

HELEN OF TROY, LTD.

**Moderator: Robert Spear
December 9, 2010
10:00 am CT**

Operator: Good morning and welcome, ladies and gentlemen, to the Helen of Troy conference call for December 9, 2010. At this time, I'd like to inform you that all participants are in a listen only mode.

At the request of the company, we will open the conference up for questions and answers after the presentation.

Our speakers for this morning's conference call are Gerald Rubin, Chairman, Chief Executive Officer and President; Tom Benson, Senior Vice President and Chief Financial Officer; Robert Spear, Senior Vice President and Chief Information Officer; Richard Katzman, Chairman, Kaz, Inc.; Julien Mininberg, Chief Executive Officer, Kaz, Inc.

I will now turn the conference over to Robert Spear. Please go ahead, sir.

Robert Spear: Good morning everyone and welcome to Helen of Troy's conference call for December 9.

The agenda for this morning's conference call is as follows. We'll have a brief forward looking statement review followed by Mr. Rubin who will discuss the planned acquisition details and presentation. Following that, we'll have- we'll open it up for questions and answers for those with any further questions.

Safe harbor statement - this conference call may contain certain forward looking statements that are based on management's current expectation with respect to future events or financial performance. A number of risks or uncertainties could cause actual results to differ materially from historical or anticipated results. Generally the words "anticipates, believes, expects" and other similar words identify forward looking statements. Forward looking statements are subject to risks that could cause such statements to differ materially from actual. This conference call may also include information that may be considered non-GAAP financial information. Any non-GAAP measures that are - non-GAAP measures are not an alternative to GAAP financial information and may be calculated differently than the non-GAAP financial information disclosed by other companies. The company cautions listeners to not place undue reliance on the forward looking statements or non-GAAP information.

Before I turn the conference call over to our Chairman, Mr. Rubin, I would like to inform all interested parties that a copy of today's release has been posted to our Web site at www.hotus.com.

The release contains - may contain tables that are - reconcile non-GAAP measures to their corresponding GAAP base measures. The release can also be accessed by selecting the investor relations tab on our homepage and then the news tab.

I will now turn the conference over to Mr. Gerald Rubin, Chairman, CEO and President of Helen of Troy.

Gerald Rubin: Thank you, Bob and good morning to everyone. Helen of Troy Limited today announced that it has entered into a definitive merger agreement to acquire the business of Kaz, Inc. for \$260 million in cash. The acquisition is expected to close by December 31, 2010.

Based in Southborough, Massachusetts Kaz is a world leader in providing healthcare and home environment consumer solutions. Kaz markets its products to leading retailers under a variety of brand names including Vicks and Braun under the license from Procter & Gamble Company and Honeywell under license from Honeywell. And they also own the Stinger, SoftHeat and Kaz brands. Product categories include vaporizers, humidifiers, digital, infrared and noninvasive thermometers. Blood pressure monitors, hot/cold healthcare therapy, air purifiers, seasonal humidifiers, heaters, fans and dehumidifiers and lawn and garden products. Kaz products are sold in the United States and throughout the world.

Sales for the next 12 months ending December 31, 2011 are expected to exceed \$400 million. The acquisition is expected to be accretive to Helen of Troy's earnings per share in fiscal year February 29, 2010.

What an historic day this is for the Helen of Troy organization. We are very excited about welcoming the Kaz organization into Helen of Troy. Kaz is a world class business with excellent leadership, with significant potential for growth both domestically and internationally.

We are pleased the Julien Mininberg, the Chief Executive Officer of Kaz and his talented management team will be joining our Helen of Troy family. Kaz business and culture will continue to operate as it has in the past.

Helen of Troy through the addition of the Kaz business will have combined annual net sales revenue in excess of \$1.1 billion in fiscal 2010.

Helen of Troy and Kaz are committed together to build a world class consumer products company that uses its impressive stable of global brands, its outstanding people and its strong capabilities to drive shareholder value.

I now would like to turn the conference call over to Richard Katzman who is the Chairman of Kaz and the grandson of the founder. Richard?

