HAIN CELESTIAL GROUP INC
Form 10-K
August 29, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year ended June 30, 2018

¨ 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	11042
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (516) 587-5000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which registered
Common Stock, par value $.01 per share	The NASDAQ® Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No ý

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 ý 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 ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to Form 10-K.
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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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based upon the
closing price of the registrant's common stock, as quoted on the NASDAQ Global Select Market on December 31, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was $3,887,102,679.

As of August 22, 2018, there were 103,952,111 shares outstanding of the registrant's Common Stock, par value $.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of The Hain Celestial Group, Inc. Definitive Proxy Statement for the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Cautionary Note Regarding Forward Looking Information

This Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (the “Form 10-K”) 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 Form 10-K, 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 Form 10-K. 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,” “potential,” or “continue” 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 Securities and Exchange Commission (“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 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, consolidation of customers, reliance on independent distributors, general economic and financial market conditions, risks associated with our international sales and operations, our ability to manage our supply chain effectively, changes in raw materials, freight, commodity costs and fuel, our ability to execute and realize cost savings initiatives, including, but not limited to, cost reduction initiatives under Project Terra and stock-keeping unit (“SKU”) rationalization plans, the identification and remediation of material weaknesses in our internal controls over financial reporting, our ability to manage our financial reporting and internal control system processes, potential liabilities due to legal claims, government investigations and other regulatory enforcement actions, costs incurred due to pending and future litigation, the availability of key personnel and changes in management team, potential liability if our products cause illness or physical harm, impairments in the carrying value of goodwill or other intangible assets, our ability to identify and complete acquisitions or divestitures and integrate acquisitions, the availability of organic and natural ingredients, the reputation of our brands, risks relating to the protection of intellectual property, cybersecurity risks, and other risks described in Part I, Item 1A, “Risk Factors” as well as in other reports that we file in the future.

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PART I
THE HAIN CELESTIAL GROUP, INC.

Item 1. Business

Overview

The Hain Celestial Group, Inc., a Delaware corporation, 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 Create and Inspire A Healthier Way of Life™ and 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.

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®, Better Bean®, BluePrint®, Casbah®, Celestial Seasonings®, Clarks™, 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®, Mary Berry (under license), Natumi®, New Covent Garden Soup Co.®, Orchard House®, Plainville Farms®, Rice Dream®, Robertson's®, Rudi's Gluten-Free Bakery®, Rudi's Organic Bakery®, Sensible Portions®, Spectrum Organics®, Soy Dream®, Sun-Pat®, Sunripe®, SunSpire®, Terra®, The Greek Gods®, Tilda®, Walnut Acres®, WestSoy®, Yorkshire Provender®, Yves Veggie Cuisine® and William's™. The Company's personal care products are marketed under the Alba Botanica®, Avalon Organics®, Earth's Best®, JASON®, Live Clean® and Queen Helene® brands.

The Company sells its products through specialty and natural food distributors, supermarkets, natural foods stores, mass-market and e-commerce retailers, food service channels and club, drug and convenience stores in over 80 countries worldwide.

Project Terra

During fiscal 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™. The core platforms are defined by common consumer need, route-to-market or internal advantage and are aligned with the Company's strategic roadmap to continue its leadership position in the organic and natural, "better-for-you" products industry. Beginning in fiscal 2017, those core platforms within our United States segment are:

- Better-for-You Baby, which includes infant foods, infant and toddler formula, toddler and kids foods and diapers that nurture and care for babies and toddlers, under the Earth's Best® and Ella's Kitchen® brands.
- Better-for-You Pantry, which includes core consumer staples, such as MaraNatha®, Arrowhead Mills®, Imagine® and Spectrum® brands.
- Better-for-You Snacking, which includes wholesome products for in-between meals, such as Terra®, Sensible Portions® and Garden of Eatin® brands.
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- Fresh Living, which includes yogurt, plant-based proteins and other refrigerated products, such as The Greek Gods® yogurt and Dream™ plant-based beverage brands.
- Pure Personal Care, which includes personal care products focused on providing consumers with cleaner and gentler ingredients, such as JASON®, Live Clean®, Avalon Organics® and Alba Botanica® brands.
- Tea, which includes tea products marketed under the Celestial Seasonings® brand.

Beginning in fiscal 2017, the Company launched Cultivate Ventures ("Cultivate"), a venture unit with a twofold 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 these brands a dedicated, creative focus for refresh and relaunch and; (ii) to incubate and grow small acquisitions until they reach the scale required to migrate to the Company's core platforms. Cultivate also includes Casbah®, GG UniqueFiber™, Tilda® and Yves® Veggie Cuisine, global brands that have a growing presence in the United States.

