WD 40 CO
Form 10-Q
July 09, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 2015

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: 000-06936

WD-40 COMPANY

(Exact name of registrant as specified in its charter)

Delaware	95-1797918
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification No.)
1061 Cudahy Place, San Diego, California	92110
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (619) 275-1400

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of outstanding shares of the registrant's common stock, par value $0.001 per share, as of July 2, 2015 was 14,488,132.

WD-40 COMPANY

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended May 31, 2015

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

WD-40 COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited and in thousands, except share and per share amounts)

	May 31, 2015	August 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 46,917	$ 57,803
Short-term investments	48,261	45,050
Trade and other accounts receivable, less allowance for doubtful accounts of $424 and $406 at May 31, 2015 and August 31, 2014, respectively	62,213	63,618
Inventories	33,203	34,989
Current deferred tax assets, net	5,709	5,855
Other current assets	4,066	8,339
Total current assets	200,369	215,654
Property and equipment, net	11,214	9,702
Goodwill	96,440	95,499
Other intangible assets, net	23,749	23,671
Other assets	3,262	3,154
Total assets	$ 335,034	$ 347,680
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 18,502	$ 18,031
Accrued liabilities	15,937	18,382
Revolving credit facility, current portion	-	98,000
Accrued payroll and related expenses	11,186	15,969
Income taxes payable	28	1,529
Total current liabilities	45,653	151,911
Revolving credit facility	108,000	-
Long-term deferred tax liabilities, net	23,142	24,253
Other long-term liabilities	2,250	2,101
Total liabilities	179,045	178,265
Commitments and Contingencies (Note 11)		
Shareholders' equity:		
Common stock authorized 36,000,000 shares, $0.001 par value; 19,527,923 and 19,464,310 shares issued at May 31, 2015 and August 31, 2014, respectively; and 14,481,172 and 14,754,362 shares outstanding at May 31, 2015 and August 31, 2014, respectively	20	19

Additional paid-in capital	140,147	136,212
Retained earnings	254,503	237,596
Accumulated other comprehensive income (loss)	(7,280)	1,103
Common stock held in treasury, at cost 5,046,751 and 4,709,948 shares at May 31, 2015 and August 31, 2014, respectively	(231,401)	(205,515)
Total shareholders' equity	155,989	169,415
Total liabilities and shareholders' equity	$ 335,034	$ 347,680

See accompanying notes to condensed consolidated financial statements.

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WD-40 COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share amounts)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales	$ 92,485	$ 95,650	$ 286,169	$ 285,375
Cost of products sold	43,213	46,511	135,963	138,005
Gross profit	49,272	49,139	150,206	147,370
Operating expenses:				
Selling, general and administrative	26,640	26,887	81,424	80,237
Advertising and sales promotion	5,506	6,465	16,906	18,081
Amortization of definite-lived intangible assets	754	684	2,280	1,930
Total operating expenses	32,900	34,036	100,610	100,248
Income from operations	16,372	15,103	49,596	47,122
Other income (expense):				
Interest income	113	136	425	425
Interest expense	(343)	(268)	(912)	(709)
Other expense	(444)	(11)	(1,785)	(454)
Income before income taxes	15,698	14,960	47,324	46,384
Provision for income taxes	4,733	4,554	14,240	14,179
Net income	$ 10,965	$ 10,406	$ 33,084	$ 32,205
Earnings per common share:				
Basic	$ 0.75	$ 0.69	$ 2.25	$ 2.11
Diluted	$ 0.75	$ 0.69	$ 2.24	$ 2.10
Shares used in per share calculations:				
Basic	14,546	14,977	14,616	15,152
Diluted	14,615	15,051	14,685	15,229

Dividends declared per common share	$ 0.38	$ 0.34	$ 1.10	$ 0.99

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited and in thousands)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net income	$ 10,965	$ 10,406	$ 33,084	$ 32,205
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(137)	805	(8,383)	7,235
Total comprehensive income	$ 10,828	$ 11,211	$ 24,701	$ 39,440

