HAIN CELESTIAL GROUP INC
Form 10-Q
June 22, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2017

¨ Transition Report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
for the transition period from to .
Commission File No. 0-22818

THE HAIN CELESTIAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-3240619
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Marcus Avenue Lake Success, New York	11042
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (516) 587-5000

Table of Contents

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 ý

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 (section 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 ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	¨		
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	¨	Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ¨ No ý

As of June 16, 2017, there were 103,697,237 shares outstanding of the registrant's Common Stock, par value $.01 per share.

Table of Contents

THE HAIN CELESTIAL GROUP, INC.
Index

Table of Contents

EXPLANATORY NOTE

As used in this Quarterly Report on Form 10-Q, the terms the “Company”, “Hain Celestial”, “Hain”, “we”, “us” and “our” mea The Hain Celestial Group, Inc. and its subsidiaries.

As previously reported, we were unable to timely file our Annual Report on Form 10-K for our fiscal year ended June 30, 2016 (the “Form 10-K”) and our Quarterly Reports on Form 10-Q for the quarters ended September 30, 2016 (the “Q1 Form 10-Q”), December 31, 2016 (the “Q2 Form 10-Q”) and March 31, 2017 (the “Form 10-Q”). During the fourth quarter of fiscal 2016, the Company identified the practice of granting additional concessions to certain distributors in the United States and commenced an internal accounting review in order to (i) determine whether the revenue associated with those concessions was accounted for in the correct period and (ii) evaluate the Company’s internal control over financial reporting. The Audit Committee of the Company’s Board of Directors separately conducted an independent review of these matters and retained independent counsel to assist in their review. We delayed the filing of this Form 10-Q and our Form 10-K, Q1 Form 10-Q and Q2 Form 10-Q with the Securities and Exchange Commission (the “SEC”) in order to complete these reviews.

Completion of Reviews. On November 16, 2016, the Company announced the completion of the independent review conducted by the Audit Committee, which found no evidence of intentional wrongdoing in connection with the preparation of the Company’s financial statements. The Company also disclosed that it would not be in a position to release financial results until the completion of its internal accounting review and the audit process. We are now filing this Form 10-Q as a result of the completion of the aforementioned reviews. Concurrent with the filing of this Form 10-Q, we are also filing our Form 10-K, Q1 Form 10-Q and Q2 Form 10-Q (collectively, our “Periodic Reports”). The Periodic Reports incorporate the findings from the aforementioned reviews, and address the remediation of the immaterial errors and identified material weaknesses in our internal control over financial reporting that existed at June 30, 2016, September 30, 2016, December 31, 2016 and March 31, 2017. These material weaknesses, as well as the Company’s remediation of such material weaknesses, are discussed further under “Part I, Item 4. Controls and Procedures” of this Form 10-Q.

Notwithstanding the material weaknesses discussed under “Part I, Item 4. Controls and Procedures” of this Form 10-Q and based upon our internal accounting review and the independent review of our Audit Committee, our management has concluded that our consolidated financial statements included in this Form 10-Q are fairly stated in all material respects in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”).

Correction of Additional Immaterial Errors. Although the initial focus of the Company’s internal accounting review discussed above pertained to the timing of the recognition of revenue associated with the concessions granted to certain distributors, the Company subsequently expanded its internal accounting review and performed an analysis of previously-issued financial statements to identify and assess any other potential errors. Based upon this review, the Company identified certain immaterial errors relating to its previously-issued financial statements, which resulted in revisions to our previously-issued financial statements and are discussed in further detail under Note 3, Correction of Immaterial Errors to Prior Period Financial Statements, in the Notes to Consolidated Financial Statements included in Item 1 of Part I of this Form 10-Q. Please also see our Periodic Reports, which are being filed concurrently with this Form 10-Q.

Except as specifically set forth herein, the information contained in this Form 10-Q is presented as of March 31, 2017 and the period then ended, and these financial results do not reflect events or results of operations that have occurred subsequent to March 31, 2017.

Unless otherwise indicated, references in this Form 10-Q to 2016 and 2015 or “fiscal” 2016 and 2015 refer to our fiscal year ended June 30 of that respective year, and references to 2017 or “fiscal” 2017 refer to our fiscal year ending June 30, 2017.

