

LIFETIME BRANDS, INC
Form DEFA14A
January 29, 2018

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

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Lifetime Brands, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

On December 22, 2017, Lifetime Brands, Inc. (the Company) entered into a merger agreement with certain of its wholly-owned merger subsidiaries and Taylor Holdco, LLC (dba Filament Brands), a Delaware limited liability company (Taylor) and Taylor Parent, LLC, a Delaware limited liability company (Taylor Parent) and the other parties thereto providing for the acquisition of Taylor by the Company (the Acquisition).

Concurrent with the Acquisition, and pursuant to the commitment letter dated December 22, 2017, by and among the Company, JPMorgan Chase Bank, N.A. (JPMorgan) and Golub Capital LLC (Golub Capital), the Company expects to enter into (1) a credit agreement among JPMorgan, as administrative agent, the lenders from time to time party thereto, the Company, the foreign subsidiary borrowers from time to time party thereto, and certain of its other domestic and foreign subsidiaries from time to time party thereto (the ABL Credit Agreement) providing for a senior secured asset-based \$150.0 million revolving credit facility with a maturity five years from the completion of the Acquisition (the ABL Credit Financing) and (2) a credit agreement among JPMorgan, as term loan administrative agent, Golub Capital, as lender, and the other lenders from time to time party thereto and the Company (the Term Loan Credit Agreement) providing for a \$275.0 million term loan facility with a maturity seven years from the completion of the Acquisition and quarterly principal payments equal to 1% per annum of the original amount of the term loan facility (the Term Loan Credit Financing) and together with the ABL Credit Financing, the Debt Financing).

In connection with the Debt Financing, the Company is furnishing to prospective lenders certain business information about the Company and Taylor that the Company considers material information that, in part, has not been available to the public. Accordingly, the Company is providing such information herewith

FINANCING TRANSACTION OVERVIEW (1) EV calculated based on LCUT's share price of \$16.87, estimated Filament debt balance at closing of \$185.0mm, cash considerations to seller of \$27.5mm and \$6.5mm of transaction expenses; (2) Excludes \$3.1mm letters of credit; (3) Market cap based on share price of \$17.40 as of 1/24/18; (4) PF 2017E Adjusted EBITDA of \$87.7mm, defined as \$34.5mm of Filament 2017E EBITDA (inclusive of PlanetBox EBITDA) + \$45.2mm of Lifetime 2017E EBITDA (inclusive of \$2.3mm of cost savings and \$2.0mm of savings from UK operations consolidation) + \$8.1mm of other cost savings. Sources & Uses Pro Forma Capitalization Sources (\$mm) \$150.0mm RC facility \$53 Term loan B 275 Equity funding 94 Total sources \$422 Uses (\$mm) Consideration to Filament(1) \$313 Refinance existing Lifetime ABL(2) 95 Other fees / expenses 14 Total uses \$422 (\$mm) FYE 12/31 x FYE 12/31 EBITDA PF FYE 12/31 xPF 12/31 EBITDA Total cash and equivalents \$6 – \$6 – Existing \$175mm ABL due 2019(2) 95 2.1x – – New ABL revolving facility due 2023 – – 53 0.6x New \$275mm term loan B due 2025 – – 275 3.1x Total debt \$95 2.1x \$328 3.7x Net debt \$89 2.0x \$323 3.7x Market capitalization(3) 258 – 352 – Total capitalization \$353 – \$680 – Applied EBITDA(4) – \$45 – \$88

Category #1 Segment Position Home Décor Portable Beverageware and Food Storage Lunch Bags & Wine Totes
Pantryware & Spice Racks Category #1 Segment Position Dinnerware Stemware Flatware Category #1 Segment
Position Kitchen Tools & Gadgets Cutlery, Cutting Boards & Shears Cookware & Bakeware LIFETIME BRANDS –
OVERVIEW Lifetime Brands is a leading global provider of branded kitchenware, tableware and other products used
in the home U.S. market: \$6.8bn Kitchenware One of the top 3 market share leaders in a \$3.0bn category Tableware
Home Solutions U.S. market: \$6.5bn

FILAMENT BRANDS – OVERVIEW Gross Sales Profile Key Brands Commercial 36% Bath & Other 21% LTM
9/30/17 Sales: \$178mm1 Category Brands #1 Segment Position Kitchenware 36% Kitchen Measurement Kitchen
Tools & Gadgets Wine & Bar Commercial Bath Measurement Weather Measurement & Travel Retail Direct
Kitchenware 38% Commercial 33% Bath & Other 21% Retail Direct 8% (1) Pro forma for PlanetBox acquisition