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited and in thousands, except share and per share amounts)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive Income	Treasury Stock		Total Shareholders'
	Shares	Amount	Capital	Earnings	(Loss)	Shares	Amount	Equity
Balance at August 31, 2014	19,464,310	$ 19	$ 136,212	$ 237,596	$ 1,103	4,709,948	$ (205,515)	$ 169,415
Issuance of common stock under share-based compensation plan, net of shares withheld for taxes	63,613	1	821					822
Stock-based compensation			2,205					2,205
Tax benefits from settlements of stock-based equity awards			909					909
Cash dividends ($1.10 per share)				(16,177)				(16,177)
Acquisition of treasury stock						336,803	(25,886)	(25,886)
Foreign currency translation adjustment					(8,383)			(8,383)
Net income				33,084				33,084
Balance at May 31, 2015	19,527,923	$ 20	$ 140,147	$ 254,503	$ (7,280)	5,046,751	$ (231,401)	$ 155,989

See accompanying notes to condensed consolidated financial statements.

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WD-40 COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Nine Months Ended May 31,	
	2015	2014
Operating activities:		
Net income	$ 33,084	$ 32,205
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,824	4,337
Net gains on sales and disposals of property and equipment	(82)	(41)
Deferred income taxes	(1,229)	(330)
Excess tax benefits from settlements of stock-based equity awards	(906)	(824)
Stock-based compensation	2,205	1,942
Unrealized foreign currency exchange losses (gains), net	2,393	(159)
Provision for bad debts	214	174
Changes in assets and liabilities:		
Trade and other accounts receivable	(3,787)	(3,681)
Inventories	1,078	(4,716)
Other assets	3,817	(1,616)
Accounts payable and accrued liabilities	(1,596)	21
Accrued payroll and related expenses	(5,003)	(6,924)
Income taxes payable	130	1,718
Other long-term liabilities	184	17
Net cash provided by operating activities	35,326	22,123
Investing activities:		
Purchases of property and equipment	(4,068)	(3,023)
Proceeds from sales of property and equipment	420	250
Purchase of intangible assets	-	(1,789)
Acquisition of business	(3,705)	-
Purchases of short-term investments	(8,167)	(5,756)
Maturities of short-term investments	1,636	914
Net cash used in investing activities	(13,884)	(9,404)
Financing activities:		
Treasury stock purchases	(25,886)	(30,482)
Dividends paid	(16,177)	(15,096)
Proceeds from issuance of common stock	1,483	1,265

Excess tax benefits from settlements of stock-based equity awards	906	824
Proceeds from revolving credit facility	10,000	20,000
Net cash used in financing activities	(29,674)	(23,489)
Effect of exchange rate changes on cash and cash equivalents	(2,654)	2,231
Net decrease in cash and cash equivalents	(10,886)	(8,539)
Cash and cash equivalents at beginning of period	57,803	53,434
Cash and cash equivalents at end of period	$ 46,917	$ 44,895

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. The Company

WD-40 Company ("the Company"), based in San Diego, California, is a global marketing organization dedicated to creating positive lasting memories by developing and selling products which solve problems in workshops, factories and homes around the world. The Company markets its multi-purpose maintenance products and its homecare and cleaning products under the following well-known brands: WD-40®, 3-IN-ONE®, GT85®, X-14®, 2000 Flushes®, Carpet Fresh®, no vac®, Spot Shot®, 1001®, Lava® and Solvol®. Currently included in the WD-40 brand are the WD-40 multi-use product and the WD-40 Specialist® and WD-40 BikeTM product lines.

The Company's brands are sold in various locations around the world. Multi-purpose maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the United Kingdom ("U.K.") and Australia. The Company's products are sold primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers, independent bike dealers and industrial distributors and suppliers.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Consolidation

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. The August 31, 2014 year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

In the opinion of management, the unaudited financial information for the interim periods shown reflects all adjustments necessary for a fair statement thereof and such adjustments are of a normal recurring nature. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014, which was filed with the SEC on October 21, 2014.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the 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. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