Table of Contents

Cautionary Note Regarding Forward Looking Information

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to our business and financial outlook, which are based on our current beliefs, assumptions, expectations, estimates, forecasts and projections about future events only as of the date of this Quarterly Report on Form 10-Q and are not statements of historical fact. We make such forward-looking statements pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

Many of our forward-looking statements include discussions of trends and anticipated developments under the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by terminology such as the use of "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "intends," "predicts," "continue" and similar expressions, or the negative of those expressions. These forward-looking statements include, among other things, our beliefs or expectations relating to our business strategy, growth strategy, market price, brand portfolio and product performance, the seasonality of our business, our results of operations and financial condition, our SEC filings, enhancing internal controls and remediating material weaknesses. These forward-looking statements are not guarantees of our future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict. Therefore, our actual outcomes and results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date hereof, unless it is specifically otherwise stated to be made as of a different date. We undertake no obligation to further update any such statement, or the risk factors described in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 under the heading "Risk Factors", to reflect new information, the occurrence of future events or circumstances or otherwise.

The forward-looking statements in this filing do not constitute guarantees or promises of future performance. Factors that could cause or contribute to such differences may include, but are not limited to, the impact of competitive products, changes to the competitive environment, changes to consumer preferences, general economic and financial market conditions, our ability to introduce new products and improve existing products, changes in relationships with customers, suppliers, strategic partners and lenders, legal proceedings and government investigations (including any potential action by the Division of Enforcement of the SEC and securities class action and stockholder derivative litigation), our ability to manage our financial reporting and internal control systems and processes, the Company's non-compliance with certain Nasdaq Stock Market LLC listing rules, the expected sales of our products, our ability to identify and complete acquisitions or divestitures and integrate acquisitions, changes in raw materials, commodity costs and fuel, the availability of organic and natural ingredients, risks associated with our international sales and operations, risks relating to the protection of intellectual property, the reputation of our brands, changes to and the interpretation of governmental regulations, unanticipated expenditures, and other risks described in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 under the heading "Risk Factors" and Item 1A, "Risk Factors" set forth herein, as well as in other reports that we file in the future.

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2017 AND JUNE 30, 2016
(In thousands, except par values)

	March 31, 2017 (Unaudited)	June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$162,642	$127,926
Accounts receivable, less allowance for doubtful accounts of $1,721 and $936, respectively	241,738	278,933
Inventories	435,651	408,564
Prepaid expenses and other current assets	65,017	84,811
Total current assets	905,048	900,234
Property, plant and equipment, net	377,190	389,841
Goodwill	1,032,583	1,060,336
Trademarks and other intangible assets, net	567,425	604,787
Investments and joint ventures	18,976	20,244
Other assets	32,361	32,638
Total assets	$2,933,583	$3,008,080
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$237,188	$251,712
Accrued expenses and other current liabilities	101,027	78,803
Current portion of long-term debt	8,457	26,513
Total current liabilities	346,672	357,028
Long-term debt, less current portion	780,868	836,171
Deferred income taxes	123,954	131,507
Other noncurrent liabilities	16,566	18,860
Total liabilities	1,268,060	1,343,566
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock - $.01 par value, authorized: 5,000 shares; issued and outstanding: none	—	—
Common stock - $.01 par value, authorized: 150,000 shares; issued: 107,969 and 107,479 shares, respectively; outstanding: 103,690 and 103,461 shares, respectively	1,080	1,075
Additional paid-in capital	1,135,788	1,123,206
Retained earnings	868,509	801,392
Accumulated other comprehensive loss	(240,871)	(172,111)
	1,764,506	1,753,562
Less: Treasury stock, at cost: 4,279 and 4,018 shares, respectively	(98,983)	(89,048)
Total stockholders' equity	1,665,523	1,664,514
Total liabilities and stockholders' equity	$2,933,583	$3,008,080

See notes to consolidated financial statements.

4

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2017 AND 2016
(In thousands, except per share amounts)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Net sales	$706,563	$736,663	$2,128,026	$2,147,827
Cost of sales	563,170	576,755	1,736,373	1,683,777
Gross profit	143,393	159,908	391,653	464,050
Selling, general and administrative expenses	82,576	78,890	252,730	223,421
Amortization of acquired intangibles	4,543	4,553	13,964	13,896
Acquisition related expenses, restructuring and integration charges and other	2,083	5,317	2,652	11,235
Accounting review costs	7,124	—	20,089	—
Operating income	47,067	71,148	102,218	215,498
Interest and other financing expense, net	5,439	6,920	15,617	19,687
Other (income)/expense, net	2,072	378	207	8,844
Gain on fire insurance recovery	—	(9,013)	—	(9,013)
Income before income taxes and equity in net (income) loss of equity-method investees	39,556	72,863	86,394	195,980
Provision for income taxes	8,051	23,914	19,322	59,846
Equity in net (income) loss of equity-method investees	177	161	(45)	108
Net income	$31,328	$48,788	$67,117	$136,026
Net income per common share:				
Basic	$0.30	$0.47	$0.65	$1.32
Diluted	$0.30	$0.47	$0.64	$1.31
Weighted average common shares outstanding:				
Basic	103,687	103,265	103,584	103,030
Diluted	104,246	104,087	104,232	104,168

See notes to consolidated financial statements.

