

Spectrum Brands Holdings, Inc.
Form 10-Q
August 06, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 29, 2014

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 001-34757

Spectrum Brands Holdings, Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	27-2166630 (I.R.S. Employer Identification Number)
3001 Deming Way Middleton, Wisconsin (Address of principal executive offices)	53562 (Zip Code)

(608) 275-3340
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report.)

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 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 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. (Check one):

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

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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 outstanding of the Registrant's common stock, \$.01 par value, as of August 4, 2014, was 52,731,734.

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SPECTRUM BRANDS HOLDINGS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTER ENDED June 29, 2014

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Financial Position

June 29, 2014 and September 30, 2013

(Amounts in thousands, except per share figures)

	June 29, 2014 (Unaudited)	September 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 85,142	\$ 207,257
Receivables:		
Trade accounts receivable, net of allowances \$35,626 and \$37,376, respectively	523,628	481,313
Other	80,979	65,620
Inventories	734,823	632,923
Deferred income taxes	39,133	32,959
Prepaid expenses and other	87,588	62,833
Total current assets	1,551,293	1,482,905
Property, plant and equipment, net of accumulated depreciation of \$253,343 and \$203,897, respectively	440,398	412,551
Deferred charges and other	28,764	26,050
Goodwill	1,484,436	1,476,672
Intangible assets, net	2,136,166	2,163,166
Debt issuance costs	56,085	65,329
Total assets	\$ 5,697,142	\$ 5,626,673
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 121,509	\$ 102,921
Accounts payable	419,551	525,519
Accrued liabilities:		
Wages and benefits	74,322	82,056
Income taxes payable	16,702	32,613
Accrued interest	21,553	36,731

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Other	148,530	172,530
Total current liabilities	802,167	952,370
Long-term debt, net of current maturities	3,215,100	3,115,942
Employee benefit obligations, net of current portion	84,859	96,612
Deferred income taxes	506,694	492,774
Other	28,505	28,879
Total liabilities	4,637,325	4,686,577
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.01 par value, authorized 200,000 shares; issued 54,151 and 53,579 shares, respectively; outstanding 52,710 and 52,210 shares	542	535
Additional paid-in capital	1,409,422	1,410,738
Accumulated deficit	(315,068)	(435,911)
Accumulated other comprehensive loss	(33,997)	(38,521)
	1,060,899	936,841
Less treasury stock, at cost, 1,441 and 1,369 shares, respectively	(44,339)	(39,820)
Total shareholders' equity	1,016,560	897,021
Noncontrolling interest	43,257	43,075
Total equity	1,059,817	940,096
Total liabilities and equity	\$ 5,697,142	\$ 5,626,673

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Operations

For the three and nine month periods ended June 29, 2014 and June 30, 2013

(Unaudited)

(Amounts in thousands, except per share figures)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2014	2013	2014	2013
Net sales	\$ 1,128,509	\$ 1,089,825	\$ 3,250,797	\$ 2,947,849
Cost of goods sold	710,918	706,053	2,089,601	1,949,332
Restructuring and related charges	554	1,013	3,328	4,698
Gross profit	417,037	382,759	1,157,868	993,819
Selling	171,841	165,178	501,759	464,961
General and administrative	78,472	70,429	227,380	197,587
Research and development	12,163	11,486	35,258	31,517
Acquisition and integration related charges	2,671	7,747	14,455	40,558
Restructuring and related charges	3,138	12,232	12,665	23,038
Total operating expenses	268,285	267,072	791,517	757,661
Operating income	148,752	115,687	366,351	236,158
Interest expense	47,344	61,516	151,724	191,758
Other expense, net	2,760	2,613	4,390	7,941
Income from continuing operations before income taxes	98,648	51,558	210,237	36,459
Income tax expense	20,554	15,169	43,841	54,928
Net income (loss)	78,094	36,389	166,396	(18,469)
Less: Net income attributable to non-controlling interest	39	259	242	72
Net income (loss) attributable to controlling interest	\$ 78,055	\$ 36,130	\$ 166,154	\$ (18,541)
Basic earnings (loss) per share:				
Weighted average shares of common stock outstanding	52,710	52,136	52,608	51,992
Net income (loss) per share attributable to controlling interest	\$ 1.48	\$ 0.69	\$ 3.16	\$ (0.36)
Diluted earnings (loss) per share:				
Weighted average shares and equivalents outstanding	53,010	52,701	52,908	51,992
Net income (loss) per share attributable to controlling interest	\$ 1.47	\$ 0.69	\$ 3.14	\$ (0.36)