Foreign Currency Forward Contracts

In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency exchange rates. The Company's U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure in converting forecasted cash balances denominated in non-functional currencies. The principal currency affected is the Euro. The Company regularly monitors its foreign currency exchange rate exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Foreign currency forward contracts are carried at fair value, with net realized and unrealized gains and losses recognized currently in other income (expense) in the Company's condensed consolidated statements of operations. Cash flows from settlements of foreign currency forward contracts are included in operating activities in the condensed consolidated statements of cash flows. Foreign currency forward contracts in an asset position at the end of the reporting period are included in other current assets, while foreign currency forward contracts in a liability position at the end of the reporting period are included in accrued liabilities in the Company's condensed consolidated balance sheets. At May 31, 2015, the Company had a notional amount of $6.7 million outstanding in foreign currency forward contracts, which mature from June through August 2015. Unrealized net gains and losses related to foreign currency forward contracts were not significant at May 31, 2015 and August 31, 2014. Realized net gains and losses related to foreign currency forward contracts were not material for each of the three and nine month periods ended May 31, 2015 and 2014.

Fair Value Measurements

Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company categorizes its financial assets and liabilities measured at fair value into a hierarchy that categorizes fair value measurements into the following three levels based on the types of inputs used in measuring their fair value:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data; and

Level 3: Unobservable inputs reflecting the Company's own assumptions.

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of May 31, 2015, the Company had no assets or liabilities that are measured at fair value in the financial statements on a recurring basis, with the exception of the foreign currency forward contracts, which are classified as Level 2 within the fair value hierarchy. The carrying values of cash equivalents, short-term investments and short-term borrowings are recorded at cost, which approximates their fair values primarily due to their short-term maturities and are classified as Level 2 within the fair value hierarchy. During the nine months ended May 31, 2015, the Company did not record any significant nonrecurring fair value measurements for assets or liabilities in periods subsequent to their initial recognition.

Recently Adopted Accounting Standards

In July 2013, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists", which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The new rule requires companies to present in the financial statements an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward except to the extent such items are not available or not intended to be used at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position. In such instances, the unrecognized tax benefit is required to be presented in the financial statements as a liability and not be combined with deferred tax assets. The adoption of this authoritative guidance did not have a material impact on the Company's consolidated financial statement and related disclosures.

Recently Issued Accounting Standards

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles-Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement", which provides guidance on accounting for fees paid by a customer in a cloud computing arrangement. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for fiscal years beginning after

December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating the potential impacts of this new guidance on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis”, which amends existing consolidation guidance for reporting organizations such as limited partnerships and other similar entities that are required to evaluate whether they should consolidate certain legal entities. This guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. The Company has evaluated the potential impacts of this updated guidance, and it does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers”, which supersedes the revenue recognition requirements in ASC 605, “Revenue Recognition”. The core principle of this updated guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new rule also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Companies are permitted to adopt this new rule following either a full or modified retrospective approach. Early adoption is not permitted. The Company is in the process of evaluating the potential impacts of this updated authoritative guidance on its consolidated financial statements.

Note 3. Inventories

Inventories consist primarily of raw materials and components, finished goods, and product held at third-party contract manufacturers. Inventories are stated at the lower of cost or market and cost is determined based on a first-in, first-out method or, for a portion of raw materials inventory, the average cost method. Inventories consisted of the following (in thousands):

	May 31, 2015	August 31, 2014
Product held at third-party contract manufacturers	$ 4,798	$ 3,945
Raw materials and components	4,066	3,670
Work-in-process	380	261
Finished goods	23,959	27,113
Total	$ 33,203	$ 34,989

Note 4. Property and Equipment

Property and equipment, net, consisted of the following (in thousands):

	May 31, 2015	August 31, 2014
Machinery, equipment and vehicles	$ 15,396	$ 13,459
Buildings and improvements	4,182	4,044
Computer and office equipment	4,001	3,312
Software	7,061	6,824
Furniture and fixtures	1,458	1,421
Land	282	295
Subtotal	32,380	29,355
Less: accumulated depreciation and amortization	(21,166)	(19,653)
Total	$ 11,214	$ 9,702

