



Lifetime Brands, Inc. (LCUT)

Raise Price Target To \$27 (From \$25) As We Shift Our Valuation Basis To Initial 2023 Forecast; Increase 2021, 2022 EPS Estimates After 3Q:21 EPS Easily Outpace Our Projections

| | 2020 | | 2021E | | 2022E | | 2023E | |
|------------|---------------|---------------|---------------|---------------|---------------|-----|---------------|--|
| | | OLD | NEW | OLD | NEW | OLD | NEW | |
| Mar. | (\$0.27) | \$0.13A | | \$0.12 | \$0.14 | | \$0.17 | |
| June | (0.15) | 0.28A | | 0.14 | | | 0.16 | |
| Sep. | 0.65 | 0.40 | 0.61A | 0.62 | 0.64 | | 0.67 | |
| Dec. | 0.70 | 0.57 | 0.46 | 0.86 | 0.84 | | 0.92 | |
| EPS | \$0.95 | \$1.39 | \$1.50 | \$1.75 | \$1.76 | | \$1.92 | |
| P/E | | | 12.5x | | 10.6x | | 9.8x | |

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. 1Q:20 excludes a \$1.09 charge, mostly for goodwill impairment. 2Q:20 excludes a \$0.04 charge for various non-recurring items. 1Q:21 excludes a \$0.01 net gain related to various one-time items. 2020-2023E include \$0.13-\$0.18 of annual stock-based compensation expense. Sum of quarterly EPS may not equal full-year total due to rounding and/or changes in the diluted share count. The Russell 2000 Index includes LCUT. NC = Not Covered by Sidoti & Co. LLC.

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E |
|------------|---------|---------|---------|---------|----------|----------|----------|---------|---------|---------|
| Rev.(Mil.) | \$586.0 | \$587.7 | \$592.6 | \$579.5 | \$704.5 | \$734.9 | \$769.2 | \$871.0 | \$889.1 | \$915.6 |
| GAAP EPS | \$0.11 | \$0.86 | \$1.08 | \$0.14 | (\$0.09) | (\$2.16) | (\$0.17) | \$1.49 | \$1.76 | \$1.92 |

Description: Lifetime Brands, Inc. (www.lifetimebrands.com) designs, sources and sells kitchenware, tabletop and other products used in the home. The company markets products under widely recognized brand names and trademarks, including Farberware®, KitchenAid®, Mikasa® and Pfaltzgraff® and sells products mainly to retailers and distributors. LCUT sells some products directly to consumers via its own e-commerce websites. International revenue accounted for approximately 11% of 2020 sales. Headquarters are in Garden City, NY.

- **As we see it, in 3Q:21, LCUT continued to see solid underlying demand for its products, although with ongoing supply chain disruptions, reported 3Q:21 revenue below our projection.**
- **However, with increased product pricing and productivity enhancements, partly offset by higher operational costs, 3Q:21 EPS of \$0.61 handily topped our forecast of \$0.40.**
- **Given increased guidance, we raise our 2021 and 2022 EPS estimates to \$1.50 and \$1.76, respectively (from \$1.39 and \$1.75).**
- **With LCUT also raising its five-year financial goals, we roll out our initial 2023 EPS estimate at \$1.92.**
- **By our forecast, Lifetime Brands will produce average annual free cash flow per share of \$1.90 in 2021-2023, which we expect it to use mostly for debt reduction.**
- **Our elevated price target of \$27 is based on an unchanged 14x our newly introduced 2023 EPS estimate of \$1.92. Our former \$25 target reflected our prior 2022 EPS estimate of \$1.75.**
- **Given the ample upside potential our new price target implies, we argue that LCUT shares are undervalued. We maintain our Moderately Risky Rating.**

LCUT easily exceeded 3Q:21 EPS expectations at \$0.61 versus our projected \$0.40. Underlying consumer demand for the company's products has remained robust even though ongoing supply chain disruptions prevented some orders from shipping in 3Q:21; instead, these orders will ship in 4Q:21. As such, revenue of \$224.8 million was flat with a year ago and below our \$240.5 million forecast. However, this was more than offset by a nearly two-percentage-point expansion of the gross margin to 37.0% as Lifetime Brands benefited from increased product pricing and favorable channel and product mix shifts partly offset by higher inventory costs; we expected a gross margin of 33.1%. Even with some adverse SG&A expense leverage, the operating margin expanded 50 basis points to 10.1% as the company

