UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2015

or

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

For the transition period from __________ to __________

Commission File Number: 0-19254

LIFETIME BRANDS, INC.

(Exact name of registrant as specified in its charter)

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

1000 Stewart Avenue, Garden City, New York, 11530

(Address of principal executive offices) (Zip Code)

(516) 683-6000

(Registrant s telephone number, including area code)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The number of shares of the registrant s common stock outstanding as of October 31, 2015 was 14,025,721.

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FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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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, 2015 (unaudited)		December 31, 2014	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	6,279	$	5,068
Accounts receivable, less allowances of $5,706 at September 30, 2015 and $6,663 at December 31, 2014		109,184		107,211
Inventory (Note A)		173,612		137,924
Prepaid expenses and other current assets		9,893		7,914
TOTAL CURRENT ASSETS		298,968		258,117
PROPERTY AND EQUIPMENT, net		25,501		26,801
INVESTMENTS (Note C)		24,360		28,155
INTANGIBLE ASSETS, net (Note D)		98,343		103,597
OTHER ASSETS		2,792		4,732
TOTAL ASSETS	$	449,964	$	421,402
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES				
Current maturity of Credit Agreement Term Loan (Note E)	$	20,000	$	10,000
Short term loan (Note E)				765
Accounts payable		35,663		28,694
Accrued expenses		45,922		36,961
Deferred income taxes (Note I)		2,065		2,293
Income taxes payable (Note I)				5,156
TOTAL CURRENT LIABILITIES		103,650		83,869
DEFERRED RENT & OTHER LONG-TERM LIABILITIES		20,087		20,160
DEFERRED INCOME TAXES (Note I)		1,951		1,485
REVOLVING CREDIT FACILITY (Note E)		118,798		92,655
CREDIT AGREEMENT TERM LOAN (Note E)		17,500		35,000

STOCKHOLDERS EQUITY				
Preferred stock, $.01 par value, shares authorized: 100 shares of Series A and 2,000,000 shares of Series B; none issued and outstanding				
Common stock, $.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 14,025,721 at September 30, 2015 and 13,712,081 at December 31, 2014		140		137
Paid-in capital		165,126		160,315
Retained earnings		37,326		37,703
Accumulated other comprehensive loss (Note L)		(14,614)		(9,922)
TOTAL STOCKHOLDERS EQUITY		187,978		188,233
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	449,964	$	421,402

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

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LIFETIME BRANDS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net sales	$ 163,198	$ 162,244	$ 401,790	$ 395,976
Cost of sales	106,246	104,321	256,419	252,869
Gross margin	56,952	57,923	145,371	143,107
Distribution expenses	13,348	13,262	39,378	38,068
Selling, general and administrative expenses	33,842	32,849	99,389	98,456
Intangible asset impairment (Note D)		3,384		3,384
Restructuring expenses				125
Income from operations	9,762	8,428	6,604	3,074
Interest expense (Note E)	(1,454)	(1,698)	(4,344)	(4,760)
Financing expense			(154)	
Loss on early retirement of debt				(319)
Income (loss) before income taxes and equity in earnings	8,308	6,730	2,106	(2,005)
Income tax provision (Note I)	(2,745)	(3,123)	(665)	(352)
Equity in losses, net of taxes (Note C)	(459)	(5,193)	(169)	(5,360)
NET INCOME (LOSS)	$ 5,104	$ (1,586)	$ 1,272	$ (7,717)
BASIC INCOME (LOSS) PER COMMON SHARE (NOTE H)	$ 0.37	$ (0.12)	$ 0.09	$ (0.57)
DILUTED INCOME (LOSS) PER COMMON SHARE (NOTE H)	$ 0.36	$ (0.12)	$ 0.09	$ (0.57)
Cash dividends declared per common share	$ 0.0425	$ 0.0375	$ 0.1175	$ 0.1125

See accompanying independent registered public accounting firm review report and 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,	
	2015	**2014**	**2015**	**2014**
Net income (loss)	$ 5,104	$ (1,586)	$ 1,272	$ (7,717)
Other comprehensive income (loss), net of taxes:				
Translation adjustment	(3,174)	(3,309)	(4,681)	(1,577)
Derivative fair value adjustment	(34)	73	(71)	39
Effect of retirement benefit obligations	20	7	60	21
Other comprehensive loss, net of taxes	(3,188)	(3,229)	(4,692)	(1,517)
Comprehensive income (loss)	$ 1,916	$ (4,815)	$ (3,420)	$ (9,234)

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

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LIFETIME BRANDS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
OPERATING ACTIVITIES		
Net income (loss)	$ 1,272	$ (7,717)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Provision for doubtful accounts	229	133
Depreciation and amortization	10,703	10,628
Amortization of financing costs	477	465
Deferred rent	511	(623)
Deferred income taxes	699	(212)
Stock compensation expense	2,314	2,133
Undistributed equity in losses, net	169	5,360
Intangible asset impairment		3,384
Loss on early retirement of debt		319
Changes in operating assets and liabilities (excluding the effects of business acquisitions)		
Accounts receivable	(2,805)	587
Inventory	(36,422)	(37,479)
Prepaid expenses, other current assets and other assets	(642)	(1,889)
Accounts payable, accrued expenses and other liabilities	17,886	10,985
Income taxes payable	(5,822)	(7,535)
NET CASH USED IN OPERATING ACTIVITIES	(11,431)	(21,461)
INVESTING ACTIVITIES		
Purchases of property and equipment	(4,190)	(4,340)
Kitchen Craft acquisition, net of cash acquired		(59,977)
Other acquisitions, net of cash acquired		(5,280)
NET CASH USED IN INVESTING ACTIVITIES	(4,190)	(69,597)
FINANCING ACTIVITIES		
Proceeds from Revolving Credit Facility	213,625	206,193
Repayments of Revolving Credit Facility	(187,267)	(142,114)
Repayments of Senior Secured Term Loan		(20,625)
Proceeds from Credit Agreement Term Loan		50,000
Repayment of Credit Agreement Term Loan	(7,500)	(2,500)