Note 5. Goodwill and Other Intangible Assets

Acquisitions

During the first quarter of fiscal year 2015, the Company entered into an agreement by and between GT 85 Limited ("GT85") and WD-40 Company Limited, which is the Company's U.K. subsidiary, to acquire the GT85 business and certain of its assets for a purchase consideration of $4.1 million. Of this purchase consideration, $3.7 million was paid in cash upon completion of the acquisition ("completion") and the remaining balance will be paid nine months following completion provided that the WD-40 Company Limited has not asserted a claim arising under the terms of the acquisition agreement. If an unresolved claim is outstanding nine months following completion, the asserted amount of the claim will continue to be retained until the matter is resolved. Located in the U.K., the GT85 business was engaged in the marketing and sale of the GT85® and SG85 brands of multi-purpose maintenance products. This acquisition complements the Company's multi-purpose maintenance products and will help to build upon its strategy to develop new product categories for WD-40 Specialist and WD-40 BIKE.

The purchase price was allocated to certain customer-related, trade name-related, and technology-based intangible assets in the amount of $1.7 million, $0.9 million, and $0.2 million, respectively. The Company began to amortize these definite-lived intangible assets on a straight-line basis over their estimated useful lives of eight, ten, and four years, respectively, in the first quarter of fiscal year 2015. The purchase price exceeded the fair value of the intangible assets acquired and, as a result, the Company recorded goodwill of $1.3 million in connection with this transaction. The amount of goodwill expected to be deductible for tax purposes is also $1.3 million. This acquisition did not have a material impact on the Company's condensed consolidated financial statements, and as a result no pro forma disclosures have been presented.

During the second quarter of fiscal year 2014, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") by and between Etablissements Decloedt SA/NV ("Etablissements") and WD-40 Company Limited. From January 1998 through the date of this Purchase Agreement, Etablissements acted as one of the Company's international marketing distributors located in Belgium where it marketed and distributed certain of the WD-40 products. Pursuant to the Purchase Agreement, the Company acquired the list of customers and related information (the "customer list") from Establissements for a purchase consideration of $1.8 million in cash. The Company has been using this customer list since its acquisition to solicit and transact direct sales of its products in Belgium. The Company began to amortize this customer list definite-lived intangible asset on a straight-line basis over its estimated useful life of five years in the second quarter of fiscal year 2014.

Goodwill

The following table summarizes the changes in the carrying amounts of goodwill by segment (in thousands):

	Americas	EMEA	Asia-Pacific	Total
Balance as of August 31, 2014	$ 85,581	$ 8,707	$ 1,211	$ 95,499
GT85 acquisition	-	1,231	-	1,231
Translation adjustments	(44)	(245)	(1)	(290)
Balance as of May 31, 2015	$ 85,537	$ 9,693	$ 1,210	$ 96,440

During the second quarter of fiscal year 2015, the Company performed its annual goodwill impairment test. The annual goodwill impairment test was performed at the reporting unit level as required by the authoritative guidance. In accordance with ASU No. 2011-08, "Testing Goodwill for Impairment", the Company performed the two-step quantitative assessment for each of its reporting units to determine whether the fair value of any of the reporting units were less than their carrying amounts. The Company determined the fair value of its reporting units in step one of the analysis by following the income approach which uses a discounted cash flow methodology. When using the discounted cash flow methodology, the fair value of each of the reporting units is based on the present value of the estimated future cash flows of each of the respective reporting units. The discounted cash flow methodology also requires management to make assumptions about certain key inputs in the estimated cash flows, including long-term sales forecasts or growth rates, terminal growth rates and discount rates, all of which are inherently uncertain. The Company determined that a discount rate of 9%, a sales growth rate of 4.5% and a terminal growth rate of 2% was appropriate to use in step one of the analysis for all of its reporting units. The forecast of future cash flows was based on management's best estimates of sales growth rates and operating margins for the next five fiscal years. The discount rate used was based on the current weighted-average cost of capital for the Company. As these assumptions are largely unobservable, the estimate of fair value analysis falls within Level 3 of the fair value hierarchy. Based on the results of step one of the quantitative two-step analysis, the Company determined that the estimated fair value of each of its reporting units significantly exceeded their respective carrying values. As a result, step two of the quantitative analysis was not required and the Company concluded that no impairment of its goodwill existed as of February 28, 2015.

