

HAIN CELESTIAL GROUP INC
Form 10-Q
November 12, 2013
Table of Contents

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 September 30, 2013

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
(State or other jurisdiction of
incorporation or organization)

22-3240619
(I.R.S. Employer
Identification No.)

1111 Marcus Avenue
Lake Success, New York
(Address of principal executive offices)

11042
(Zip Code)

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

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 (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

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 "accelerated filer," "large 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 Act).

Yes No

As of November 4, 2013 there were 47,788,312 shares outstanding of the registrant's Common Stock, par value \$.01 per share.

Table of Contents

THE HAIN CELESTIAL GROUP, INC.

Index

Part I - Financial Information

Item 1.	<u>Financial Statements</u>	<u>2</u>
	<u>Condensed Consolidated Balance Sheets - September 30, 2013 (unaudited) and June 30, 2013</u>	<u>2</u>
	<u>Condensed Consolidated Statements of Income - Three months ended September 30, 2013 and 2012 (unaudited)</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Income - Three months ended September 30, 2013 and 2012 (unaudited)</u>	<u>4</u>
	<u>Condensed Consolidated Statement of Stockholders' Equity - Three months ended September 30, 2013 (unaudited)</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flows - Three months ended September 30, 2013 and 2012 (unaudited)</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
Item 4.	<u>Controls and Procedures</u>	<u>27</u>

Part II - Other Information

Items 1, 1A, 3, 4 and 5 are not applicable		
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
Item 6.	<u>Exhibits</u>	<u>28</u>
	<u>Signatures</u>	<u>29</u>

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2013 AND JUNE 30, 2013

(In thousands, except share amounts)

	September 30, 2013 (Unaudited)	June 30, 2013 (Note)
ASSETS		
Current assets:		
Cash and cash equivalents	\$65,069	\$41,263
Accounts receivable, less allowance for doubtful accounts of \$2,687 and \$2,564	233,759	233,641
Inventories	267,075	250,175
Deferred income taxes	17,665	17,716
Prepaid expenses and other current assets	38,639	32,377
Total current assets	622,207	575,172
Property, plant and equipment, net	251,363	235,841
Goodwill	916,590	876,106
Trademarks and other intangible assets, net	487,532	498,235
Investments and joint ventures	41,099	46,799
Other assets	26,030	26,341
Total assets	\$2,344,821	\$2,258,494
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$190,491	\$184,996
Accrued expenses and other current liabilities	84,960	71,950
Income taxes payable	8,154	4,707
Current portion of long-term debt	11,287	12,477
Total current liabilities	294,892	274,130
Long-term debt, less current portion	641,241	653,464
Deferred income taxes	113,120	114,395
Other noncurrent liabilities	15,293	14,950
Total liabilities	1,064,546	1,056,939
Stockholders' equity:		
Preferred stock - \$.01 par value, authorized 5,000,000 shares, no shares issued	—	—
Common stock - \$.01 par value, authorized 100,000,000 shares, issued 49,174,872 and 49,026,263 shares	492	490
Additional paid-in capital	780,872	768,774
Retained earnings	517,422	489,767
Accumulated other comprehensive income	15,663	(27,251)
	1,314,449	1,231,780
Less: 1,387,295 and 1,336,036 shares of treasury stock, at cost	(34,174)	(30,225)
Total stockholders' equity	1,280,275	1,201,555
Total liabilities and stockholders' equity	\$2,344,821	\$2,258,494

Note: The balance sheet at June 30, 2013 has been derived from the audited financial statements at that date.

See notes to condensed consolidated financial statements.