Proceeds from Short Term Loan	37	1,168
Payments on Short Term Loan	(803)	(217)
Payment of financing costs		(1,375)
Proceeds from exercise of stock options	843	2,192
Cash dividends paid (Note K)	(1,557)	(1,517)
NET CASH PROVIDED BY FINANCING ACTIVITIES	17,378	91,205
Effect of foreign exchange on cash	(546)	(117)
INCREASE IN CASH AND CASH EQUIVALENTS	1,211	30
Cash and cash equivalents at beginning of period	5,068	4,947
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 6,279	$ 4,977

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

LIFETIME BRANDS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(unaudited)

NOTE A BASIS OF PRESENTATION AND SUMMARY ACCOUNTING POLICIES

Organization and business

Lifetime Brands, Inc. (the Company) designs, sources and sells branded kitchenware, tableware and other products used in the home and markets its products under a number of brand names and trademarks, which are either owned or licensed by the Company, or through retailers private labels. The Company markets and sells its products principally on a wholesale basis to retailers. The Company also markets and sells a limited selection of its products directly to consumers through its Pfaltzgraff®, Mikasa®, Fred® and Friends, Built NY®, Lifetime Sterling® and The English Table Internet websites.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles 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. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, which consist only of normal recurring accruals, considered necessary for a fair presentation have been included. These condensed consolidated financial statements should be read in conjunction with the condensed consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Operating results for the three and nine month periods ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The Company s business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2014 and 2013, net sales for the third and fourth quarters accounted for 60% and 61% 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.

Revenue recognition

The Company sells products wholesale, to retailers and distributors, and retail, directly to the consumer. Wholesale sales and retail sales are recognized when title passes to the customer, which is primarily at the shipping point for wholesale sales and upon delivery to the customer for retail sales. Shipping and handling fees that are billed to customers in sales transactions are included in net sales and amounted to $313,000 and $219,000 for the three months ended September 30, 2015 and 2014, respectively, and $1.0 million and $0.9 million for the nine months ended September 30, 2015 and 2014, 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 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 and an estimate of sales returns are reflected as reductions in net sales in the Company s condensed consolidated statements of operations.

Cost of sales

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

Distribution expenses

Distribution expenses consist primarily of warehousing expenses and freight-out expenses.

LIFETIME BRANDS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(unaudited)

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 market method. 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.

The components of inventory are as follows:

	September 30, 2015	December 31, 2014
	(in thousands)	
Finished goods	$ 170,215	$ 134,564
Work in process	1,761	1,887
Raw materials	1,636	1,473
Total	$ 173,612	$ 137,924

Fair value of financial instruments

The Company determined the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair values because of their short-term nature. The Company determined that the carrying amounts of borrowings outstanding under its revolving credit facility, term loan and short term loan 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 No. 815, Derivatives and Hedging. ASC Topic No. 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 to the extent the derivative is considered highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings. If a derivative which is designated as part of a hedging relationship is considered ineffective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, the changes in fair value are recorded in operations. For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in operations.

Employee healthcare

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

New Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which eliminates the requirement to restate prior period financial statements for measurement period adjustments. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. The amendments to in this update should be applied prospectively to adjustments to provisional amounts that occur

LIFETIME BRANDS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(unaudited)

after the effective date of this update with earlier application permitted for financial statements that have not been issued. The Company does not expect that the adoption of the ASU will have a significant impact on its condensed consolidated financial statements.

In July, 2015, the FASB issued ASU 2015-11, *Inventory: Simplifying the Measurement of Inventory*, which affects reporting entities that measure inventory using first-in, first-out or average cost. Specifically, the guidance requires that inventory be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. The guidance is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is evaluating the effect of adopting this pronouncement, but the adoption is not expected to have a material impact on the Company s condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, *Customer s Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance about whether a cloud computing arrangement includes a software license. This ASU is effective for financial statements issued for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. This ASU can be applied prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. Early adoption is permitted. The Company is currently determining its implementation approach and assessing the impact, if any, on the condensed consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* and during August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, which clarifies the treatment of debt issuance costs from line-of-credit arrangements after adoption of ASU 2015-03. ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. ASU 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is effective for financial statements issued for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. This ASU will be applied on a retrospective basis and early adoption is permitted. The Company s adoption of this guidance will not have a material impact on the Company s condensed consolidated financial position.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles of recognizing revenue and create common revenue recognition guidance under U.S. GAAP and International Financial Reporting Standards. Following the FASB s finalization of a one year deferral of this standard, the ASU is now effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2016. This ASU can be adopted either retrospectively to each reporting period presented or as a cumulative effect adjustment as of the date of the adoption. The Company is currently determining its implementation approach and assessing the impact, if any, on the condensed consolidated financial statements.

NOTE B &#151