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2017 AND 2016
(In thousands)

	Three Months Ended March 31, 2017			March 31, 2016		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income			$31,328			$48,788
Other comprehensive income (loss):						
Foreign currency translation adjustments	$14,630	$ —	14,630	$(20,103)	$ —	(20,103)
Change in deferred gains (losses) on cash flow hedging instruments	(21)	4	(17)	(1,610)	401	(1,209)
Change in unrealized gain on available for sale investment	83	(33)	50	33	(13)	20
Total other comprehensive income (loss)	$14,692	$ (29)	$14,663	$(21,680)	$ 388	$(21,292)
Total comprehensive income (loss)			$45,991			$27,496

	Nine Months Ended March 31, 2017			March 31, 2016		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income			$67,117			$136,026
Other comprehensive income (loss):						
Foreign currency translation adjustments	$(68,329)	$ —	(68,329)	$(85,690)	$ —	(85,690)
Change in deferred gains (losses) on cash flow hedging instruments	(464)	42	(422)	(288)	124	(164)
Change in unrealized gain on available for sale investment	(6)	(3)	(9)	(183)	71	(112)
Total other comprehensive income (loss)	$(68,799)	$ 39	$(68,760)	$(86,161)	$ 195	$(85,966)
Total comprehensive income (loss)			$(1,643)			$50,060

See notes to consolidated financial statements.

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017
(In thousands, except par values)

	Common Stock		Additional				Accumulated Other	
	Shares	Amount at $.01	Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Comprehensive Income (Loss)	Total
Balance at June 30, 2016	107,479	$ 1,075	$ 1,123,206	$ 801,392	4,018	$ (89,048)	$ (172,111)	$ 1,664,514
Net income				67,117				67,117
Other comprehensive income (loss)							(68,760)	(68,760)
Issuance of common stock pursuant to stock based compensation plans	490	5	1,994		2	(1,999)		—
Stock-based compensation income tax effects			3,069					3,069
Shares withheld for payment of employee payroll taxes due on shares issued under stock based compensation plans					259	(7,936)		(7,936)
Stock-based compensation expense			7,519					7,519
Balance at March 31, 2017	107,969	1,080	1,135,788	868,509	4,279	(98,983)	(240,871)	1,665,523

See notes to consolidated financial statements.

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016
(In thousands)

	Nine Months Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$67,117	$136,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,300	48,099
Deferred income taxes	(6,543)	(9,532)
Equity in net income of equity-method investees	(45)	108
Stock based compensation	7,519	10,005
Contingent consideration expense	—	1,511
Gain on fire recovery and other, net	—	(8,401)
Other non-cash items including unrealized foreign currency (gains) losses, net	(363)	7,403
Increase (decrease) in cash attributable to changes in operating assets and liabilities, net of amounts applicable to acquisitions:		
Accounts receivable	25,721	(30,461)
Inventories	(35,194)	(10,776)
Other current assets	20,356	22,041
Other assets and liabilities	(1,801)	1,111
Accounts payable and accrued expenses	19,885	(35,280)
Net cash provided by operating activities	147,952	131,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of cash acquired and working capital settlements	—	(157,061)
Purchases of property and equipment	(44,064)	(58,022)
Proceeds from sale of business	5,419	—
Other	1,000	—
Net cash used in investing activities	(37,645)	(215,083)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under bank revolving credit facility	22,000	173,904
Repayments under bank revolving credit facility	(67,500)	(110,053)
Borrowings (repayments) of other debt, net	(18,145)	(2,378)
Excess tax benefits from stock-based compensation	3,338	11,308
Acquisition related contingent consideration	(2,498)	—
Shares withheld for payment of employee payroll taxes	(7,936)	(25,158)
Net cash (used in) provided by financing activities	(70,741)	47,623
Effect of exchange rate changes on cash	(4,850)	(5,926)
Net increase (decrease) in cash and cash equivalents	34,716	(41,532)
Cash and cash equivalents at beginning of period	127,926	166,922
Cash and cash equivalents at end of period	$162,642	$125,390

See notes to consolidated financial statements.