Richard Katzman: Thank you, Jerry. After 84 years as a family business, this was obviously a big decision for us. And we are delighted that Kaz will continue to operate as an important business unit of Helen of Troy. We've admired Helen of Troy as a top performer in our industry for many years.

We've gotten to know Jerry and his team during these past couple of months. They're smart, experienced people with similar core values and entrepreneurial spirit to Kaz. This is a great fit in our opinion.

Gerald Rubin: Now I'd like to turn the conference call over to Julien Mininberg who is the CEO of Kaz. Julien?

Julien Mininberg: Thank you, Jerry. Kaz is very excited about this acquisition. We see the power of an outstanding and now broader portfolio of world class brands making an even bigger difference in the marketplace than they do today.

Kaz's management team and I are very happy to be joining the Helen of Troy family and we see very bright prospects ahead. Both companies will be stronger together and they'll have an opportunity to leverage the exciting capabilities that Kaz brings, that Helen of Troy already has. And together the two have a very bright future.

Gerald Rubin: Thank you, Julien. I wanted to let everybody know that there's an investor presentation that we have posted on the Helen of Troy Web site. And so if you all would like to go to that it's on www.hotus.com. I'd like to go through some of the highlights of the investor presentation for you all.

I'd like to tell you about the transaction summary. The purchase price is \$260 million. The closing as I mentioned, will close by the end of the year. Our estimated synergies are in excess of \$10 million to be achieved in the second full year of operation.

And the transaction metrics are that we are acquiring net sales of \$419 million, which is seven times adjusted EBITDA or 5.5 times the synergized adjusted EBITDA. We expect the - it to be accretive to the earnings per share in the amount of 40 to 50 cents for the first full fiscal year of ownership. And Helen of Troy and Kaz combined for fiscal year 2010 EPS estimates are - from us are \$3.40 to \$3.50.

A little history on Kaz - Kaz was founded in 1926 by Max Katzman, the inventor of the electric vaporizer. It's headquartered in Southborough, Massachusetts. And its channels of distribution are well aligned with Helen of Troy's distribution footprint across the drug and mass channels. They have a fully outsourced manufacturing operation as does Helen of Troy.

In geography, their global footprint with - they have offices in the US, Europe, Canada, Asia-Pacific and Latin America. The breakdown of the Kaz sales are in: healthcare it's 57%, made up of Vicks, Braun and SoftHeat, and 43% in home environment from Honeywell.

Kaz is a very highly compelling strategic fit with Helen of Troy. It fits the Helen of Troy business model which is: strong brand equity, which they have, leading market positions which they have, products with recurring revenue streams, which Kaz has; low cost manufacturing and sourcing, which they have; robust processes, controls and measurements which they have; value added through brand equity and continuous improvement process which they have; and broad distribution around the globe, in over 70 countries, which they have.

We're leveraging the power of the \$ three billion dollar global licensed brands. Vicks is a billion dollar healthcare powerhouse for P&G. It has global brand equity and its number one in pharmacy humidifiers and stick thermometers in North America. Braun is a billion dollar global recognized brand for P&G. It's number one with doctors and consumers. Welch Allyn has a professional partnership with Braun and they're number one in noninvasive thermometers in North America and Europe. Honeywell is a global brand recognized for highly engineered products. There's high brand awareness in key markets and longstanding retail consumer credibility. They're number one in air purifiers in the US, Canada and Taiwan and number one in heaters and fans in Canada.

The results of the merger will give us \$1.1 billion worth of sales. And the breakdown will be that home environment will become 16% of Helen of Troy sales; Housewares, which is our OXO division, will become 19% of our sales; healthcare - Vicks and the Braun license will be in healthcare – will be 22%; and our Helen of Troy personal care, made up of our appliances and our liquids, will become 43%. Our geographic diversification will be that we will have sales in the US of 73% and international, 27%.

The strategic implications are we are creating a billion dollar diversified consumer products company. Its entry to attractive new product segments - as I mentioned, 57% of Kaz sales are in healthcare, 43% of their sales are in home environment. They have a deep pipeline of product innovation.