NR

Price Target: \$27

Price: \$18.73

Risk Rating: M

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Key Statistics

| | |
|-------------------------------|----------|
| Analysts Covering | 1 |
| Market Cap (Mil) | \$410 |
| Enterprise Value | \$760 |
| 52-Week Range (NASDAQ) | 20-11 |
| 5-Year EPS CAGR | 14% |
| Avg. Daily Trading Volume | 48,000 |
| Shares Out (Mil) | 22.007 |
| Float Shares (Mil) | 11.979 |
| Insider Ownership | 42% |
| Institutional Holdings | 45% |
| Annualized Dividend | \$0.17 |
| Dividend Yield | 0.9% |
| FCF Per Share (2023E) | \$2.10 |
| FCF Yield (2023E) | 11.2% |
| Net Cash Per Share (2023E) | (\$6.17) |
| Price to Book Value | 1.7x |
| Return on Equity (2023E) | 13.2% |
| Total Debt to Capital | 49% |
| Interest Coverage Ratio | 5.7x |
| Short Interest % | 1.4% |
| Short Interest Days To Cover | 6.4 |
| Russell 2000 | 2,427 |
| Russell 2000 – Last 12 Months | 42.4% |
| LCUT – Last 12 Months | 80.4% |



Source: FactSet Prices

held its distribution expenses flat as a percentage of sales—despite increased labor wages due to ongoing labor productivity enhancements; we estimated an operating margin of 6.4%.

Exhibit 1: Lifetime Brands, Inc. Results Variance Analysis

| in thousands of dollars except per share amounts | 3Q:21 Actual | 3Q:21 Estimate | Variance | % Variance | 3Q:20 Actual | % Y-O-Y Change |
|--|------------------|------------------|-------------------|--------------|------------------|----------------|
| Total revenue | \$224,777 | \$240,483 | (\$15,706) | -6.5% | \$224,750 | 0.0% |
| Gross profit | 83,115 | 79,600 | 3,515 | 4.4% | 78,792 | 5.5% |
| <i>gross margin (%)</i> | <i>37.0%</i> | <i>33.1%</i> | <i>3.9%</i> | <i>3.9%</i> | <i>35.1%</i> | <i>5.5%</i> |
| Operating income | 22,612 | 15,501 | 7,111 | 45.9% | 21,563 | 4.9% |
| <i>operating margin (%)</i> | <i>10.1%</i> | <i>6.4%</i> | <i>3.6%</i> | | <i>9.6%</i> | |
| Net income - adjusted | 13,426 | 8,706 | 4,720 | 54.2% | 13,882 | -3.3% |
| Diluted EPS - adjusted | \$0.61 | \$0.40 | \$0.22 | 54.2% | \$0.65 | -6.2% |

Sources: Company reports, Sidoti & Co., LLC estimates

NM = Not Meaningful

On the increased guidance, we boost our 2021 and 2022 EPS estimates. For 2021, LCUT now anticipates adjusted EPS of \$1.42-\$1.54 (up from \$1.28-\$1.40) and adjusted EBITDA of \$88-\$92 million (was \$84-\$88 million). This guidance still assumes 2021 revenue of \$870-\$890 million. In our view, LCUT will benefit from continued solid organic demand for its core products along with likely further expansion of its commercial food service program, international growth, the recent acquisition of Year & Day and new product development in categories such as pet, BBQ, storage and organization. We expect that, like other consumer companies, LCUT will continue to navigate ongoing supply chain disruptions and higher operating costs, which we think will result in sequentially lower near-term operating margins. Nevertheless, mainly given our higher operating margin assumptions, we raise our 2021 and 2022 EPS estimates to \$1.50 and \$1.76, respectively (from \$1.39 and \$1.75).

Our initial 2023 EPS projection is \$1.92. In conjunction with its 3Q:21 earnings release, Lifetime Brands also increased its five-year financial objectives and now expects to achieve annual revenue of \$1.25 billion and adjusted EBITDA of \$145 million (previously, \$1 billion and \$120 million, respectively, by 2026). For 2023, we estimate a revenue advance of 3% to \$915.6 million, which assumes no acquisitions. We estimate operating margin expansion of 20 basis points to 8.0% due to expected gross margin improvement and modestly favorable expense leverage. In addition, our EPS forecast assumes an approximate 11% reduction of interest expense anticipating a reduction in borrowings.

Assuming ongoing free cash flow generation, we expect LCUT to further improve its balance sheet. At the end of 3Q:21, Lifetime Brands had total debt at 49% of total capital (mostly a term loan that matures in February 2025), down from 57% at the end of 3Q:20. Following \$20.7 million in 2019 (\$1.00 per share), free cash flow more than doubled to \$42.7 million (\$2.02 per share) in 2020 given increased profitability, enhanced working capital management and much lower than usual cap-ex following the initial COVID-19 related uncertainty. We assume free cash flow of \$45.3 million (\$2.07 per share) in 2021, \$33.2 million (\$1.51) in 2022 and \$46.7 million (\$2.10) in 2023. In our view, LCUT will utilize most of its free cash flow to reduce debt; we estimate that total debt will drop to 36% of total capital by the end of 2023.

| | | | |
|------------------|--|--|--------------------------|
| Valuation | We maintain our Moderately Risky rating and raise our price target to \$27 (was \$25). We are encouraged by the better-than-expected bottom-line results for 3Q:21 along with the increased guidance. We continue to argue that LCUT shares remain attractive given the strong annualized EPS gains that we anticipate through 2023 along with the company's ample free cash flow prospects. Our upwardly revised \$27 price target is based on an unchanged 14x (in line with our five-year EPS growth rate projection) our initial 2023 EPS estimate of \$1.92. Our previous \$25 target reflected our prior 2022 EPS estimate of \$1.75. Given the upside potential this target implies, we argue that shares of Lifetime Brands, Inc. remain undervalued. | | |
| Key Risks | The economy | Retailer consolidation and de-stocking | Slow household formation |

LIFETIME BRANDS, INC.