8

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except par values and per share data)

1. BUSINESS

The Hain Celestial Group, Inc., a Delaware corporation, and its subsidiaries (collectively, "Hain Celestial" or the "Company," and herein referred to as "we," "us," and "our") was founded in 1993 and is headquartered in Lake Success, New York. The Company's mission has continued to evolve since its founding, with health and wellness being the core tenet — to be the leading marketer, manufacturer and seller of organic and natural, "better-for-you" products by anticipating and exceeding consumer expectations in providing quality, innovation, value and convenience. The Company is committed to growing sustainably while continuing to implement environmentally sound business practices and manufacturing processes. Hain Celestial sells its products through specialty and natural food distributors, supermarkets, natural food stores, mass-market and e-commerce retailers, food service channels and club, drug and convenience stores in over 80 countries worldwide.

With a proven track record of strategic growth and profitability, the Company manufactures, markets, distributes and sells organic and natural products under brand names that are sold as "better-for-you" products, providing consumers with the opportunity to lead A Healthier Way of Life™. Hain Celestial is a leader in many organic and natural products categories, with many recognized brands in the various market categories it serves, including Almond Dream®, Arrowhead Mills®, Bearitos®, BluePrint®, Celestial Seasonings®, Coconut Dream®, Cully & Sully®, Danival®, DeBoles®, Earth's Best®, Ella's Kitchen®, Empire®, Europe's Best®, Farmhouse Fare®, Frank Cooper's®, FreeBird®, Gale's®, Garden of Eatin'®, GG UniqueFiber™, Hain Pure Foods®, Hartley's®, Health Valley®, Imagine®, Johnson's Juice Co.®, Joya®, Kosher Valley®, Lima®, Linda McCartney's® (under license), MaraNatha®, Natumi®, New Covent Garden Soup Co.®, Plainville Farms®, Rice Dream®, Robertson's®, Rudi's Gluten-Free Bakery®, Rudi's Organic Bakery®, Sensible Portions®, Spectrum Organics®, Soy Dream®, Sun-Pat®, SunSpire®, Terra®, The Greek Gods®, Tilda®, WestSoy® and Yves Veggie Cuisine®. The Company's personal care products are marketed under the Alba Botanica®, Avalon Organics®, Earth's Best®, JASON®, Live Clean® and Queen Helene® brands.

During fiscal year 2016, the Company commenced a strategic review, which it called "Project Terra," that resulted in the Company redefining its core platforms, starting with the United States segment, for future growth based upon consumer trends to create and inspire A Healthier Way of Life™. In addition, beginning in fiscal year 2017, the Company launched Cultivate Ventures ("Cultivate"), a venture unit with a threefold purpose: (i) to strategically invest in the Company's smaller brands in high potential categories such as BluePrint® cold-pressed juices, SunSpire® chocolates and DeBoles® pasta by giving those products a dedicated, creative focus for refresh and relaunch; (ii) to incubate small acquisitions until they reach the scale for the Company's core platforms; and (iii) to invest in concepts, products and technology that focus on health and wellness. See Note 16, Segment Information, for information on the Company's operating and reportable segments and the effect the formation of Cultivate had thereon.

2. BASIS OF PRESENTATION

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP. The amounts as of and for the periods ended June 30, 2016 are derived from the Company's audited annual financial statements. The consolidated financial statements reflect all normal recurring adjustments which, in management's opinion, are necessary for a fair presentation for interim periods. Operating results for the three and nine months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2017. Please refer to the notes to the Consolidated Financial Statements as of June 30, 2016 and for the fiscal year then ended included in the Company’s Annual Report on Form 10-K (the “Form 10-K”) for information not included in these condensed notes.

All amounts in the consolidated financial statements, notes and tables have been rounded to the nearest thousand, except par values and per share amounts, unless otherwise indicated.

Recently Issued Accounting Pronouncements Not Yet Effective

Refer to Note 3, Summary of Significant Accounting Policies and Practices, in the Notes to the Consolidated Financial Statements as of June 30, 2016 and for the fiscal year then ended included in the Form 10-K for a detailed discussion on recently issued accounting pronouncements not yet adopted by the Company. There has been no change to the statements made in the Form 10-K as of the date of filing of this Form 10-Q.