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Cash dividends declared per common share	\$ 0.30	\$ 0.25	\$ 0.85	\$ 0.50
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See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three and nine month periods ended June 29, 2014 and June 30, 2013

(Unaudited)

(Amounts in thousands)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2014	2013	2014	2013
Net income (loss)	\$ 78,094	\$ 36,389	\$ 166,396	\$ (18,469)
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	8,444	(7,830)	5,594	(25,385)
Unrealized gain (loss) on derivative hedging instruments	(1,485)	1,780	(1,595)	2,858
Defined benefit pension gain (loss)	416	(52)	525	(348)
Other comprehensive income (loss), net of tax	7,375	(6,102)	4,524	(22,875)
Comprehensive income (loss)	85,469	30,287	170,920	(41,344)
Less: Comprehensive income attributable to non-controlling interest	47	259	478	72
Comprehensive income (loss) attributable to controlling interest	\$ 85,422	\$ 30,028	\$ 170,442	\$ (41,416)

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows

For the nine month periods ended June 29, 2014 and June 30, 2013

(Unaudited)

(Amounts in thousands)

	NINE MONTHS ENDED	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$ 166,396	\$ (18,469)
Adjustments to reconcile net income (loss) to net cash used by operating activities, net of effects of acquisitions:		
Depreciation	56,375	42,618
Amortization of intangibles	61,233	57,502
Amortization of unearned restricted stock compensation	27,543	32,566
Amortization of debt issuance costs	8,184	7,210
Non-cash increase to cost of goods sold due to HHI acquisition inventory step up	—	31,000
Write off unamortized discount on retired debt	2,821	885
Write off of debt issuance costs	6,395	4,600
Other non-cash adjustments	3,952	19,518
Net changes in assets and liabilities	(382,076)	(253,069)
Net cash used by operating activities	(49,177)	(75,639)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(50,938)	(45,236)
Acquisition of Liquid Fence, net of cash acquired	(25,254)	—
Acquisition of Shaser, net of cash acquired	—	(48,707)
Acquisition of the HHI Business, net of cash acquired	—	(1,351,008)
Proceeds from sales of property, plant and equipment	9,096	160
Other investing activities	(239)	(1,308)
Net cash used by investing activities	(67,335)	(1,446,099)
Cash flows from financing activities:		
Proceeds from issuance of Term Loan, net of discount	523,658	792,000
Proceeds from issuance of 6.375% Notes	—	520,000
Proceeds from issuance of 6.625% Notes	—	570,000
Payment of senior credit facilities, excluding ABL revolving credit facility	(567,459)	(406,904)
Debt issuance costs	(5,419)	(44,469)
Other debt financing, net	13,897	17,080
Reduction of other debt	(4,415)	(1,970)

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ABL revolving credit facility, net	110,000	69,500
Cash dividends paid	(44,805)	(27,075)
Treasury stock purchases	(4,518)	(200)
Share based payment tax withholding payments	(26,548)	(20,141)
Net cash provided (used) by financing activities	(5,609)	1,467,821
Effect of exchange rate changes on cash and cash equivalents due to Venezuela devaluation	—	(1,870)
Effect of exchange rate changes on cash and cash equivalents	6	(3,181)
Net decrease in cash and cash equivalents	(122,115)	(58,968)
Cash and cash equivalents, beginning of period	207,257	157,961
Cash and cash equivalents, end of period	\$ 85,142	\$ 98,993

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Amounts in thousands, except per share figures)

1 DESCRIPTION OF BUSINESS

Spectrum Brands Holdings, Inc., a Delaware corporation (“SB Holdings” or the “Company”), is a diversified global branded consumer products company. SB Holdings' common stock trades on the New York Stock Exchange (the “NYSE”) under the symbol “SPB.”