There's a diversification of geographic footprint because of this acquisition our non-US sales will more than double with the acquisition. And our European operations represent a platform to expand existing businesses.

We're adding to the stable of global power brands which we have, with strong licensing relationships. Vicks as I mentioned, is a billion dollar global brand. Braun is number one with

doctors and consumers. The Honeywell brand is globally recognized for highly engineered products.

And it opens potential new categories and adjacencies for future licensing expansion. And we have significant synergy potential and geographic overlap in regional offices, supply chain, corporate and back office.

So Helen of Troy, which has a strong financial performance and cash generation, proven success in license brand stewardship and deep relations with the trade, is now having a transformational acquisition by adding Vicks, Braun and Honeywell.

And together we will be a billion dollar consumer goods company, a portfolio of well known, broadly distributed, market leading brands, strong innovation pipeline and a successful acquirer which is Helen of Troy.

I now would like to turn the conference call over for questions operator.

Operator: Thank you. The question and answer session will begin now. If you are using a speakerphone, please pick up your handset before pressing any numbers. Should you have a question, press star 1 on your push button phone. Should you wish to withdraw your question, please press star 2. Your question will be taken in the order it is received. Please stand by for your first question.

Our first question comes from Lee Giordano from Imperial Capital.

Lee Giordano: Hi, thanks. Congratulations. It's Lee Giordano.

Gerald Rubin: Okay.

Lee Giordano: Can you talk a little bit more about the synergy potential and give it a little bit of a breakdown between the revenue synergies and the cost synergies, what that might be?

Tom Benson: This is Tom Benson. As Jerry mentioned, Helen of Troy and Kaz has operations in many of the similar locations. So from a revenue standpoint, as we work with our customers, we'll have a larger portfolio to offer them. We feel we would become even more important to the customers.

We'll have a greater focus and the ability to have more dedicated resources in the various regions as combined we have a bigger sales footprint. So we feel that the combined focus and size will be very beneficial for our customers and our shareholders.

On the cost synergy side again, both organizations have operations in many of the same areas. We are going to put together an integration team from both companies, review the operations and see what is the best structure.

But as Jerry mentioned, we feel that there are opportunities from the corporate standpoint, from the back office standpoint. Sourcing we will be more important to the vendors since we will represent a bigger share of purchases from those vendors.

And we - you have quality control engineering operations. So we are in similar type of products -- a very large portion of Helen of Troy's products are sourced from Asia and a very large portion of Kaz products are sourced from Asia.

Lee Giordano: Great. And could you talk a little bit about the growth rate at Kaz historically, and then also can it breakdown how - in the categories they operate in with the growth rate as their overall in the industry?

Gerald Rubin: Julien, maybe you could answer it better?

Julien Mininberg: Sure. Starting with the historical growth rate at Kaz - Kaz has been growing at about a 16% annual clip on a compound annual growth rate basis over the last 30 years.

Of course there are all kinds of ups and downs during those years, but over a multi-decade trend; proven over and over again, in all kinds of economic environments through acquisitions bringing on new licenses and expanding globally. That combined with a lot of innovation and global expansion has fueled a lot of growth at Kaz over very long periods of time.

Tom Benson: This is Tom Benson. Recently, in the tough economy, Kaz has been flat for the last few years. But it - that - when you just look at the numbers, it really doesn't tell the story. Kaz has gone through substantial changes in their business over the last four and five years. They have exited a number of product lines and come up with very new and innovative products. So sales have been flat the last few years but there's really been a transformation of the business and product lines. Their new products have been very successful.

They have a very strong pipeline of products coming out. So the numbers will show flat over the last few years but the story is really it's been a transformation and exiting certain lower margin businesses.

Lee Giordano: Okay. And then just lastly, on the financing of the transaction, can you talk a little bit about how much cash you'll use from working capital and how much debt you'll be taking on and potentially what the cost of the debt might be? Thanks.