Table of Contents

3. CORRECTION OF IMMATERIAL ERRORS TO PRIOR PERIOD FINANCIAL STATEMENTS

Accounting Review

During the fourth quarter of fiscal 2016, the Company identified the practice of granting additional concessions to certain distributors in the United States and commenced an internal accounting review in order to (i) determine whether the revenue associated with those concessions was accounted for in the correct period and (ii) evaluate the Company’s internal control over financial reporting. The Audit Committee of the Company’s Board of Directors separately conducted an independent review of these matters and retained independent counsel to assist in their review. On November 16, 2016, the Company announced that the independent review of the Audit Committee was completed and that the review found no evidence of intentional wrongdoing in connection with the preparation of the Company’s financial statements. The aforementioned reviews identified material weaknesses in our internal control over financial reporting. Refer to “Part I, Item 4. Controls and Procedures” of the Form 10-Q for a description of these material weaknesses and management’s plan and implementation of remediation efforts to address these material weaknesses.

Although the initial focus of the Company’s internal accounting review discussed above pertained to the evaluation of the timing of the recognition of the revenue associated with the practice of granting additional concessions to certain distributors, the Company subsequently expanded its internal accounting review and performed an analysis of previously-issued financial statements in order to identify and assess other potential errors. Based upon this review, the Company identified certain immaterial errors relating to its previously-issued financial statements which resulted in revisions to our previously-issued financial statements. Accordingly, prior period amounts presented in the consolidated financial statements and the related notes have been revised (referred to as the “Revision”). All costs incurred in connection with the internal accounting review, the Audit Committee’s independent review and related matters are included in “Accounting review costs,” in the Company’s Consolidated Statements of Income.

Based on an analysis of Accounting Standards Codification (“ASC”) 250 - “Accounting Changes and Error Corrections” (“ASC 250”), Staff Accounting Bulletin 99 - “Materiality” (“SAB 99”) and Staff Accounting Bulletin 108 - Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (“SAB 108”), the Company determined that these errors were immaterial to the previously-issued financial statements; however, a cumulative correction of these errors would have had a material impact on the financial results for the three and twelve months ended June 30, 2016. Accordingly, we have revised our presentation of certain amounts in the consolidated financial statements for the three and nine months ended March 31, 2016 to reflect such corrections as if they had been recorded in the appropriate fiscal period.

We refer the reader to the Company’s Form 10-K for the fiscal year ended June 30, 2016 for a detailed explanation of the immaterial errors.

Table of Contents

Revised Financial Statements

The impact of the Revision on the Company's previously-issued financial statements is illustrated in the tables below. Amounts throughout the consolidated financial statements and notes thereto have been adjusted to incorporate the revised amounts, where applicable.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31, 2016		
	As Reported	Adjustment	As Revised
Net sales	$749,862	$(13,199)	$736,663
Cost of sales	576,653	102	576,755
Gross profit	173,209	(13,301)	159,908
Selling, general and administrative expenses	93,915	(15,025)	78,890
Amortization of acquired intangibles	4,586	(33)	4,553
Acquisition related expenses, restructuring and integration charges and other	5,701	(384)	5,317
Operating income	69,007	2,141	71,148
Interest and other financing expense, net	6,920	—	6,920
Other (income)/expense, net	378	—	378
Gain on fire insurance recovery	(9,013)		(9,013)
Income before income taxes and equity in earnings of equity-method investees	70,722	2,141	72,863
Provision for income taxes	21,576	2,338	23,914
Equity in net income of equity-method investees	161	—	161
Net income	$48,985	$(197)	$48,788
Net income per common share:			
Basic	$0.47	$—	$0.47
Diluted	$0.47	$—	$0.47
Weighted average common shares outstanding:			
Basic	103,265	103,265	103,265
Diluted	104,087	104,087	104,087

* Net income per common share may not add in certain periods due to rounding

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) (CONTINUED)

	Nine Months Ended March 31, 2016		
	As Reported	Adjustment	As Revised
Net sales	$2,189,639	$(41,812)	$2,147,827
Cost of sales	1,686,820	(3,043)	1,683,777
Gross profit	502,819	(38,769)	464,050
Selling, general and administrative expenses	262,776	(39,355)	223,421
Amortization/impairment of acquired intangibles	13,994	(98)	13,896
Acquisition related expenses, restructuring and integration charges and other	11,852	(617)	11,235
Operating income	214,197	1,301	215,498
Interest and other financing expense, net	19,760	(73)	19,687
Other (income)/expense, net	8,771	73	8,844
Gain on fire insurance recovery	(9,013)	—	(9,013)
Income before income taxes and equity in earnings of equity-method investees	194,679	1,301	195,980
Provision for income taxes	57,337	2,509	59,846
Equity in net income of equity-method investees	108	—	108
Net income	137,234	(1,208)	136,026
Net income per common share:			
Basic	$1.33	$(0.01)	$1.32
Diluted	$1.32	$(0.01)	$1.31
Weighted average common shares outstanding:			
Basic	103,030	103,030	103,030
Diluted	104,168	104,168	104,168