Sales (\$mm) FILAMENT BRANDS – KEY BUSINESSES Commercial Kitchenware Ideation, trends, design, development, and engineering services focused on customer driven projects #1 ranked Starbucks ware designer and supplier, with hot, cold, hydration, tea, accessories, gift and ceramic categories served 14 years with Starbucks, largest supplier in cold category, 2nd largest supplier in hot, won exclusive supplier program in hydration in 2016 #1 supplier of kitchen measurement devices to serve the food industry Note: Filament fiscal year end of 3/31 Kitchen measurement: #1 brand in retail kitchen measurement and #1 in food service measurement (thermometers, food scales, timers) Taylor: leading provider of measurement devices to the industrial market Chef'n: Leading innovator in kitchen tools and gadgets Rabbit: Pioneer in wine accessories category with high consumer recognition Bath & Other Bath: 30%+ market share, leading supplier of bath scales, brands include Taylor, Homedics, Salter Weather: category pioneer for weather thermometers under brands Taylor and Springfield Retail Direct Online only brand EatSmart sells direct to consumer as a market place seller through Amazon EatSmart substantial online presence (25,000+ reviews on leading SKUs) is a large competitive advantage. Leading 5 star ratings and #1 ranked position in bath scales and travel cubes Planet Box is 95% sold online, nearly all on its own website Direct to Consumer Brand of eco friendly products featuring lunchboxes and related accessories

CAGR: 26.6% Amazon North America Retail sales (\$bn) Lifetime and Filament Amazon Gross Sales (\$mm) Online sales for Amazon will continue to grow rapidly, as estimates report that 71% of the penetrable Gen Y market and 66% of the penetrable Gen X market are Amazon prime members or interested in becoming Amazon prime members This compares to 58% and 38% of the Boomers and Seniors generations, respectively Currently, 58% of all shoppers are Amazon prime members or interested in becoming Amazon prime members CAGR: 3.0% Filament Lifetime CAGR: 61.0% FYE: December 31 FYE: March 31 Overall, Lifetime estimates that 27% of their products are purchased online through online retailers which includes pure play online and the on line sites of brick and mortar retailers 1 ... WITH STRONGER PRO FORMA ONLINE POSITIONING

BY CUSTOMERS: INCREASED PRO FORMA RELEVANCE AND EXPANSION OF DISTRIBUTION CHANNELS Commercial: 1.2x 11.1x 1.9x 1.6x 1.7x Direct-to-Consumer 1.2x 1.4x 2.0x Important Growth Opportunities Combined Revenue Relative to Lifetime Brands International: Complimentary channel capabilities create white space opportunities in: 4

~400 bps immediate margin expansion with transaction Consistent EBITDA generation CASH FLOW
GENERATION: HISTORY OF STRONG CASH FLOW SUPPORTED BY LOW-CAPEX MODEL Note: LTM
9/30/17 Lifetime EBITDA includes \$2.3mm of achieved cost savings and \$2.0mm of savings from UK operations
consolidation. The run-rate \$4.3mm of cost savings includes \$2.3mm of cost savings and \$2.0mm of savings from UK
operations consolidation. (1) 6 TBU – not in proxy Steady Net Sales Growth Lifetime Brands Filament Brands %
conversion 88.5% 92.8% 88.7% 96.0% 96.9% 95.6% Current asset-lite / low-capex model combined with forecasted
growth & expansion from Filament acquisition

FINANCIAL POLICY Targeted debt / EBITDA below 3.00x Maintain strong free cash flow generation Maintain solid liquidity position Access to asset-based revolving credit facility for growing working capital and other general corporate purposes Target minimum liquidity (ABL R/C availability and cash on balance sheet) of \$75.0 million Emphasis on organic growth complemented with tuck-in acquisitions of global brands Continued focus on de-leveraging FINANCIAL POLICY

\$20 MILLION OF ANNUAL IDENTIFIED COST SAVINGS OPPORTUNITIES Lifetime Cost Saving Initiatives
Supply Chain: (\$2.8 million) Consolidate warehouses and eliminate overlapping functions related to warehousing
Rationalize footprint and workforce in China Sales & Marketing: (\$2.2 million) Utilize Lifetime's in-house sales force to reduce costs
Eliminate overlapping marketing positions Overlapping G&A: (\$3.1 million) Elimination of redundant back office operations
Expect one-time costs not to exceed \$4.5 million to achieve identified synergies Merger Synergies
Lifetime extracted \$4.3 million of savings through initiatives undertaken in the past year(1) This includes consolidation of international operations
Additional savings of \$8.0 million upon completion of business optimization plan Total savings of \$12.3 million Total savings of \$8.1 million
All cost savings expected to recur every year going forward (1) \$4.3 million of cost savings calculated as \$2.3mm of cost saving initiatives already completed + \$2.0mm U.K. operations consolidation under way
Not currently included in pro forma stats and model