Tom Benson: Sure. This is Tom Benson again. The - we're targeting a year end closing. We have committed financing facilities in place with our bank. We have - currently we have excess cash on our balance sheet.

I can't say exactly how much cash we're going to use because, you know, there's change in working capital. But we'll probably use about - at least \$70 million of cash we have. And the rest will be financed with loans. The effective interest rate will be - the blended interest rate will be about 3%.

Some of the financing is going to be fixed and some is going to be variable. So as rates - and I'll say as rates go up, I don't know if they can go any lower - the variable portion could increase over time.

Lee Giordano: Thanks a lot and congratulations again.

Gerald Rubin: Thank you Lee.

Operator: Our next question comes from Steven Friedman with Wells Fargo Advisors.

Steven Friedman: Good morning Jerry and Tom. Congratulations on what I believe to be your biggest acquisition.

Gerald Rubin: It is. Thank you very much.

Steven Friedman: Thank you. You've indicated that this will be accretive to your fiscal 2012 year. Could - and if I'm correct, I think you said Jerry about 40 to 50 cents for the full year. Is that correct?

Tom Benson: That's correct -- this is Tom Benson -- for the fiscal year ending February 2012.

Steven Friedman: Okay. And I think I heard also a \$3.40 to \$3.50 projection. Is that on the combined companies for fiscal 2012 also?

Tom Benson: Yes, Steve.

Steven Friedman: Okay. Could you also tell me on the gross margins, are the gross margins more comparable to OXO or the personal care line or is it - or the mix will be a blend of both?

Tom Benson: The Kaz gross margins are below the Helen of Troy combined gross margins currently. As I mentioned earlier, Kaz has a very exciting pipeline of new products. And so the goal is over time to increase gross margins.

But they're - initially they're going to be less than the Helen of Troy combined gross margins. And they would be more towards our appliance area than our liquids and lotions or OXO area.

Steven Friedman: All right and just one more. Besides the intangibles that obviously will be written off, do you see any addition to your fourth quarter 2011 ending in February, the first quarter that you will be together? Do you see any addition?

Gerald Rubin: Steve if we close at the end of the year which we're all targeting, Kaz will be in our earnings for two months. During that time we're - the rules require that we expense transaction costs and other costs related.

So we're not putting out an estimate that they're going to have any meaningful impact for the first two months. And we're not exactly positive on the closing date. And there are transaction costs that no longer can be capitalized. They'd have to be expensed.

Steven Friedman: All right. Once again, thank you very much for taking my questions and congratulations on a tremendous acquisition.

Gerald Rubin: Thank you, Steve.

Operator: And again just as a reminder, that is star 1 if you'd like to ask a question. We'll move next to Jason Gere with RBC Capital Markets.

Joe: Good morning gentlemen. This is actually Joe Spak for Jason.

Gerald Rubin: Hi Joe.

Joe Spak: Good morning. Can you just talk a little bit more about the growth opportunity? Forecast how you plan to, you know, leverage the new channels. Is it really just being able to go to the consumer with the broader portfolio? Are there areas where they're under-penetrated?

And then if you could also comment on how you see international growth progressing?

Gerald Rubin: Well, with the combination of Helen of Troy and Kaz, you know, we do have a broader distribution base around the world. They are much stronger internationally than we are and so I know that the combination will help both of us to sell more products internationally.

That's why our international business is going to grow from 21% to 27% and possibly get higher as time goes on.

You know, we believe that their synergies, as I mentioned, in sourcing and in staffing and in areas that we believe that what happens when the two companies get together that there's always synergies. You know, we do sell in 70 different countries.

I know we will be stronger internationally but I believe that we'll be stronger also in North America because of the combination of what we have. We'll be more important to the retailers. We'll have more shelf space. And we will, you know, certainly it'll lead to more business.

Also Kaz and as Helen of Troy does, they have a lot of new products that are going to be coming online. And that's - we're very hopeful of all of the new products which we haven't disclosed, but will be coming out under the Kaz licenses.

And we think there's a lot of growth in the new product area that we're going to have combined.