* Net income per common share may not add in certain periods due to rounding

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31, 2016			Nine Months Ended March 31, 2016		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Net income	$48,985	$ (197)	$48,788	$137,234	$ (1,208)	$136,026
Other comprehensive income (loss):						
Foreign currency translation adjustments	$(20,296)	$ 193	(20,103)	$(86,380)	690	(85,690)
Change in deferred gains (losses) on cash flow hedging instruments	(1,209)	—	(1,209)	(164)	—	(164)
Change in unrealized gain (loss) on available for sale investment	20	—	20	(112)	—	(112)
Total other comprehensive income (loss)	$(21,485)	$ 193	$(21,292)	$(86,656)	$ 690	$(85,966)
Total comprehensive income	$27,500	$ (4)	$27,496	$50,578	$ (518)	$50,060

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended March 31, 2016		
	As Reported	Adjustment	As Revised
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$137,234	$ (1,208)	$136,026
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	47,494	605	48,099
Deferred income taxes	(9,377)	(155)	(9,532)
Equity in net income of equity-method investees	108	—	108
Stock-based compensation	10,005	—	10,005
Contingent consideration expense	1,511	—	1,511
Gain on fire insurance recovery and other, net	(8,401)	—	(8,401)
Other non-cash items, including unrealized currency (gains)/loss, net	7,403	—	7,403
Increase (decrease) in cash attributable to changes in operating assets and liabilities, net of amounts applicable to acquisitions:			
Accounts receivable	(29,201)	(1,260)	(30,461)
Inventories	(11,397)	621	(10,776)
Other current assets	(650)	22,691	22,041
Other assets and liabilities	1,111	—	1,111
Accounts payable and accrued expenses	(13,986)	(21,294)	(35,280)
Net cash provided by operating activities	$131,854	$ —	$131,854

There were no adjustments to cash balances and to cash flows from investing and financing activities for the nine months ended March 31, 2016 as a result of the Revision.

Table of Contents

SEGMENT NET SALES AND OPERATING INCOME (UNAUDITED)

	Three months ended March 31, 2016		
	As Reported (1)	Adjustment	As Revised
Net Sales:			
United States	$332,904	$(7,520)	$325,384
United Kingdom	208,391	(2,231)	$206,160
Hain Pure Protein	113,643	(1,430)	$112,213
Rest of World	94,924	(2,018)	$92,906
	$749,862	$(13,199)	$736,663
Operating Income:			
United States	$52,103	$4,278	$56,381
United Kingdom	16,217	(391)	$15,826
Hain Pure Protein	4,613	(2,186)	$2,427
Rest of World	8,641	(509)	$8,132
	$81,574	$1,192	$82,766
Corporate and Other	(12,567)	949	(11,618)
	$69,007	$2,141	$71,148

(1) The information previously reported for the three months ended March 31, 2016 has been adjusted to reflect the Company's new operating and reporting structure effective in the first quarter of fiscal 2017. See Note 1, Business, and Note 16, Segment Information, for additional details surrounding the formation of Cultivate.

	Nine months ended March 31, 2016		
	As Reported (1)	Adjustment	As Revised
Net Sales:			
United States	$970,368	$(27,668)	$942,700
United Kingdom	567,971	(9,702)	$558,269
Hain Pure Protein	379,337	122	$379,459
Rest of World	271,963	(4,564)	$267,399
	$2,189,639	$(41,812)	$2,147,827
Operating Income:			
United States	$144,305	$4,523	$148,828
United Kingdom	45,189	(1,096)	$44,093
Hain Pure Protein	33,009	(1,931)	$31,078
Rest of World	17,910	(264)	$17,646
	$240,413	$1,232	$241,645
Corporate and Other	(26,216)	69	(26,147)
	$214,197	$1,301	$215,498

[1] The information previously reported for the nine months ended March 31, 2016 has been adjusted to reflect the Company's new operating and reporting structure effective in the first quarter of fiscal 2017. See Note 1, Business, and Note 16, Segment Information, for additional details surrounding the formation of Cultivate.