SUMMARY CREDIT HIGHLIGHTS Meaningfully enhances scale: Fragmented industry where Lifetime is #1 on a pro forma basis (previously #2) Scale creates a competitive advantage and enhanced platform to consolidate industry Large international upside for Filament with ability to go direct to market via Lifetime's platform Enables access to 3rd party data creating a competitive advantage supporting product placement at retailers Enhanced pro forma financial profile Meaningful margin accretion (~400 bps increase in EBITDA margin, 200 bps increase in gross margin) Doubling of EBITDA and Free Cash Flow Superior free cash flow model: asset lite, low capex primarily related to maintenance Strong anticipated pro forma free cash flow conversion Leading market positions #1 in 9 categories, representing 61% of sales Highly complementary businesses with little category overlap Long established brands with wide consumer and trade recognition Demonstrated brand loyalty and longevity Long-term customer relationships across distribution channels Consistent track record: Both companies have demonstrated stable financial performance Management has successful track record of M&A and post-merger integration, as well as a commitment to a conservative balance sheet Strong presence across distribution channels Retail presence from Walmart to Tiffany International via KitchenCraft in the UK Ecommerce – Amazon, Omnichannel, and direct to consumer Commercial Merger utilizes unique infrastructure built at Lifetime, creating significant synergies Unique and difficult to replicate platform in the industry 60 years of sourcing, engineering, logistics, quality control, etc. State of the art distribution facilitates on the East and West costs Strong in-house sales force with long-term customer relationships Leading IT infrastructure run on SAP (1) FCF conversion calculated as $(\text{Cash from operations} - \text{CapEx}) / \text{Adjusted EBITDA}$

EBITDA RECONCILIATION FY2016A LTM 9/30/17 FY2017E LCUT EBITDA build Net Income \$15.7 \$15.7
 \$8.7 (+) Provision for Income Taxes 7.0 7.7 5.2 (+) Interest Expense (Incl. Amortization of Fees) 5.1 4.5 4.8 (+)
 Depreciation & Amortization 14.2 13.1 14.5 (+) Vasconia Dividend 0.2 0.2 - (+) Stock Option Expense 2.9 3.3 3.4 (+)
 Rialto warehouse - - 1.2 (+) Restructuring 2.4 1.4 1.2 (+) Equity (Income) in Earnings (0.7) (1.7) (0.7) (+) Acquisition
 Costs / Unrealized MTM Gain / Loss 0.1 1.6 2.6 Reported EBITDA \$46.9 \$45.8 \$40.9 (+) Positions eliminated - 1.7
 1.7 (+) La Cafetiere - 0.7 0.7 (+) Consolidation of UK operations - 2.0 2.0 Adjusted EBITDA \$46.9 \$50.1 \$45.2
 Calendarized FY 2016 LTM 9/30/17 Calendarized FY 2017E Filament EBITDA build Net Sales \$169.0 \$177.7
 \$175.2 (-) Cost of sales 95.2 102.8 101.8 Gross Profit \$73.8 \$74.9 \$73.3 (-) Freight and direct selling 7.2 7.1 6.9 (-)
 Sales, Marketing, Operations, Product Development 23.2 24.2 24.1 (-) Finance, HR / Exec, IT , Other 11.0 10.7 10.9
 EBIT \$32.5 \$32.8 \$31.4 (+) Depreciation 1.9 1.6 1.6 (+) Management fees / BOD fees 0.8 0.7 0.8 (+) Acquisition
 Adjustments 1.1 0.6 0.6 (+) Non-Recurring 0.2 0.1 0.1 Adjusted EBITDA \$36.6 \$35.9 \$34.5 FY 2016 LTM 9/30/17
 FYE 2017E Pro forma adjusted EBITDA build (no synergies) \$83.4 \$86.0 \$79.7 (+) Combined efficiencies - \$8.1
 \$8.1 Pro forma adjusted EBITDA (with synergies) \$94.0 \$87.7 Note: Filament revenue figures pro forma for
 PlanetBox acquisition