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# Hain Celestial financial troubles

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# Tough review urged

Hain stock plunge spurs calls over accounting issues

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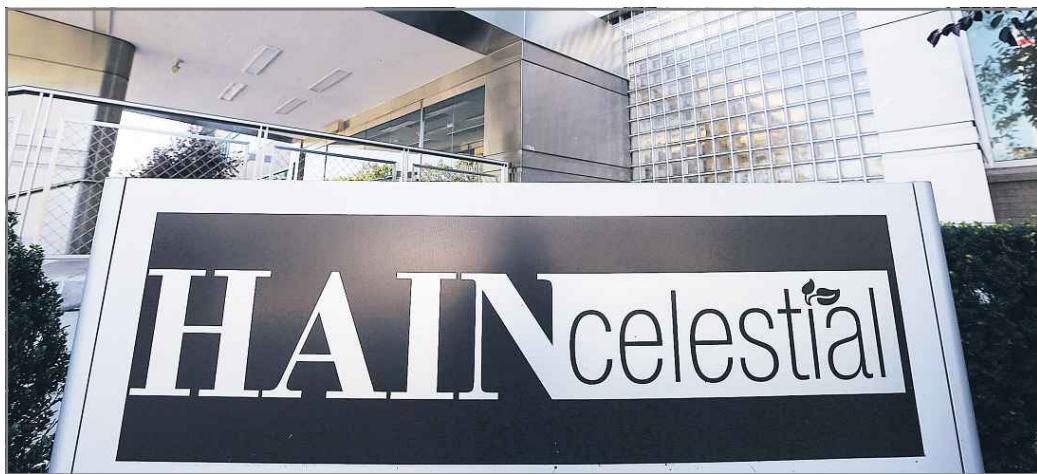
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Organic and natural products maker Hain Celestial Group Inc., which disclosed late Monday that it was delaying its earnings report amid a review of its accounting, will need to be transparent about its findings and quickly release its earnings to win back Wall Street's trust, analysts said.

Shares of Hain Celestial plunged more than 26 percent yesterday from their closing price Monday, to \$39.35 on the Nasdaq Stock Market. The Lake Success-based company said Monday that it doesn't expect to reach its previously announced revenue forecast for fiscal 2016 of \$2.946 billion to \$2.966 billion.

"It is going to be down to transparency as [Hain Celestial] learns more about the accounting issues," said Zain Akbari, an analyst for Morning Star Investment Services, a Chicago-based investment research firm. "The sooner they can get an accurate report of fourth and full year earnings the better. . . . Right now there is a lack of confidence in the numbers."

A spokeswoman for Hain Celestial, which owns brands including Celestial Seasonings



Shares of Hain Celestial Group Inc. of Lake Success dropped more than 26 percent yesterday.

tea, Earth's Best baby food, Terra chips and Spectrum oils, said yesterday the company was not in a position to comment beyond the news release.

The accounting issues are the primary cause of the stock decline for Hain Celestial, Akbari said: "It calls into the question the prior results, whether they were accurate or not."

Tammy Straus, audit partner for accounting firm Grassi & Co. based in Jericho, said late Monday that Hain was "doing the right thing" by reviewing its accounting, and said she expected the stock price to recover once the company completes its evaluation.

Hain Celestial said in the statement Monday it is evaluating whether revenue associated with certain U.S. distributors

was accounted for in the correct period. The company had been recognizing revenue when products were shipped to distributors, versus when the products are sold through its distributors to customers. Its largest customers are distributor United Natural Foods Inc. and Wal-Mart Stores Inc., accounting for more than 10 percent each of Hain's sales, according to its latest annual filing.

The company said that any potential changes in when it recognizes revenue should not change "the total amount of revenue ultimately recognized by the company." The audit committee of the company's board of directors is conducting an independent review of its internal control over financial reporting. It has also retained independent

counsel to help with the review.

If the Hain share losses hold, they would nearly erase the 32 percent gain made by the company this year before the plunge. Despite yesterday's drop, Hain Celestial was still trading above its 52-week low of \$33.12.

The stock price decline could make Hain Celestial a takeover candidate by large conventional food manufacturers looking to enter or expand the organic, natural and fresh foods industry as long as there are no significant accounting issues, Akbari said.

Acquirers are looking for companies with positive cash flow that may also "help them diversify their products," said mergers and acquisitions expert Bruce Newman, president of Protegrity Advisors in Ronkonkoma.