Table of Contents

4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Numerator:				
Net income	$31,328	$48,788	$67,117	$136,026
Denominator (in thousands):				
Basic earnings per share - weighted average shares outstanding during the period	103,687	103,265	103,584	103,030
Effect of dilutive stock options, unvested restricted stock and unvested restricted share units	559	822	648	1,138
Diluted earnings per share - adjusted weighted average shares and assumed conversions	104,246	104,087	104,232	104,168
Net income per common share:				
Basic	$0.30	$0.47	$0.65	$1.32
Diluted	$0.30	$0.47	$0.64	$1.31

Basic earnings per share excludes the dilutive effects of stock options, unvested restricted stock and unvested restricted share units. Diluted earnings per share includes the dilutive effects of common stock equivalents such as stock options and unvested restricted stock awards.

There were 271 and 282 stock based awards excluded from our diluted earnings per share calculations for the three and nine months ended March 31, 2017 and 2016, respectively, as such awards were contingently issuable based on market or performance conditions, and such conditions had not been achieved during the respective periods. Additionally, 5 and 195 restricted stock awards were excluded from our diluted earnings per share calculation for both the three and nine months ended March 31, 2017 and 2016, respectively, as such awards were antidilutive.

Share-Repurchase Program

On June 21, 2017, the Company's Board of Directors authorized the repurchase of up to $250,000 of the Company’s issued and outstanding common stock. The extent to which the Company repurchases its shares and the timing of such repurchases will depend upon market conditions and other corporate considerations including the Company’s historical strategy of pursuing accretive acquisitions.

5. ACQUISITIONS

The Company accounts for acquisitions in accordance with ASC 805, Business Combinations. The results of operations of the acquisitions have been included in the consolidated results from their respective dates of acquisition. The purchase price of each acquisition is allocated to the tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. Acquisitions may include contingent consideration, the fair value of which is estimated on the acquisition date as the present value of the expected contingent payments, determined using weighted probabilities of possible payments. The fair values assigned to identifiable intangible assets acquired were determined primarily by using an income approach which was based on assumptions and estimates made by management. Significant assumptions utilized in the income approach were based on Company specific information and projections which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance. The excess of the purchase price over the fair value of the identified assets and liabilities has been recorded as goodwill.

The costs related to all acquisitions have been expensed as incurred and are included in “Acquisition related expenses, restructuring and integration charges and other” in the Consolidated Statements of Income. Acquisition related expenses of $836 and $1,089 were expensed in the three and nine months ended March 31, 2017, respectively, and $720 and $3,681 were expensed in the three and nine months ended March 31, 2016, respectively. The expenses incurred during the first nine months of fiscal 2017 and 2016 primarily related to the acquisitions of Orchard House and Mona (as defined below).

Table of Contents

Fiscal 2016

On December 21, 2015, the Company acquired Orchard House Foods Limited ("Orchard House"), a leader in pre-cut fresh fruit, juices, fruit desserts and ingredients with facilities in Corby and Gateshead in the United Kingdom. Orchard House supplies leading retailers, on-the-go food outlets, food service providers and manufacturers in the United Kingdom. Consideration in the transaction consisted of cash (net of cash acquired) totaling £76,923 ($114,113 at the transaction date exchange rate). The acquisition was funded with borrowings under the Credit Agreement (as defined in Note 9, Debt and Borrowings). Additionally, contingent consideration of £3,000 was potentially payable to the sellers based on the outcome of a review by the Competition and Markets Authority in the United Kingdom. As a result of this review, the Company agreed to divest certain portions of its own-label juice business in the fourth quarter of fiscal 2016. On September 15, 2016, the contingent consideration obligation referenced above was settled in the amount of £1,500 (see Note 14, Financial Instruments Measured at Fair Value). Orchard House is included in the United Kingdom operating segment.

On July 24, 2015, the Company acquired Formatio Beratungs-und Beteiligungs GmbH and its subsidiaries ("Mona"), a leader in plant-based foods and beverages with facilities in Germany and Austria. Mona offers a wide range of organic and natural products under the Joya® and Happy® brands, including soy, oat, rice and nut based drinks as well as plant-based yogurts, desserts, creamers, tofu and private label products, sold to leading retailers in Europe, primarily in Austria and Germany and eastern European countries. Consideration in the transaction consisted of cash, net of cash acquired, totaling €22,753 ($24,948 at the transaction date exchange rate) and 240 shares of the Company's common stock valued at $16,308. Also included in the acquisition was the assumption of net debt totaling €16,252. The cash portion of the purchase price was funded with borrowings under our Credit Agreement. Mona is included in the Europe operating segment.