Table 1. Lifetime Brands, Inc. Income Statement

(\$ in thousands, except per share data)

| | 2018 | 2019 | Mar. | June | Sept. | Dec. | 2020 | Mar. A | June A | Sept. A | Dec. E | 2021E | Mar. E | June E | Sept. E | Dec. E | 2022E | 2023E |
|---|----------------|----------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | \$704,542 | \$734,902 | \$145,070 | \$150,140 | \$224,750 | \$249,209 | \$769,169 | \$195,653 | \$186,636 | \$224,777 | \$263,912 | \$870,978 | \$187,827 | \$182,903 | \$240,961 | \$277,372 | \$889,063 | \$915,564 |
| Cost of sales | 448,785 | 471,211 | 92,136 | 95,972 | 145,958 | 161,105 | 495,171 | 129,653 | 120,475 | 141,662 | 176,821 | 568,611 | 122,463 | 119,619 | 154,938 | 179,460 | 576,479 | 592,091 |
| Gross profit | 255,757 | 263,691 | 52,934 | 54,168 | 78,792 | 88,104 | 273,998 | 66,000 | 66,161 | 83,115 | 87,091 | 302,367 | 65,364 | 63,285 | 86,023 | 97,912 | 312,584 | 323,473 |
| Distribution expenses | 67,047 | 69,758 | 15,767 | 14,834 | 18,961 | 22,135 | 71,697 | 18,646 | 18,931 | 18,893 | 26,127 | 82,597 | 18,783 | 18,290 | 20,241 | 24,409 | 81,722 | 84,051 |
| SG&A | 162,331 | 160,491 | 41,475 | 34,427 | 38,268 | 41,472 | 155,642 | 38,108 | 35,847 | 41,610 | 43,297 | 158,862 | 38,908 | 36,474 | 42,401 | 44,119 | 161,903 | 166,606 |
| Operating income | 26,379 | 33,442 | (4,308) | 4,907 | 21,563 | 24,497 | 46,659 | 9,246 | 11,383 | 22,612 | 17,667 | 60,908 | 7,673 | 8,520 | 23,382 | 29,384 | 68,959 | 72,816 |
| Interest expense | (18,004) | (20,745) | (4,736) | (4,230) | (4,128) | (4,183) | (17,277) | (3,516) | (3,819) | (3,835) | (3,791) | (14,961) | (3,782) | (3,773) | (3,815) | (3,387) | (14,756) | (13,180) |
| Pretax income | 8,375 | 12,697 | (9,044) | 677 | 17,435 | 20,314 | 29,382 | 5,730 | 7,564 | 18,777 | 13,876 | 45,947 | 3,891 | 4,747 | 19,567 | 25,997 | 54,202 | 59,637 |
| Income tax (expense) / benefit | (3,532) | (3,985) | 3,002 | (2,958) | (3,700) | (6,833) | (10,489) | (2,416) | (1,838) | (5,546) | (3,913) | (13,713) | (1,167) | (1,424) | (5,870) | (7,799) | (16,261) | (17,891) |
| Equity in earnings, net | 660 | 467 | 339 | (848) | 147 | 1,672 | 1,310 | (247) | 393 | 195 | 250 | 591 | 300 | (275) | 350 | 475 | 850 | 850 |
| Net income | 5,503 | 9,179 | (5,703) | (3,129) | 13,882 | 15,153 | 20,203 | 2,830 | 6,119 | 13,426 | 10,213 | 32,825 | 3,024 | 3,048 | 14,047 | 18,673 | 38,792 | 42,596 |
| Adjusted EPS | \$ 0.28 | \$ 0.44 | \$ (0.27) | \$ (0.15) | \$ 0.65 | \$ 0.70 | \$ 0.95 | \$ 0.13 | \$ 0.28 | \$ 0.61 | \$ 0.46 | \$ 1.50 | \$ 0.14 | \$ 0.14 | \$ 0.64 | \$ 0.84 | \$ 1.76 | \$ 1.92 |
| Adjustments | \$ (0.37) | \$ (2.14) | \$ (1.09) | \$ (0.04) | \$ - | \$ - | \$ (1.13) | \$ 0.01 | \$ (0.02) | \$ - | \$ - | \$ (0.01) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| GAAP EPS | \$ (0.09) | \$ (2.16) | \$ (1.36) | \$ (0.19) | \$ 0.65 | \$ 0.70 | \$ (0.14) | \$ 0.14 | \$ 0.26 | \$ 0.61 | \$ 0.46 | \$ 1.49 | \$ 0.14 | \$ 0.14 | \$ 0.64 | \$ 0.84 | \$ 1.76 | \$ 1.92 |
| Shares Outstanding | 19,452 | 20,697 | 20,745 | 20,824 | 21,285 | 21,673 | 21,180 | 21,771 | 21,796 | 21,946 | 21,971 | 21,871 | 22,006 | 22,031 | 22,081 | 22,106 | 22,056 | 22,191 |
| Year-over-year growth (decline) | | | | | | | | | | | | | | | | | | |
| Net sales | 21.6% | 4.3% | (3.2)% | 5.3% | 4.3% | 9.8% | 4.7% | 34.9% | 24.3% | 0.0% | 5.9% | 13.2% | (4.0)% | (2.0)% | 7.2% | 5.1% | 2.1% | 3.0% |
| Gross profit | 18.9% | 3.1% | (2.6)% | 3.1% | 8.0% | 5.0% | 3.9% | 24.7% | 22.1% | 5.5% | (1.1)% | 10.4% | (1.0)% | (4.3)% | 3.5% | 12.4% | 3.4% | 3.5% |
| Operating income | 18.6% | 26.8% | NM | NM | 18.9% | 24.8% | 39.5% | NM | NM | 4.9% | (27.9)% | 30.5% | NM | NM | 3.4% | 66.3% | 13.2% | 5.6% |
| Adjusted EPS | (59.4)% | 57.1% | NM | NM | NM | 29.6% | 115.9% | NM | NM | (6.2)% | (34.3)% | 57.9% | NM | NM | 4.9% | 82.6% | 17.3% | 9.1% |
| Margin analysis | | | | | | | | | | | | | | | | | | |
| Gross margin | 36.3% | 35.9% | 36.5% | 36.1% | 35.1% | 35.4% | 35.6% | 33.7% | 35.4% | 37.0% | 33.0% | 34.7% | 34.8% | 34.6% | 35.7% | 35.3% | 35.2% | 35.3% |
| Distribution expenses (as a % of sales) | 9.5% | 9.5% | 10.9% | 9.9% | 8.4% | 8.9% | 9.3% | 9.5% | 10.1% | 8.4% | 9.9% | 9.5% | 10.0% | 10.0% | 8.4% | 8.8% | 9.2% | 9.2% |
| SG&A (as a % of sales) | 23.0% | 21.8% | 28.6% | 22.9% | 17.0% | 16.6% | 20.2% | 19.5% | 19.2% | 18.5% | 16.4% | 18.2% | 20.7% | 19.9% | 17.6% | 15.9% | 18.2% | 18.2% |
| Operating margin | 3.7% | 4.6% | NM | 3.3% | 9.6% | 9.8% | 6.1% | 4.7% | 6.1% | 10.1% | 6.7% | 7.0% | 4.1% | 4.7% | 9.7% | 10.6% | 7.8% | 8.0% |
| Effective tax rate | 42.2% | 31.4% | NM | NM | 21.2% | 33.6% | 35.7% | 42.2% | 24.3% | 29.5% | 28.2% | 29.8% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |

Sources: Company data, Sidoti & Company, LLC estimates; NM = Not Meaningful

LIFETIME BRANDS, INC.

Table 2. Lifetime Brands, Inc. Statement of Cash Flows

(\$ in thousands, except per share data)

| | 2018 | Mar. | June | Sept. | Dec. | 2019 | Mar. | June | Sept. | Dec. | 2020 | Mar. A | June A | Sept. A | 2021E | 2022E | 2023E |
|---|------------------|-----------------|------------------|------------------|-----------------|-----------------|----------------|-----------------|------------------|------------------|-----------------|-----------------|----------------|------------------|-----------------|-----------------|-----------------|
| Operating activities | | | | | | | | | | | | | | | | | |
| Net income (GAAP) | \$ (1,720) | \$ (4,867) | \$ (11,513) | \$ (13,519) | \$ (14,516) | \$ (44,415) | \$ (28,164) | \$ (3,977) | \$ 13,913 | \$ 15,221 | \$ (3,007) | \$ 3,067 | \$ 5,789 | \$ 12,571 | \$ 31,640 | \$ 38,792 | \$ 42,596 |
| Adjustments | | | | | | | | | | | | | | | | | |
| SKU rationalization | - | - | - | 8,500 | - | 8,500 | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation and amortization | 23,329 | 6,359 | 6,290 | 6,122 | 6,344 | 25,115 | 6,234 | 6,061 | 6,090 | 6,279 | 24,664 | 5,958 | 5,765 | 5,837 | 23,397 | 24,300 | 25,802 |
| Amortization of debt discount | 1,543 | 438 | 438 | 436 | 436 | 1,748 | 441 | 437 | 448 | 448 | 1,774 | 443 | 433 | 433 | 1,309 | - | - |
| Mark to market loss on interest rate derivatives | - | - | - | - | - | - | 2,251 | 164 | - | - | 2,144 | - | - | - | (664) | - | - |
| Deferred rent | 57 | 544 | 612 | (106) | (1,050) | - | - | - | - | 3,291 | 3,291 | - | - | - | (1,554) | 170 | 170 |
| Non-cash lease expense | - | - | - | - | 1,047 | 1,047 | 702 | 1,318 | - | - | 2,379 | - | - | - | (1,089) | - | - |
| Deferred income taxes | 2,086 | - | - | - | (1,073) | (1,073) | - | - | - | (1,861) | (1,861) | - | - | - | 794 | 577 | 577 |
| Stock compensation expense | 4,135 | 907 | 1,193 | 1,505 | 1,436 | 5,041 | 1,326 | 1,420 | 1,575 | 1,630 | 5,951 | 1,444 | 1,328 | 1,201 | 5,373 | 5,300 | 5,300 |
| Undistributed equity earnings | (545) | 116 | 69 | 210 | (738) | (343) | (339) | 848 | (147) | (1,620) | (1,258) | 247 | (393) | (195) | (591) | (850) | (850) |
| Loss on early retirement of debt | 66 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intangible asset/goodwill impairment | 2,205 | - | 8,500 | 1,248 | 33,242 | 42,990 | 20,100 | - | - | - | 20,100 | - | - | - | - | - | - |
| Contingent consideration fair value adjustment | (1,774) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Changes in assets and liabilities | | | | | | | | | | | | | | | | | |
| Accounts receivable | 8,020 | 33,097 | 1,087 | (71,527) | 35,084 | (2,259) | 46,801 | (31,153) | (68,103) | 8,695 | (43,760) | 38,978 | 10,819 | (49,304) | 7,452 | (203) | (4,843) |
| Inventory | (13,819) | (13,314) | (27,586) | (25,295) | 58,740 | (7,455) | 6,788 | (4,390) | (39,701) | 8,324 | (28,979) | (6,479) | (7,826) | (39,812) | 5,343 | (25,822) | (7,101) |
| Prepaid expenses | 540 | 214 | (1,782) | 2,324 | (5,013) | (4,257) | (401) | 1,183 | 2,791 | (2,485) | 1,088 | 2,121 | 810 | 1,802 | 452 | 138 | (599) |
| Accounts payable and other | (4,595) | (3,475) | 19,062 | 27,878 | (38,357) | 5,108 | (18,148) | 57,578 | 61,368 | (45,077) | 55,721 | (10,746) | (1,770) | 36,609 | (20,355) | (2,726) | 1,214 |
