internet outages; or

- Negative impact on the Company's workforce that could result if executive officers or other key employees or a large number of its workers fall ill. The temporary or permanent loss of any of the Company's executive officers or other key employees could harm the Company's business and negatively affect the Company's ability to timely achieve its strategic initiatives. Moreover, the Company may not be successful in finding or integrating suitable successors in the event of the loss of executive officers or other key employees or if such persons become unavailable for a prolonged period of time.

There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. The Company does not yet know the full extent of the impact of COVID-19 on the global economy. Although disruptions from the COVID-19 pandemic may continue to occur, the long-term economic impact and near-term financial impact on the Company, including but not limited to, any possible impairment, restructuring, and other charges, cannot be reliably quantified or estimated at this time due to the uncertainty of future developments. Despite efforts to manage and remedy the impact of COVID-19, the ultimate impact of COVID-19 could materially and adversely affect the Company's business, financial condition, results of operations, cash flows, and competitive position, and depends on factors beyond the Company's knowledge or control, including the duration and severity of the COVID-19 pandemic as well as third-party actions taken in response thereto.

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

### Issuer Purchases of Equity Securities

Period	Total number of shares purchased <sup>(1)</sup>	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs <sup>(2)</sup>	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs subsequent to end of period <sup>(2)</sup>
August 1 - August 31, 2020	38	\$ 8.09	—	\$ 6,771,467
September 1 - September 30, 2020	682	9.19	—	6,771,467

- (1) The repurchased shares were acquired other than as part of a publicly announced plan or program. The Company repurchased these securities in connection with its Amended and Restated 2000 Long Term Incentive Plan, which allows participants to use shares to satisfy the exercise price of options exercised, certain tax liabilities arising from the exercise of options, and certain tax liabilities arising from the vesting of restricted stock. The number above does not include unvested shares forfeited back to us pursuant to the terms of our stock compensation plans.
- (2) On April 30, 2013, the Board of Directors of Lifetime Brands, Inc. authorized the repurchase of up to \$10.0 million of the Company's common stock. The repurchase authorization permits the Company to effect the repurchases from time to time through open market purchases and privately negotiated transactions. No repurchases occurred during the three months ended September 30, 2020.

**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, Senior Vice President – Finance, 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, Senior Vice President – Finance, Treasurer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</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

**SIGNATURES**

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

Lifetime Brands, Inc.

/s/ Robert B. Kay

November 5, 2020

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

/s/ Laurence Winoker

November 5, 2020

Laurence Winoker  
Senior Vice President – Finance, 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 5, 2020

## 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  
Senior Vice President – Finance,  
Treasurer and Chief Financial Officer

Date: November 5, 2020

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

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

- (1) The Company’s periodic report on Form 10-Q for the period ended September 30, 2020 (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  
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Robert B. Kay  
Chief Executive Officer and Director

/s/ Laurence Winoker  
\_\_\_\_\_  
Laurence Winoker  
Senior Vice President- Finance, Treasurer and Chief Financial Officer

Date: November 5, 2020

Date: November 5, 2020

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.