Joe Spak: Does it also open new channels domestically or do you pretty much sell to similar retailers here in the US?

Gerald Rubin: We basically sell to the same retailers. There are some that they do sell that we don't sell and vice versa. But for the majority of the drug and the mass distribution we do have similar outlets. And, you know, they may be stronger in some of the retailers, we're stronger in others. And that's why I think the combination is going to work very, very well.

Joe Spak: Okay, great. And then I just wanted to confirm or clarify rather, you know, the 40 to 50 cents in fiscal 2012. But then you also talked about, you know, the \$10 million in synergies really, you know, in full force in the second full year, if I heard that correct. So I mean how do these synergies ramp up, what level are you assuming in your fiscal 2012?

Tom Benson: This is Tom Benson. The synergies take a period of time to implement, and some of them have certain costs to implement. So we're assuming maybe a \$5 million savings during the first year and the full benefit during the second year.

Joe Spak: Okay, great. And then just last one, what - how should we think about the tax rate going forward now in 2012? Is there any changes or is it still sort of at low double digit tax rate?

Tom Benson: The tax rate for Kaz is the - going to be higher than the Helen of Troy current tax rate.

We're looking at a tax rate on Kaz of about 20% on the Kaz portion.

Joe Spak: So is it...

Tom Benson: So that will drive our effective tax rate up.

Joe Spak: Okay. And it - and it's fair to just sort of blend that - blend that rate?

Tom Benson: Yeah. You can blend it and go from there.

Joe Spak: Okay.

Gerald Rubin: Okay?

Joe Spak: Thank you very much gentlemen.

Gerald Rubin: Sure.

Tom Benson: Thank you.

Operator: Our next question will come from Doug Lane with Jefferies & Co.

Doug Lane: Hi. Good morning everybody. I wondered if I could ask the Kaz management to give us some background on what precipitated the transaction, what motivated selling the company after 80 some years and just the general timing and the process behind the whole sale.

Richard Katzman: We have a private equity investor, Center Partners, that's been with us for about eight years, and has - they helped us facilitate our acquisition of the Honeywell consumer products business in 2002. So that was a big bite for Kaz at that point.

And we've successfully integrated that business and then acquired the Braun business after that. So it's been a great partnership with Center Partners. But like - they had a minority share of the business. And the goal was to help them facilitate their exit of this investment in, you know, the next, you know, one year period or so. We've been talking to them for a while about it and they've been in - that's - they really wanted to cash out their investment.

So as part of that process we wanted to do right by our shareholders and just establish what the correct value was and touch base with a very, very limited number of potential strategic partners. And we got into a dialogue with Helen of Troy and that's where we are today.

Doug Lane: Okay. Thank you very much. That's good color. I appreciate it.

Operator: And again, as a reminder, that is star 1 if you'd like to ask a question. We will move next to Bruce Silver with Silver Capital.

Bruce Silver: Thank you. I wanted to ask you, what about any bonuses or anything - any management changes and any conversation being given to the management at Kaz?

Tom Benson: The - this is Tom Benson.

Bruce Silver: Yes?

Tom Benson: The management of Kaz were shareholders through - between the stock and - restricted stock units and various things like that. So the management of Kaz are also cashing out. There are - is really the transactional bonuses for Kaz. There is no transactional bonuses for Kaz.

They do have incentive plans that they're earning against for the performance this year. And so that's just part of their compensation. And for the - if the management that leave or other employees that leave there will be appropriate severance plans.

Bruce Silver: Okay, thank you.

Operator: And it does appear that there are no further questions at this time. I will turn the conference back to Gerald Rubin for - to conclude.

Gerald Rubin: Thank you, Operator and thank you to everybody for participating in our investor conference. And we hope to report, I believe in January, our third quarter sales and earnings and I appreciate everybody who participated on the call. Thank you.

Operator: Ladies and gentlemen, if you wish to access the replay for this call, you may do so by dialing 888-203-1112 with replay passcode 8457177.

This concludes our conference call for today. Thank you all for your participating and have a nice day. All parties may disconnect now.

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