Another key initiative from Project Terra was the identification of global cost savings, as well as removing complexities from the business. Under this plan, the Company aims to achieve $350 million in global savings by fiscal 2020, a portion of which the Company intends to reinvest into its brands. This review includes streamlining the Company's manufacturing plants, co-packers

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and supply chain, eliminating served categories or brands within those categories, and product rationalization initiatives which are aimed at eliminating slow moving stock-keeping units (“SKUs”).

During fiscal 2018, the Company initiated a SKU rationalization, which included the removal of over 400 SKUs for a total of over 1,100 SKUs to date identified as part of Project Terra.

Additionally, the Company, with the assistance of outside consultants, engaged in an evaluation of its trade investment in the United States segment. Based on this assessment, the Company determined that its trade investment could be utilized more effectively, and therefore, beginning in fiscal 2017, the Company developed plans to shift from a model of investing in trade at the non-consumer facing level to more consumer facing activities.

Discontinued Operations

In March 2018, the Company’s Board of Directors approved a plan to sell all of the operations of the Hain Pure Protein Corporation (“HPPC”) and EK Holdings, Inc. (“Empire”) operating segments, which are reported in the aggregate as the Hain Pure Protein reportable segment. These dispositions are being undertaken to reduce complexity in the Company’s operations and simplify the Company’s brand portfolio, in addition to allowing additional flexibility to focus on opportunities for growth and innovation in the Company’s more profitable and faster growing core businesses. Collectively, these dispositions represent a strategic shift that will have a major impact on the Company’s operations and financial results and have been accounted for as discontinued operations. See Note 5, Discontinued Operations,in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information.

Changes in Segments

Prior to July 1, 2017, the Company’s operations were managed in eight operating segments: the United States, United Kingdom, Tilda, HPPC, Empire, Canada, Europe and Cultivate. The United States operating segment was also a reportable segment. The United Kingdom and Tilda operating segments were reported in the aggregate as “United Kingdom”, while HPPC and Empire were reported in the aggregate as “Hain Pure Protein,” and Canada, Europe, and Cultivate were combined and reported as “Rest of World.”

Effective July 1, 2017, due to changes to the Company’s internal management and reporting structure, the United Kingdom operations of the Ella’s Kitchen® brand, which was previously included within the United States operating segment, became a separate operating segment and was aggregated within the United Kingdom reportable segment.

As of March 2018, the Hain Pure Protein operations, including HPPC and Empire, were classified as discontinued operations as discussed above. Therefore, segment information presented excludes the results of Hain Pure Protein.

The prior period segment information contained below has been adjusted to reflect the Company’s new operating and reporting structure. See Note 1, Description of Business and Basis of Presentation, in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information.

Chief Executive Officer Succession Plan

On June 25, 2018, Hain announced a Chief Executive Officer (“CEO”) succession plan, whereby the current CEO, Irwin D. Simon, will terminate employment with the Company upon the hiring of a new CEO. Following the hiring of a new CEO, Mr. Simon will become Non-Executive Chairman of the Board of Directors for a transition period. Under the terms of the Succession Agreement between the Company and Mr. Simon, Mr. Simon’s employment with the Company will terminate on the date immediately prior to the first date of employment of a new CEO of the Company to be appointed by the Company’s Board of Directors (the “Succession Date”). Prior to the Succession Date, Mr. Simon will continue his position as President and CEO and will assist the Board of Directors in the identification and hiring of a successor to his position during this period.

Acquisitions and Investments

We have acquired numerous companies and brands since our formation and intend to seek future growth through internal expansion as well as the acquisition of complementary brands. We consider the acquisition of organic, natural and “better-for-you” product companies or product lines to be a part of our business strategy. During fiscal 2018, we acquired Clarks UK Limited, (“Clarks”), a leading maple syrup and natural sweetener brand in the United Kingdom, for $12.4 million. See Note 6, Acquisitions, in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K for additional information.

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Our business strategy is to integrate our brands under one management team within each operating segment and employ uniform marketing, sales and distribution programs when attainable. We believe that, by integrating our various brands, we will continue to achieve economies of scale and enhanced market penetration. We seek to capitalize on the equity of our brands and the distribution achieved through each of our acquired businesses with strategic introductions of new products that complement existing lines to enhance revenues and margins.