While the Company believes that the estimates and assumptions used in its goodwill impairment test and analyses are reasonable, actual events and results could differ substantially from those included in the calculation. In the event that business conditions change in the future, the Company may be required to reassess and update its forecasts and estimates used in subsequent goodwill impairment analyses. If the results of these future analyses are lower than current estimates, an impairment charge to the Company's goodwill balances may result at that time.

In addition, there were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill for the quarter ended May 31, 2015.

Definite-lived Intangible Assets

The Company's definite-lived intangible assets, which include the 2000 Flushes, Spot Shot, Carpet Fresh, 1001 and GT85 trade names, the Belgium customer list, the GT85 customer relationships and the GT85 technology are included in other intangible assets, net in the Company's condensed consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization and impairment (in thousands):

	May 31, 2015	August 31, 2014
Gross carrying amount	$ 38,925	$ 36,670
Accumulated amortization	(13,974)	(12,021)
Accumulated impairment of intangible assets	(1,077)	(1,077)
Translation adjustments	(125)	99
Net carrying amount	$ 23,749	$ 23,671

There were no indicators of potential impairment identified as a result of the Company's review of events and circumstances related to its existing definite-lived intangible assets for the quarter ended May 31, 2015.

Changes in the carrying amounts of definite-lived intangible assets by segment for the nine months ended May 31, 2015 are summarized below (in thousands):

	Americas	EMEA	Asia-Pacific	Total
Balance as of August 31, 2014	$ 19,328	$ 4,343	$ -	$ 23,671
Amortization expense	(1,656)	(624)	-	(2,280)
GT85 customer relationships	-	1,579	-	1,579
GT85 trade name	-	901	-	901
GT85 technology	-	159	-	159
Translation adjustments	-	(281)	-	(281)
Balance as of May 31, 2015	$ 17,672	$ 6,077	$ -	$ 23,749

The estimated amortization expense for the Company’s definite-lived intangible assets in future fiscal years is as follows (in thousands):

	Trade Names	Customer-Based	Technology
Remainder of fiscal year 2015	$ 618	$ 133	$ 10
Fiscal year 2016	2,455	534	40
Fiscal year 2017	2,455	533	40
Fiscal year 2018	2,455	533	40
Fiscal year 2019	2,455	309	-
Thereafter	10,547	592	-
Total	$ 20,985	$ 2,634	$ 130

Note 6. Accrued and Other Liabilities

Accrued liabilities consisted of the following (in thousands):

	May 31, 2015	August 31, 2014
Accrued advertising and sales promotion expenses	$ 9,288	$ 10,140
Accrued professional services fees	1,479	1,715
Accrued sales taxes	522	934
Accrued other taxes	257	476
Other	4,391	5,117
Total	$ 15,937	$ 18,382

Accrued payroll and related expenses consisted of the following (in thousands):

	May 31, 2015	August 31, 2014
Accrued incentive compensation	$ 4,297	$ 8,558
Accrued payroll	3,490	2,813
Accrued profit sharing	1,638	2,424
Accrued payroll taxes	1,288	1,602
Other	473	572

Total	$ 11,186	$ 15,969

Note 7. Debt

Revolving Credit Facility

On June 17, 2011, the Company entered into an unsecured credit agreement with Bank of America, N.A. ("Bank of America"). On May 13, 2015, the Company entered into a second amendment (the "Second Amendment") to this existing unsecured credit agreement with Bank of America. The amended agreement extended the maturity date of the revolving credit facility for five years from the effective date of the Second Amendment and increased the revolving commitment to an amount not to exceed $150.0 million. The new maturity date for the revolving credit facility is May 13, 2020. Per the terms of the amended agreement, all loans denominated in U.S. dollars will accrue interest at the bank's Prime rate or at LIBOR plus a predetermined margin of 0.85 percent and all loans denominated in foreign currencies will accrue interest at LIBOR plus the same predetermined margin (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). Interest on outstanding loans is due and payable on a quarterly basis through the credit facility maturity date. The Company may also borrow against the credit facility through the issuance of standby letters of credit. Outstanding letters of credit are subject to a fee equal to a 0.85 percent per annum applied to amounts available to be

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drawn on outstanding letters of credit. In addition, the Company incurs commitment fees for the credit facility at an annual rate of 0.125 percent applied to the portion of the total credit facility commitment that has not been borrowed.