| Income taxes receivable | (1,442) | (2,550) | (6,697) | 13,681 | (4,569) | (135) | (3,904) | 3,033 | 2,448 | - | 1,577 | - | (1,750) | 1,750 | - | (279) | (279) |
| Income taxes payable | (353) | - | - | 1,442 | (1,182) | 260 | - | - | 1,521 | 3,468 | 4,989 | 2,156 | (6,951) | 2,016 | (397) | 422 | 425 |
| Net cash provided by operating | 19,175 | 17,469 | (10,327) | (47,101) | 69,831 | 29,872 | 33,687 | 32,522 | (17,001) | (4,395) | 44,813 | 36,282 | 5,849 | (27,533) | 51,108 | 39,819 | 62,411 |
| Investing activities | | | | | | | | | | | | | | | | | |
| Purchases of property & equipment | (7,902) | (1,393) | (2,474) | (3,751) | (1,551) | (9,169) | (1,222) | (158) | (265) | (437) | (2,082) | (674) | (1,823) | (864) | (5,787) | (6,500) | (15,700) |
| Business acquisitions | (216,527) | - | - | - | - | - | - | - | - | - | - | (178) | - | - | (178) | - | - |
| Net proceeds from sale of property | 249 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net cash used in investing | (224,180) | (1,393) | (2,474) | (3,751) | (1,551) | (9,169) | (1,222) | (158) | (265) | (437) | (2,082) | (852) | (1,823) | 2,197 | (2,904) | (6,500) | (15,700) |
| Financing activities | | | | | | | | | | | | | | | | | |
| Proceeds (repayments) of borrowings, net | (53,980) | (16,493) | 18,076 | 46,264 | (60,833) | (12,986) | 42,991 | (53,857) | (2,951) | 15 | (13,802) | (37,763) | (1) | 1,600 | (41,852) | (27,750) | (28,888) |
| Payments for stock repurchases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from stock options | 286 | - | 133 | - | (1) | 132 | - | - | - | - | - | 184 | 551 | 142 | 877 | - | - |
| Excess tax benefits from stock options | (561) | (232) | (158) | - | (9) | (399) | (299) | (187) | - | (145) | (631) | (2,160) | (1,025) | (1) | (3,186) | - | - |
| Payment of capital lease obligations | (77) | (6) | (6) | (6) | (74) | (92) | (25) | (25) | (25) | (77) | (152) | (45) | 2 | (28) | (71) | - | - |
| Cash dividend paid | (3,273) | (906) | (880) | (907) | (878) | (3,571) | (934) | (3) | (925) | (1,789) | (3,651) | (1,010) | (947) | (956) | (3,869) | (4,040) | (4,040) |
| Net cash from financing | 205,288 | (17,637) | 17,165 | 45,351 | (61,795) | (16,916) | 41,733 | (54,072) | (3,901) | (1,996) | (18,236) | (40,794) | (1,420) | 757 | (48,101) | (31,790) | (32,928) |
| Effect of foreign exchange | (236) | 57 | 28 | (273) | 124 | (64) | (285) | (38) | 305 | 116 | 98 | 42 | 98 | (84) | (19) | 300 | 380 |
| Increase (decrease) in cash | 47 | (1,504) | 4,392 | (5,774) | 6,609 | 3,723 | 73,913 | (21,746) | (20,862) | (6,712) | 24,593 | (5,322) | 2,704 | (24,663) | 85 | 1,829 | 14,164 |
| Cash - beginning of period | 7,600 | 7,647 | 6,143 | 10,535 | 4,761 | 7,647 | 11,370 | 85,283 | 63,537 | 42,675 | 11,370 | 35,963 | 30,641 | 33,345 | 35,963 | 36,048 | 37,877 |
| Cash - end of period | 7,647 | 6,143 | 10,535 | 4,761 | 11,370 | 11,370 | 85,283 | 63,537 | 42,675 | 35,963 | 35,963 | 30,641 | 33,345 | 8,682 | 36,048 | 37,877 | 52,041 |
| Free cash flow (cash from operations less cap-ex) | 11,273 | 16,076 | (12,801) | (50,852) | 68,280 | 20,703 | 32,465 | 32,364 | (17,266) | (4,832) | 42,731 | 35,608 | 4,026 | (28,397) | 45,321 | 33,319 | 46,711 |
| Free cash flow per share | \$ 0.58 | \$ 0.78 | \$ (0.62) | \$ (2.47) | \$ 3.29 | \$ 1.00 | \$ 1.56 | \$ 1.55 | \$ (0.81) | \$ (0.22) | \$ 2.02 | \$ 1.64 | \$ 0.18 | \$ (1.29) | \$ 2.07 | \$ 1.51 | \$ 2.10 |