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
 (In thousands, except per share amounts)

	Three Months Ended September	
	30,	
	2013	2012
Net sales	\$477,484	\$359,807
Cost of sales	358,361	264,595
Gross profit	119,123	95,212
Selling, general and administrative expenses	73,587	59,662
Amortization of acquired intangibles	3,468	2,633
Acquisition related expenses, restructuring and integration charges	2,296	641
Operating income	39,772	32,276
Interest and other expenses, net	3,938	3,892
Income before income taxes and equity in earnings of equity-method investees	35,834	28,384
Provision for income taxes	8,751	7,858
Equity in net (income) loss of equity-method investees	(572	) 738
Income from continuing operations	27,655	19,788
Loss from discontinued operations, net of tax	—	(3,402
Net income	\$27,655	\$16,386
Basic net income/(loss) per common share:		
From continuing operations	\$0.58	\$0.44
From discontinued operations	—	(0.08
Net income per common share - basic	\$0.58	\$0.36
Diluted net income/(loss) per common share:		
From continuing operations	\$0.57	\$0.42
From discontinued operations	—	(0.07
Net income per common share - diluted	\$0.57	\$0.35
Shares used in the calculation of net income per common share:		
Basic	47,706	45,017
Diluted	48,934	46,569
See notes to condensed consolidated financial statements.		

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
 (In thousands)

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net income			\$27,655			\$16,386
Other comprehensive income (loss):						
Foreign currency translation adjustments	\$44,239	\$(597)	) 43,642	\$13,202	\$(927)	) 12,275
Change in deferred gains/(losses) on cash flow hedging instruments	(737)	) 183	(554)	(821)	) 206	(615)
Change in unrealized gain on available for sale investment	(286)	) 112	(174)	2,029	(814)	) 1,215
Total other comprehensive income (loss)	\$43,216	\$(302)	) \$42,914	\$14,410	\$(1,535)	) \$12,875
Total comprehensive income			\$70,569			\$29,261

See notes to condensed consolidated financial statements.

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013
 (In thousands, except per share and share amounts)

	Common Stock	Additional		Treasury Stock		Accumulated		
	Shares	Amount at \$.01	Paid-in Capital	Retained Earnings	Shares	Amount	Other Comprehensive Income (Loss)	Total
Balance at June 30, 2013	49,026,263	\$490	\$768,774	\$489,767	1,336,036	\$(30,225)	\$ (27,251)	\$1,201,555
Net income				27,655				27,655
Other comprehensive income							42,914	42,914
Issuance of common stock pursuant to compensation plans	148,609	2	7,935					7,937
Stock based compensation income tax effects			926					926
Shares withheld for payment of employee payroll taxes due on shares issued under stock based compensation plans					51,259	(3,949)		(3,949)
Stock based compensation charge			3,237					3,237
Balance at September 30, 2013	49,174,872	\$492	\$780,872	\$517,422	1,387,295	\$(34,174)	\$ 15,663	\$1,280,275

See notes to condensed consolidated financial statements.

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(In thousands)

	Three Months Ended September	
	30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$27,655	\$16,386
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,453	8,050
Deferred income taxes	(1,585	) (522
Equity in net (income) loss of equity-method investees	(572	) 738
Stock based compensation	3,237	2,892
Tax benefit from stock based compensation	112	548
Loss on sale of business	—	3,086
Other non-cash items, net	246	(90
Increase (decrease) in cash attributable to changes in operating assets and liabilities, net of amounts applicable to acquisitions:		
Accounts receivable	5,966	(9,337
Inventories	(12,505	) (11,601
Other current assets	(315	) 2,073
Other assets and liabilities	(717	) (4,826
Accounts payable and accrued expenses	17,788	20,249
Income taxes	3,845	(491
Net cash provided by operating activities	53,608	27,155
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from purchase price settlement for acquisition	481	—
Proceeds from sale of business, net	—	13,584
Purchases of property and equipment	(12,347	) (8,306
Repayments from equity-method investees, net	—	100
Net cash (used in) provided by investing activities	(11,866	) 5,378
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercises of stock options, net of related expenses	580	4,417
Repayments under bank revolving credit facility, net	(13,252	) (30,000
Repayments of other long-term debt, net	(1,904	) (99
Excess tax benefits from stock based compensation	814	3,111
Shares withheld for payment of employee payroll taxes	(3,949	) (3,077
Net cash used in financing activities	(17,711	) (25,648
Effect of exchange rate changes on cash	(225	) (626
Net increase in cash and cash equivalents	23,806	6,259
Cash and cash equivalents at beginning of period	41,263	29,895
Cash and cash equivalents at end of period	\$65,069	\$36,154
See notes to condensed consolidated financial statements.		