In accordance with the Second Amendment, the Company and Bank of America may enter into an autoborrow agreement in form and substance satisfactory to Bank of America, providing for the automatic advance of revolving loans in U.S. Dollars to the Company's designated account at Bank of America. No such autoborrow agreement has been signed to date. The Second Amendment also eliminated the material adverse effect clause as an event of default. In addition to other non-material technical amendments to the agreement, the Second Amendment revised the definition of consolidated EBITDA to include the add back of non-cash stock-based compensation to consolidated net income when arriving at consolidated EBITDA and the terms of the financial covenants per the Second Amendment are as follows:

- The consolidated leverage ratio cannot be greater than three to one. The consolidated leverage ratio means, as of any date of determination, the ratio of (a) consolidated funded indebtedness as of such date to (b) consolidated EBITDA for the most recently completed four fiscal quarters
- The consolidated interest coverage ratio cannot be less than three to one. The consolidated interest coverage ratio means, as of any date of determination, the ratio of (a) consolidated EBITDA for the most recently completed four fiscal quarters to (b) consolidated interest charges for the most recently completed four fiscal quarters.

The agreement includes representations, warranties and covenants customary for credit facilities of this type, as well as customary events of default and remedies. To date, the Company has used the proceeds of the revolving credit facility for its stock repurchases and plans to continue using such proceeds for its general working capital needs and stock repurchases under any existing board approved share buy-back plans.

Prior to the execution of the Second Amendment and the removal of the material adverse effect clause as an event of default, all amounts outstanding under the revolving credit facility were classified as short-term on the Company's consolidated balance sheets as Bank of America could require the Company to immediately repay all amounts outstanding on the credit facility based on subjective factors. With the removal of the material adverse effect clause as an event of default, Bank of America can no longer require this immediate repayment of amounts outstanding on the line of credit. As a result, the Company is permitted to classify draws on the line of credit as long-term provided that management has determined it has the ability and intent to refinance such draws on the line of credit for a period in excess of twelve months. The Company assesses its ability and intent associated with draws on the line of credit at the end of each reporting period in order to determine the proper balance sheet classification for amounts outstanding on the line of credit. Since the autoborrow feature within the Second Amendment allows for borrowings to be made and repaid by the Company on a daily basis, any such borrowings made under an active autoborrow agreement would be classified as short-term on the Company's consolidated balance sheets.

During the nine months ended May 31, 2015, the Company borrowed an additional $10.0 million U.S. dollars under the revolving credit facility. The Company regularly converts existing draws on its line of credit to new draws with new maturity dates and interest rates. As of May 31, 2015, the Company had a $108.0 million outstanding balance on the revolving credit facility and was in compliance with all debt covenants under this credit facility. Based on management's ability and intent assessment in the third quarter of fiscal year 2015, it concluded that all amounts outstanding under the revolving credit facility were long-term as of May 31, 2015 and classified them as such on the accompanying consolidated balance sheets.

Note 8. Share Repurchase Plans

On June 18, 2013, the Company's Board of Directors approved a share buy-back plan. Under the plan, which was to be in effect from August 1, 2013 through August 31, 2015, the Company was authorized to acquire up to $60.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to present loan covenants and in compliance with all laws and regulations applicable thereto. During the period from August 1, 2013 through February 28, 2015, the Company repurchased 848,545 shares at a total cost of $60.0 million. As a result, the Company utilized the entire authorized amount and completed the repurchases under this share buy-back plan as of the end of the second quarter of fiscal year 2015.

On October 14, 2014, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which became effective at the beginning of the third quarter of fiscal year 2015, once the Company's previous $60.0 million plan was exhausted, the Company is authorized to acquire up to $75.0 million of its outstanding shares through August 31, 2016. The timing and amount of repurchases will be based on terms and conditions as may be acceptable to the Company's Chief Executive Officer and Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from March 1, 2015 through May 31, 2015, the Company repurchased 136,396 shares at a total cost of $11.3 million under this $75.0 million plan.

Note 9. Earnings per Common Share

The table below reconciles net income to net income available to common shareholders (in thousands):

Three Months Ended May 31,		Nine Months Ended May 31,
2015	2014	