The Company’s operations include the worldwide manufacturing and marketing of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic health supplies and the designing and marketing of rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. The Company’s operations also include the manufacturing and marketing of specialty pet supplies. The Company also manufactures and markets herbicides, insecticides and insect repellents in North America. The Company also designs, markets and distributes a broad range of branded small appliances and personal care products. The Company also designs, markets, distributes and sells certain hardware, home improvement and plumbing products. The Company’s operations utilize manufacturing and product development facilities located in the United States (“U.S.”), Europe, Latin America and Asia.

The Company sells its products in approximately 140 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers and enjoys name recognition in its markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8-in-1, Dingo, Nature's Miracle, Spectracide, Cutter, Hot Shot, Black & Decker, George Foreman, Russell Hobbs, Farberware, Black Flag, FURminator, Kwikset, Weiser, Baldwin, National Hardware, Stanley, FANAL and Pfister brands.

The Company's global branded consumer products have positions in seven major product categories: consumer batteries, small appliances, pet supplies, electric shaving and grooming, electric personal care, home and garden controls, and hardware and home improvement.

The Company manages the businesses in four vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of the Company's worldwide battery, electric shaving and grooming, electric personal care and small appliances primarily in the kitchen and home product categories (“Global Batteries & Appliances”); (ii) Global Pet Supplies, which consists of the Company's worldwide pet supplies business (“Global Pet Supplies”); (iii) Home and Garden, which consists of the Company's home and garden and insect control business (“Home and Garden”); and (iv) Hardware & Home Improvement, which consists of the Company's worldwide hardware, home improvement and plumbing business (“Hardware & Home Improvement”). Management reviews the performance of the Company based on these segments, which also reflect the manner in which the Company's management monitors performance and allocates resources. For information pertaining to our business segments, see Note 12, “Segment Results.”

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The condensed consolidated financial statements include the accounts of SB Holdings and its subsidiaries and are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). All intercompany transactions have been eliminated.

These condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at June 29, 2014, the results of operations for the three and nine month periods ended June 29, 2014 and June 30, 2013, the comprehensive income (loss) for the three and nine month periods ended June 29, 2014 and June 30, 2013 and the cash flows for the nine month periods ended June 29, 2014 and June 30, 2013. Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013.

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)

(Amounts in thousands, except per share figures)

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Intangible Assets: Intangible assets are recorded at cost or at fair value if acquired in a purchase business combination. Customer relationships and proprietary technology intangibles are amortized, using the straight-line method, over their estimated useful lives. Excess of cost over fair value of net assets acquired (goodwill) and indefinite lived trade name intangibles are not amortized. Accounting Standards Codification (“ASC”) Topic 350: “Intangibles-Goodwill and Other,” requires that goodwill and indefinite-lived intangible assets be tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. Goodwill is tested for impairment at the reporting unit level, with such groupings being consistent with the Company’s reportable segments. If an impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded. Indefinite lived trade name intangibles are tested for impairment at least annually by comparing the fair value with the carrying value. Any excess of carrying value over fair value is recognized as an impairment loss in income from operations.

The Company’s annual impairment testing is completed at the August financial period end. Management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as unexpected adverse business conditions, economic factors, unanticipated technological change or competitive activities, loss of key personnel, and acts by governments and courts may signal that an asset has become impaired.

Shipping and Handling Costs: The Company incurred shipping and handling costs of \$66,195 and \$194,530 for the three and nine month periods ended June 29, 2014, respectively, and \$67,023 and \$183,050 for the three and nine month periods ended June 30, 2013, respectively. These costs are included in Selling expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited). Shipping and handling costs include costs incurred with third-party carriers to transport products to customers as well as salaries and overhead costs related to activities to prepare the Company’s products for shipment from its distribution facilities.

Concentrations of Credit Risk: Trade receivables subject the Company to credit risk. Trade accounts receivable are carried at net realizable value. The Company extends credit to its customers based upon an evaluation of the customer’s financial condition and credit history, and generally does not require collateral. The Company monitors its customers’ credit and financial condition based on changing economic conditions and makes adjustments to credit policies as required. Provisions for losses on uncollectible trade receivables are determined based on ongoing evaluations of the Company’s receivables, principally on the basis of historical collection experience and evaluations of the risks of nonpayment for a given customer.