Table of Contents

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BUSINESS

The Hain Celestial Group, Inc., a Delaware corporation, and its subsidiaries (collectively, the “Company,” and herein referred to as “we,” “us,” and “our”) manufacture, market, distribute and sell organic and natural products under brand names which are sold as “better-for-you” products. We are a leader in many organic and natural products categories, with many recognized brands. Our brand names are well recognized in the various market categories they serve and include Earth’s Best[®], Ella’s Kitchen[®], Celestial Seasonings[®], Terra[®], Garden of Eatin’[®], Sensible Portions[®], The Greek Gods[®], Spectrum[®], Spectrum Essentials[®], Rice Dream[®], Soy Dream[®], Almond Dream[®], Imagine[®], WestSoy[®], Arrowhead Mills[®], MaraNatha[®], SunSpire[®], Health Valley[®], BluePrint[®], Lima[®], Danival[®], GG UniqueFiber[™], Yves Veggie Cuisine[®], Europe’s Best[®], DeBoles[®], Linda McCartney[®] (under license), The New Covent Garden Soup Co.[®], Johnson’s Juice Co.[®], Farmhouse Fare[®], Cully & Sully[®], Hartley’s[®], Sun-Pat[®], Gale’s[®], Robertson’s[®] and Frank Cooper’s[®]. Our personal care products are marketed under the Avalon Organics[®], Alba Botanica[®], JASON[®], Queen Helene[®] and Earth’s Best[®] brands.

We have a minority investment in Hain Pure Protein Corporation (“HPP” or “Hain Pure Protein”), which processes, markets and distributes antibiotic-free chicken and turkey products. We also have an investment in a joint venture in Hong Kong with Hutchison China Meditech Ltd. (“Chi-Med”), a majority owned subsidiary of Hutchison Whampoa Limited, a company listed on the Alternative Investment Market, a sub-market of the London Stock Exchange, to market and distribute certain of the Company’s brands in China and other markets.

Our operations are managed by geography, and are comprised of four operating segments: United States, United Kingdom, Canada and Europe. Refer to Note 16 for additional information and selected financial information for our segments.

2. BASIS OF PRESENTATION

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 footnotes required by accounting principles generally accepted in the United States (“U.S. GAAP”). The amounts as of and for the periods ended June 30, 2013 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 months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2014. Please refer to the footnotes to our consolidated financial statements as of June 30, 2013 and for the fiscal year then ended included in our Annual Report on Form 10-K for information not included in these condensed footnotes.

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

Newly Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. We adopted ASU No. 2013-02 on a prospective basis at the beginning of our 2014 fiscal year. Refer to Note 11 for disclosures required under this standard.

Table of Contents

3. EARNINGS PER SHARE

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

	Three Months Ended September 30,	
	2013	2012
Numerator:		
Income from continuing operations	\$27,655	\$19,788
Loss from discontinued operations, net of tax	—	(3,402)
Net income	\$27,655	\$16,386
Denominator (in thousands):		
Denominator for basic earnings per share - weighted average shares outstanding during the period	47,706	45,017
Effect of dilutive stock options, unvested restricted stock and unvested restricted share units	1,228	1,552
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	48,934	46,569
Basic net income per common share:		
From continuing operations	\$0.58	\$0.44
From discontinued operations	—	(0.08)
Net income per common share - basic	\$0.58	\$0.36
Diluted net income per common share:		
From continuing operations	\$0.57	\$0.42
From discontinued operations	—	(0.07)
Net income per common share - diluted	\$0.57	\$0.35

Basic earnings per share excludes the dilutive effects of stock options, unvested restricted stock and unvested restricted share units. Diluted earnings per share includes only the dilutive effects of common stock equivalents such as stock options and unvested restricted stock awards. The Company used income from continuing operations as the control number in determining whether potential common shares were dilutive or anti-dilutive. The same number of potential common shares used in computing the diluted per share amount from continuing operations was also used in computing the diluted per share amounts from discontinued operations even if those amounts were anti-dilutive.