Sources: Company data, Sidoti & Company, LLC estimates

LIFETIME BRANDS, INC.

Table 3. Lifetime Brands, Inc. Balance Sheet

(\$ in thousands, except per share data)

| | 2018 | Mar. | June | Sept. | 2019 | Mar. | June | Sept. | 2020 | Mar. A | June A | Sept. A | 2021E | 2022E | 2023E |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Current assets | | | | | | | | | | | | | | | |
| Cash and equivalents | \$ 7,647 | \$ 6,143 | \$ 10,535 | \$ 4,761 | \$ 11,370 | \$ 85,283 | \$ 63,537 | \$ 42,675 | \$ 35,963 | \$ 30,641 | \$ 33,345 | \$ 8,682 | \$ 36,048 | \$ 37,877 | \$ 52,041 |
| Accounts receivable | 125,292 | 92,727 | 91,109 | 161,935 | 128,639 | 80,273 | 111,361 | 180,289 | 170,037 | 131,251 | 120,494 | 169,223 | 162,264 | 162,467 | 167,310 |
| Inventory | 173,601 | 187,278 | 205,607 | 229,947 | 173,427 | 164,711 | 168,928 | 209,825 | 203,164 | 210,265 | 218,184 | 256,922 | 197,463 | 223,284 | 230,386 |
| Prepaid expenses | 10,822 | 10,897 | 12,724 | 9,842 | 14,140 | 13,395 | 12,249 | 9,619 | 12,129 | 10,128 | 9,140 | 8,991 | 13,272 | 13,134 | 13,733 |
| Income taxes receivable | 1,442 | 3,992 | 10,690 | - | 1,577 | 5,499 | 2,466 | - | - | - | 1,750 | - | - | 279 | 558 |
| Total current assets | 318,804 | 301,037 | 330,665 | 406,485 | 329,153 | 349,161 | 358,541 | 442,408 | 421,293 | 382,285 | 382,913 | 443,818 | 409,047 | 437,042 | 464,028 |
| Property and equipment, net | | | | | | | | | | | | | | | |
| Property and equipment, net | 25,762 | 26,069 | 26,563 | 28,229 | 28,168 | 26,846 | 25,100 | 23,839 | 23,120 | 22,168 | 22,544 | 21,629 | 21,167 | 19,026 | 24,822 |
| Operating lease right-of-use assets | - | 91,837 | 109,757 | 108,323 | 106,871 | 103,056 | 99,883 | 98,126 | 96,543 | 94,804 | 92,517 | 89,211 | 95,388 | 96,613 | 97,838 |
| Investments | 22,582 | 22,185 | 20,935 | 20,347 | 21,289 | 20,153 | 17,020 | 17,734 | 20,032 | 21,135 | 23,778 | 22,144 | 22,144 | 22,144 | 22,144 |
| Intangible assets | 338,847 | 336,434 | 331,314 | 316,343 | 280,471 | 254,773 | 250,515 | 247,180 | 244,025 | 239,927 | 235,762 | 231,014 | 228,368 | 212,709 | 196,811 |
| Other assets | 2,577 | 2,828 | 3,467 | 4,005 | 4,071 | 4,480 | 2,743 | 2,559 | 2,468 | 2,109 | 2,048 | 1,991 | 3,844 | 5,649 | 7,454 |
| Total assets | 708,572 | 780,390 | 822,701 | 883,732 | 770,023 | 758,469 | 753,802 | 831,846 | 807,481 | 762,428 | 759,562 | 809,807 | 779,958 | 793,183 | 813,097 |
| Current liabilities | | | | | | | | | | | | | | | |
| Revolver | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Current portion of term loan | 1,253 | 10,757 | 13,261 | 4,264 | 8,413 | 8,175 | 13,527 | 18,522 | 17,657 | 11,569 | 11,530 | 8,549 | 8,185 | 8,185 | 8,185 |
| Accounts payable | 38,167 | 32,016 | 48,495 | 67,784 | 36,173 | 27,706 | 66,678 | 109,509 | 66,095 | 60,570 | 55,392 | 60,594 | 71,876 | 68,861 | 70,508 |