The following table provides unaudited pro forma results of continuing operations for the nine months ended March 31, 2016, as if the acquisitions of Orchard House and Mona had been completed at the beginning of fiscal 2016. Pro forma results of continuing operations for the three months ended March 31, 2016 are not presented in the following table as the actual results for these acquisitions are already included in the Company's financial results for the quarter ended March 31, 2016. The information has been provided for illustrative purposes only and does not purport to be indicative of the actual results that would have been achieved by the Company for the period presented or that will be achieved by the combined company in the future. The pro forma information has been adjusted to give effect to items that are directly attributable to the transactions and are expected to have a continuing impact on the combined results.

	Nine Months ended March 31, 2016
Net sales	$2,236,144
Net income	$138,448
Net income per diluted common share	$1.33

6. INVENTORIES

Inventories consisted of the following:

	March 31, 2017	June 30, 2016
Finished goods	$276,581	$238,184

Raw materials, work-in-progress and packaging	159,070	170,380
	$435,651	$408,564

17

Table of Contents

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following:

	March 31, 2017	June 30, 2016
Land	$32,871	$35,825
Buildings and improvements	109,573	102,086
Machinery and equipment	358,462	358,362
Computer hardware and software	49,312	48,829
Furniture and fixtures	15,121	14,165
Leasehold improvements	28,014	28,471
Construction in progress	17,629	14,495
	610,982	602,233
Less: Accumulated depreciation and amortization	233,792	212,392
	$377,190	$389,841

Depreciation and amortization expense for the three months ended March 31, 2017 and 2016 was $10,222 and $9,352, respectively. Such expense for the nine months ended March 31, 2017 and 2016 was $30,338 and $27,741, respectively.

Table of Contents

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table shows the changes in the carrying amount of goodwill by business segment:

	United States	United Kingdom	Hain Pure Protein	Rest of World	Total
Net goodwill as of June 30, 2016 (a):	$605,702	$332,561	$41,089	$80,984	$1,060,336
Reallocation of goodwill between reporting units	(16,377)	—	—	16,377	—
Translation and other adjustments, net	(2,098)	(23,367)	—	(2,288)	(27,753)
Net goodwill as of March 31, 2017 (a):	$587,227	$309,194	$41,089	$95,073	$1,032,583

(a) The total carrying value of goodwill is reflected net of $126,577 of accumulated impairment charges, of which $97,358 related to the Company's United Kingdom operating segment and $29,219 related to the Company's Europe operating segment.

The Company performs its annual test for goodwill and indefinite lived intangible asset impairment as of the first day of the fourth quarter of its fiscal year. In addition, if and when events or circumstances change that would more likely than not reduce the fair value of any of its reporting units or indefinite-life intangible assets below their carrying value, an interim test is performed.

During fiscal 2016, the Company recorded a goodwill impairment charge of $82,614 related to its Hain Daniels reporting unit in the United Kingdom. Additionally, a goodwill impairment charge of $1,934 was recognized during the fiscal year ended June 30, 2016 related to the divestiture of certain portions of the Company's own-label juice business in connection with the Orchard House acquisition, which was sold in the first quarter of fiscal 2017. See Note 5, Acquisitions, for details.

During the first quarter of fiscal 2017, changes in the Company's internal management and reporting structure resulted in a change in operating segments. Certain brands previously included within the United States operating segment were moved to a new operating segment called Cultivate, which is now combined with Canada and Europe and reported within the "Rest of World" reportable segment. As such, goodwill was reallocated using a relative fair value allocation approach from the United States reportable segment to the Rest of World reportable segment. See Note 1, Business, and Note 16, Segment Information, for additional details surrounding Cultivate and the change in segments.

This change in operating segments was deemed a triggering event, resulting in the Company performing an interim goodwill impairment analysis on the reporting units impacted by this segment change as of immediately before and immediately after the change. There were no impairment indicators resulting from this analysis, and there were no impairment charges recorded during the nine months ended March 31, 2017.

Other Intangible Assets

The following table sets forth balance sheet information for intangible assets, excluding goodwill, subject to amortization and intangible assets not subject to amortization:

	March 31, 2017	June 30, 2016
Non-amortized intangible assets:		