Restricted stock awards totaling 205,187 and 300,000 were excluded from our diluted earnings per share calculations for the three months ended September 30, 2013 and 2012, respectively, as such awards are either contingently issuable based on market conditions and such conditions had not been achieved during the respective periods or were antidilutive.

4. ACQUISITIONS AND DISPOSALS

We account for acquisitions using the acquisition method of accounting. The results of operations of the acquisitions have been included in our consolidated results from their respective dates of acquisition. We allocate the purchase price of each acquisition 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.

Table of Contents

The costs related to all acquisitions have been expensed as incurred and are included in “Acquisition related expenses, restructuring and integration charges” in the Condensed Consolidated Statements of Income. Acquisition-related costs of \$725 and \$605 were expensed in the three months ended September 30, 2013 and 2012, respectively. The expenses incurred during the first quarter of fiscal 2014 primarily relate to stamp duty and additional professional fees associated with our recent acquisitions and during the first quarter of fiscal 2013 primarily relate to professional fees associated with the acquisition of the UK Ambient Grocery Brands (as discussed below).

Fiscal 2013

On May 2, 2013, we acquired Ella’s Kitchen Group Limited (“Ella’s Kitchen”), a manufacturer and distributor of premium organic baby food under the Ella’s Kitchen® brand and the first company to offer baby food in convenient flexible pouches. Ella’s Kitchen offers a range of branded organic baby food products principally in the United Kingdom, the United States and Scandinavia. Ella’s Kitchen’s operations are included as part of the Company’s United States operating segment. Consideration in the transaction consisted of cash totaling £37,571, net of cash acquired (approximately \$58,437 at the transaction date exchange rate) and 687,779 shares of the Company’s common stock valued at \$45,050. The acquisition was funded with borrowings under our Credit Agreement.

On December 21, 2012, we acquired the assets and business of Zoe Sakoutis LLC, d/b/a BluePrint Cleanse (“BluePrint”), a nationally recognized leader in the cold-pressed juice category based in New York City, for \$16,679 in cash and 174,267 shares of the Company’s common stock valued at \$9,525. Additionally, contingent consideration of up to a maximum of approximately \$82,400 is payable based upon the achievement of specified operating results during the two annual periods ending December 31, 2013 and 2014. The Company recorded \$13,491 as the fair value of the contingent consideration at the acquisition date. The BluePrint® brand, which is part of our United States operating segment, expanded our product offerings into a new category. The acquisition was funded with existing cash balances and borrowings under our Credit Agreement.

On November 1, 2012, we completed the disposal of our sandwich business, including the Daily Bread™ brand name, in the United Kingdom. The disposal transaction resulted in an exchange of businesses, whereby the Company acquired the fresh prepared fruit products business of Superior Food Limited in the United Kingdom in exchange for the Company’s sandwich business and a cash payment of £1,000 (approximately \$1,600 at the transaction date exchange rate). Refer to Note 5, Discontinued Operations, for additional information.

On October 27, 2012, we completed the acquisition of a portfolio of market-leading packaged grocery brands including Hartley’s®, Sun-Pat®, Gale’s®, Robertson’s® and Frank Cooper’s®, together with the manufacturing facility in Cambridgeshire, United Kingdom (the “UK Ambient Grocery Brands”) from Premier Foods plc. The product offerings acquired include jams, fruit spreads and jelly, peanut butter, honey and marmalade products. Consideration in the transaction consisted of £169,708 in cash (approximately \$273,246 at the transaction date exchange rate) funded with borrowings under our Credit Agreement and 836,426 shares of the Company’s common stock valued at \$48,061. The acquisition expanded our product offerings in the United Kingdom into ambient grocery which we expect will help position the expanded business as a top food and beverage supplier in the United Kingdom.