| Accrued expenses | 45,456 | 48,597 | 50,966 | 58,252 | 52,060 | 42,462 | 62,114 | 81,167 | 80,050 | 74,625 | 78,067 | 108,579 | 55,290 | 57,384 | 58,756 |
| Income taxes payable & other | - | 10,257 | 11,163 | 15,161 | 10,661 | 10,769 | 10,660 | 12,851 | 16,268 | 19,089 | 12,300 | 14,549 | 15,871 | 16,293 | 16,718 |
| Total current liabilities | 84,876 | 101,627 | 123,885 | 145,461 | 107,307 | 89,112 | 152,979 | 222,049 | 180,070 | 165,853 | 157,289 | 192,271 | 151,222 | 150,723 | 154,167 |
| Deferred rent & other | | | | | | | | | | | | | | | |
| Deferred rent & other | 23,339 | 10,071 | 10,055 | 10,987 | 13,431 | 16,786 | 17,376 | 17,611 | 17,927 | 15,694 | 16,618 | 16,223 | 16,373 | 16,543 | 16,713 |
| Deferred income taxes | 16,090 | 16,194 | 16,052 | 15,896 | 13,685 | 14,074 | 12,661 | 12,829 | 10,714 | 12,158 | 10,833 | 11,031 | 11,508 | 12,085 | 12,662 |
| Operating lease liabilities | - | 96,818 | 114,630 | 113,506 | 112,180 | 108,922 | 106,195 | 104,183 | 102,355 | 100,349 | 97,644 | 93,978 | 104,380 | 105,605 | 106,830 |
| Revolver | 42,080 | 26,490 | 44,913 | 91,212 | 32,822 | 74,438 | 27,383 | 25,654 | 27,302 | - | - | 1,600 | 1,600 | 1,600 | 1,600 |
| Term loan | 262,694 | 252,879 | 250,062 | 258,745 | 254,281 | 254,210 | 242,337 | 237,727 | 238,977 | 234,968 | 235,377 | 238,729 | 233,042 | 205,292 | 179,467 |
| Stockholders' equity | | | | | | | | | | | | | | | |
| Stockholders' equity | 279,493 | 276,311 | 263,104 | 247,925 | 236,317 | 200,927 | 194,871 | 211,793 | 230,136 | 233,406 | 241,801 | 255,975 | 261,834 | 301,335 | 341,658 |
| Total liabilities & equity | 708,572 | 780,390 | 822,701 | 883,732 | 770,023 | 758,469 | 753,802 | 831,846 | 807,481 | 762,428 | 759,562 | 809,807 | 779,958 | 793,183 | 813,097 |
| Ratio analysis | | | | | | | | | | | | | | | |
| DSO | 65 | 46 | 46 | 80 | 64 | 40 | 55 | 88 | 66 | 58 | 51 | 75 | 68 | 67 | 67 |
| Inventory turnover | 2.6x | 2.5x | 2.3x | 2.1x | 2.7x | 2.8x | 2.8x | 2.3x | 2.6x | 2.5x | 2.6x | 2.1x | 2.8x | 2.6x | 2.6x |
| Total Debt-To-Total Capital | 52.3% | 51.2% | 53.9% | 58.8% | 55.6% | 62.6% | 59.2% | 57.1% | 55.2% | 51.4% | 50.5% | 49.3% | 48.1% | 41.6% | 35.6% |
| Net cash (debt) per share | \$ (14.59) | \$ (13.85) | \$ (14.49) | \$ (16.97) | \$ (13.68) | \$ (12.13) | \$ (10.55) | \$ (11.24) | \$ (11.44) | \$ (9.92) | \$ (9.80) | \$ (10.94) | \$ (9.41) | \$ (8.02) | \$ (6.17) |
| Book value per share | \$ 13.66 | \$ 13.47 | \$ 12.81 | \$ 12.04 | \$ 11.38 | \$ 9.69 | \$ 9.36 | \$ 9.95 | \$ 10.62 | \$ 10.72 | \$ 11.09 | \$ 11.66 | \$ 11.92 | \$ 13.66 | \$ 15.40 |
| Tangible book value per share | \$ (2.90) | \$ (2.93) | \$ (3.32) | \$ (3.32) | \$ (2.13) | \$ (2.60) | \$ (2.67) | \$ (1.66) | \$ (0.64) | \$ (0.30) | \$ 0.28 | \$ 1.14 | \$ 1.52 | \$ 4.02 | \$ 6.53 |
| Average ROE | 2.2% | 3.5% | 4.1% | 3.5% | 3.6% | 3.1% | 3.7% | 6.9% | 8.5% | 13.2% | 17.2% | 16.6% | 13.8% | 13.9% | 13.2% |