The Company has a broad range of customers including many large retail outlet chains, two of which account for a significant percentage of its sales volume. The first customer represented approximately 15% and 16% of the Company’s Net sales during the three and nine month periods ended June 29, 2014, and 17% and 18% of the Company’s Net sales during the three and nine month periods ended June 30, 2013, respectively. The second customer represented approximately 10% and 9% of the Company’s Net sales during the three and nine month periods ended June 29, 2014, and 10% and 7% of the Company’s Net sales during the three and nine month periods ended June 30,

2013, respectively. The first customer represented approximately 11% of the Company's Trade accounts receivable, net at both June 29, 2014 and September 30, 2013, respectively. The second customer represented 15% and 14% of the Company's Trade accounts receivable, net at June 29, 2014 and September 30, 2013, respectively.

Approximately 37% and 41% of the Company's Net sales during the three and nine month periods ended June 29, 2014, respectively, and 37% and 41% of the Company's Net sales during the three and nine month periods ended June 30, 2013, respectively, occurred outside the U.S. These sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for collectability based on an assessment of the risks present.

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)

(Amounts in thousands, except per share figures)

Stock-Based Compensation: The Company measures the cost of its stock-based compensation plans based on the fair value of its employee stock awards and recognizes these costs over the requisite service period of the awards.

Total stock compensation expense associated with restricted stock units recognized by the Company during the three and nine month periods ended June 29, 2014 was \$9,612 and \$27,543, respectively. Total stock compensation expense associated with restricted stock units recognized by the Company during the three and nine month periods ended June 30, 2013 was \$17,807 and \$32,566, respectively.

The Company granted approximately 6 and 442 restricted stock units during the three and nine month periods ended June 29, 2014, respectively. The 442 restricted stock units granted during the nine months ended June 29, 2014 include 91 restricted stock units that vested immediately and 58 time-based restricted stock units that vest over a one year period. The remaining 293 restricted stock units are performance and time-based that vest over a two year period. The total market value of the restricted stock units on the dates of the grants was approximately \$30,593.

The Company granted approximately 30 and 666 restricted stock units during the three and nine month periods ended June 30, 2013, respectively. The 666 restricted stock units granted during the nine months ended June 30, 2013 include 22 time-based restricted stock units that vest over a one year period. Of the remaining 644 restricted stock units, 90 are performance-based that vest over a one year period and 554 restricted stock units are performance and time-based that vest over a two year period. The total market value of the restricted stock units on the dates of the grants was approximately \$30,189.

The fair value of restricted stock units is determined based on the market price of the Company's shares of common stock on the grant date. A summary of the activity in the Company's non-vested restricted stock units during the nine months ended June 29, 2014 is as follows:

Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date
Non-vested restricted stock units at September 30, 2013	1,118	\$ 39.11	\$ 43,723
Granted	442	69.21	30,593
Vested	(949)	39.65	(37,629)
Non-vested restricted stock units at June 29, 2014	611	\$ 60.04	\$ 36,687

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)

(Amounts in thousands, except per share figures)

Acquisition and Integration Related Charges: Acquisition and integration related charges reflected in Operating expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited) include, but are not limited to, transaction costs such as banking, legal, accounting and other professional fees directly related to acquisitions, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination expenses associated with mergers and acquisitions.

The following table summarizes acquisition and integration related charges incurred by the Company during the three and nine month periods ended June 29, 2014 and June 30, 2013:

	Three Months Ended		Nine Months Ended	
	2014	2013	2014	2013
Russell Hobbs				
Integration costs	\$ —	\$ 695	\$ —	\$ 2,630
Employee termination charges	—	(35)	—	224
Legal and professional fees	—	(78)	—	12
Russell Hobbs Acquisition and integration related charges	\$ —	\$ 582	\$ —	\$ 2,866
HHI Business				
Legal and professional fees	222	4,663	1,912	25,650
Integration costs	3,105	1,615	9,283	5,292
Employee termination charges (credits)	—	13	(19)	103
HHI Business Acquisition and integration related charges	\$ 3,327	\$ 6,291	\$ 11,176	\$ 31,045
Liquid Fence	692	—	2,397	—
Shaser	224	161	801	4,534
FURminator	1	372	53	1,605
Black Flag	—	52	—	90
(Credits) Other	(1,573)	289	28	418
Total Acquisition and integration related charges	\$ 2,671	\$ 7,747	\$ 14,455	\$ 40,558