On August 20, 2012, we completed the sale of our private-label chilled ready meals business in the United Kingdom (the “CRM business”). Total consideration received was £9,641 (approximately \$15,132 at the transaction date exchange rate), which remains subject to a final working capital adjustment with the purchaser. We recognized a preliminary loss on disposal of \$3,616 (\$4,200 after-tax, which includes the write-off of certain deferred tax assets) during the fiscal year ended June 30, 2013, of which \$2,503 (\$3,086 after-tax) was recorded in the three months ended September 30, 2012, which is included within “Loss from discontinued operations, net of tax” in the Condensed Consolidated Statements of Income. Refer to Note 5, Discontinued Operations, for additional information.

Table of Contents

The following table summarizes the components of the preliminary purchase price allocations for the fiscal 2013 acquisitions:

	UK Ambient Grocery Brands	BluePrint	Ella's Kitchen	Total
Purchase price:				
Cash paid	\$273,246	\$16,679	\$58,437	\$348,362
Equity issued	48,061	9,525	45,050	102,636
Fair value of contingent consideration	—	13,491	—	13,491
	\$321,307	\$39,695	\$103,487	\$464,489
Allocation:				
Current assets	\$29,825	\$2,742	\$27,749	\$60,316
Property, plant and equipment	39,150	3,173	672	42,995
Identifiable intangible assets	118,020	18,980	49,669	186,669
Assumed liabilities	(1,959	) (2,189	) (17,653	) (21,801
Deferred income taxes	2,882	—	(11,955	) (9,073
Goodwill	133,389	16,989	55,005	205,383
	\$321,307	\$39,695	\$103,487	\$464,489

The purchase price allocations are based upon preliminary valuations, and the Company's estimates and assumptions are subject to change within the measurement period as valuations are finalized. Any change in the estimated fair value of the net assets, prior to the finalization of the more detailed analyses, but not to exceed one year from the dates of acquisition, will change the amount of the purchase price allocations.

The fair values assigned to identifiable intangible assets acquired were based on assumptions and estimates made by management. Preliminary identifiable intangible assets acquired consisted of customer relationships valued at \$46,232 with a weighted average estimated useful life of 15.6 years, a non-compete arrangement valued at \$1,100 with an estimated life of 3.0 years, and trade names valued at \$139,337 with indefinite lives. The goodwill represents the future economic benefits expected to arise that could not be individually identified and separately recognized, including use of our existing infrastructure to expand sales of the acquired business' products. The goodwill recorded as a result of the acquisitions of the UK Ambient Grocery Brands and Ella's Kitchen is not expected to be deductible for tax purposes.

Unaudited Proforma Results of Continuing Operations

The following table provides unaudited pro forma results of continuing operations for the three months ended September 30, 2012, as if all of the above acquisitions had been completed at the beginning of fiscal year 2013. Pro forma results of continuing operations are not provided for the three months ended September 30, 2013 as there were no acquisitions completed during such period. The following pro forma combined results of continuing operations have been provided for illustrative purposes only, and do not purport to be indicative of the actual results that would have been achieved by the Company for the periods 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. The adjustments include amortization expense associated with acquired identifiable intangible assets, interest expense associated with bank borrowings to fund the acquisitions and elimination of transactions costs incurred that are directly related to the transactions and do not have a continuing impact on operating results from continuing operations.

Three Months Ended
September 30, 2012

Edgar Filing: HAIN CELESTIAL GROUP INC - Form 10-Q

Net sales from continuing operations	\$444,248
Net income from continuing operations	\$23,312
Net income per common share from continuing operations - diluted	\$0.48

This information has not been adjusted to reflect any changes in the operations of the businesses subsequent to their acquisition by us. Changes in operations of the acquired businesses include, but are not limited to, discontinuation of products, integration of systems and personnel, changes in trade practices, application of our credit policies, changes in manufacturing processes or locations, and changes in marketing and advertising programs. Had any of these changes been implemented by the former managements of the businesses acquired prior to acquisition by us, the net sales and net income information might have been materially different than the actual results achieved and from the pro forma information provided. In management's opinion, these

Table of Contents