Sources: Company data, Sidoti & Company, LLC estimates

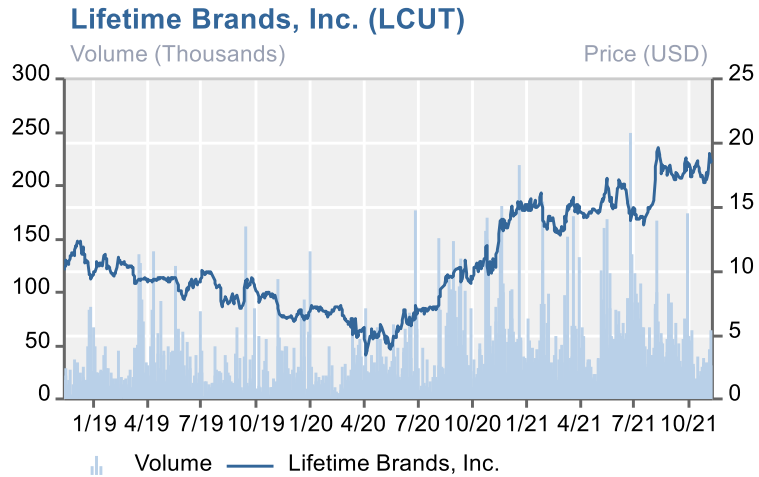
Appendix
Required Disclosures

Required Disclosures

Lifetime Brands, Inc. (LCUT-\$18.73) NR Price Target: \$27 Risk Rating: M

Rating and Price Target History Table

| Action | Date | Px | Rating | PT | Risk Rating |
|------------|----------|------|-----------|----|-------------|
| PT | 3/14/19 | 9.4 | | 20 | |
| PT | 4/10/19 | 9.2 | | 17 | |
| PT | 11/7/19 | 7.3 | | 13 | |
| Rating | 11/27/19 | 15.1 | Suspended | 13 | |
| Initiation | 1/31/20 | 6.5 | NR | 11 | M |
| PT | 3/20/20 | 5.2 | | 9 | |
| PT | 8/6/20 | 7.8 | | 11 | |
| PT | 9/15/20 | 9.4 | | 13 | |
| PT | 11/5/20 | 11 | | 15 | |
| PT | 11/24/20 | 14.1 | | 17 | |
| PT | 2/22/21 | 13.4 | | 17 | |
| PT | 3/10/21 | 15.1 | | 19 | |
| PT | 4/30/21 | 14.7 | | 19 | |
| PT | 5/6/21 | 14.6 | | 21 | |
| PT | 5/21/21 | 15.4 | | 23 | |
| PT | 7/19/21 | 14.2 | | 23 | |
| PT | 8/5/21 | 16.9 | | 25 | |
| PT | 8/20/21 | 17.9 | | 25 | |



Source: FactSet Prices

| | | | |
|------------------|---|--|--------------------------|
| Valuation | We maintain our Moderately Risky rating and raise our price target to \$27 (was \$25). We are encouraged by the better-than-expected bottom-line results for 3Q:21 along with the increased guidance. We continue to argue that LCUT shares remain attractive given the strong annualized EPS gains that we anticipate through 2023 along with the company's ample free cash flow prospects. Our upwardly revised \$27 price target is based on an unchanged 14x (in line with our five-year EPS growth rate projection) our initial 2023 EPS estimate of \$1.92. Our previous \$25 target reflected our prior 2022 EPS estimate of \$1.75. Given the upside potential this target implies, we argue that shares of Lifetime Brands, Inc. remain undervalued. | | |
| Key Risks | The economy | Retailer consolidation and de-stocking | Slow household formation |

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