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)

(Amounts in thousands, except per share figures)

3 COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes foreign currency translation gains and losses on assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as a hedge of a net investment in a foreign subsidiary, deferred gains and losses on derivative financial instruments designated as cash flow hedges and amortization of deferred gains and losses associated with the Company's pension plans. The foreign currency translation gains and losses for the three and nine month periods ended June 29, 2014 and June 30, 2013 were principally attributable to the impact of translation of the net assets of the Company's European and Latin American operations, which primarily have functional currencies in Euros, Pounds Sterling and Brazilian Real.

For information pertaining to the reclassification of unrealized gains and losses on derivative instruments, see Note 8, "Derivative Financial Instruments."

The components of Other comprehensive income (loss), net of tax, for the three and nine month periods ended June 29, 2014 and June 30, 2013 are as follows:

	Three Months Ended		Nine Months Ended	
	2014	2013	2014	2013
Foreign Currency Translation Adjustments:				
Net change after reclassification adjustment	\$ 8,444	\$ (7,830)	\$ 5,594	\$ (25,385)
Deferred tax effect	—	—	—	—
Deferred tax valuation allowance	—	—	—	—
Other Comprehensive Income (Loss)	8,444	(7,830)	5,594	(25,385)
Noncontrolling interest	8	—	236	—
Comprehensive income (loss) attributable to controlling interest	\$ 8,436	\$ (7,830)	\$ 5,358	\$ (25,385)
Derivative Hedging Instruments:				
Gross change before reclassification adjustment	\$ (3,002)	\$ 3,193	\$ (3,919)	\$ 4,595
Net reclassification adjustment for (gains) losses included in earnings	1,273	(507)	2,156	(80)
Gross change after reclassification adjustment	(1,729)	2,686	(1,763)	4,515
Deferred tax effect	332	(450)	220	(1,566)
Deferred tax valuation allowance	(88)	(456)	(52)	(91)
Other Comprehensive Income (Loss)	\$ (1,485)	\$ 1,780	\$ (1,595)	\$ 2,858

Defined Benefit Pension Plans:

Gross change before reclassification adjustment	\$ 175	\$ (575)	\$ (416)	\$ (2,164)
Net reclassification adjustment for losses included in Cost of goods sold	153	326	460	979
Net reclassification adjustment for losses included in Selling expenses	78	41	234	122
Net reclassification adjustment for losses included in General and administrative expenses	156	152	467	456
Gross change after reclassification adjustment	562	(56)	745	(607)
Deferred tax effect	(146)	(38)	(220)	205
Deferred tax valuation allowance	—	42	—	54
Other Comprehensive Income (Loss)	\$ 416	\$ (52)	\$ 525	\$ (348)
Total Other Comprehensive Income (Loss), net of tax	\$ 7,367	\$ (6,102)	\$ 4,288	\$ (22,875)

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)

(Amounts in thousands, except per share figures)

4 NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share of the Company for the three and nine month periods ended June 29, 2014 and June 30, 2013 is calculated based upon the following number of shares:

	Three Months Ended		Nine Months Ended	
	2014	2013	2014	2013
Basic	52,710	52,136	52,608	51,992
Effect of common stock equivalents	300	565	300	—
Diluted	53,010	52,701	52,908	51,992

For the nine month period ended June 30, 2013, the Company has not assumed any dilution associated with outstanding common stock equivalents as the impact would be antidilutive due to the loss reported. The dilutive impact of common stock equivalents would have been 556 shares for the nine month period ended June 30, 2013, if not for the GAAP loss reported.

5 INVENTORIES

Inventories for the Company, which are stated at the lower of cost or market, consist of the following:

	June 29, 2014	September 30, 2013
Raw materials	\$ 123,790	\$ 97,290
Work-in-process		