Headcount

As of June 30, 2018, we employed a total of 7,685 full-time employees, including 1,832 full-time employees in our Hain Pure Protein business, which is classified as discontinued operations at June 30, 2018.

Products

During fiscal 2018, we primarily sold our organic, natural, and “better-for-you” products in the following categories: grocery; snacks; personal care; and tea. We continuously evaluate our existing products for quality, taste, nutritional value and cost and make improvements where possible. We discontinue products or SKUs when sales of those items do not warrant further production. Our product categories consist of the following:

Grocery

Grocery products include infant formula, infant, toddler and kids foods, diapers and wipes, rice and grain-based products, plant-based beverages and frozen desserts (such as soy, rice, oat, almond and coconut), flour and baking mixes, breads, hot and cold cereals, pasta, condiments, cooking and culinary oils, granolas, cereal bars, canned, chilled fresh, aseptic and instant soups, yogurts, chilis, chocolate, nut butters, juices including cold-pressed juice, hot-eating, desserts, cookies, frozen fruit and vegetables, pre-cut fresh fruit, refrigerated and frozen plant-based meat-alternative products, tofu, seitan and tempeh products, jams, fruit spreads, jelly, honey, natural sweeteners and marmalade products, as well as other food products. Grocery products accounted for approximately 75% of our consolidated net sales in 2018, 74% in 2017 and 75% in 2016.

Snacks

Our snack products include a variety of potato, root vegetable and other exotic vegetable chips, straws, tortilla chips, whole grain
chips, pita chips and puffs. Snack products accounted for approximately 12% of our consolidated net sales in 2018 and 13% in each of 2017 and 2016.

Personal Care

Our personal care products cover a variety of personal care categories including skin, hair and oral care, deodorants, baby care items, body washes, sunscreens and lotions. Personal care products accounted for approximately 8% of our consolidated net sales in each of 2018 and 2017 and 7% in 2016.

Tea

Under the Celestial Seasonings® brand, we currently offer more than 100 varieties of herbal, green, black, wellness, rooibos and chai tea. Tea products accounted for approximately 5% of our consolidated net sales in each of 2018, 2017 and 2016.

Seasonality

Certain of our product lines have seasonal fluctuations. Hot tea, baking products, hot cereal, hot-eating desserts and soup sales are stronger in colder months, while sales of snack foods, sunscreen and certain of our prepared food and personal care products are stronger in the warmer months. Additionally, due to the nature of our Tilda business, our net sales and earnings may further fluctuate based on the timing of certain holidays throughout the year. As such, our results of operations and our cash flows for any particular quarter are not indicative of the results we expect for the full year, and our historical seasonality may not be indicative of future quarterly results of operations. In recent years, net sales and diluted earnings per share in the first fiscal quarter have typically been the lowest of our four quarters.

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Working Capital

For information relating to our cash flows from operations and working capital items, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of this Form 10-K.

Capital Expenditures

During fiscal 2018, our aggregate capital expenditures from continuing operations were $70.9 million. We expect to spend approximately $80 million to $100 million for capital projects in fiscal 2019 and we may incur additional costs in connection with Project Terra.

Segments

We principally manage our business by geography in seven operating segments: the United States, United Kingdom, Tilda, Ella’s Kitchen UK, Canada, Europe and Cultivate. In addition, we have three reportable segments: United States, United Kingdom and Rest of World. Canada, Europe and Cultivate do not currently meet the quantitative thresholds for segment reporting and are therefore combined and reported as Rest of World.

In fiscal 2018, the Hain Pure Protein operations, including HPPC and Empire, were classified as discontinued operations as discussed in Note 5, Discontinued Operations in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. Therefore, segment information presented excludes the results of Hain Pure Protein.

Each segment includes the results of operations attributable to its geographic location except for Cultivate, which conducts business in the United States, Canada and Europe and is included in Rest of World.

We use segment net sales and operating income to evaluate segment performance and to allocate resources. We believe this measure is most relevant in order to analyze segment results and trends. Segment operating income excludes certain general corporate expenses (which are a component of selling, general and administrative expenses), impairment and acquisition related expenses, restructuring, integration and other charges.

The following table presents the Company’s net sales by reportable segment for the fiscal years ended June 30, 2018, 2017, and 2016 (amounts in thousands, other than percentages which may not add due to rounding):

	Fiscal Year Ended June 30,					
	2018		2017		2016	
United States	$1,084,871	44 %	$1,107,806	47 %	$1,164,817	49 %
United Kingdom	938,029	38 %	851,757	36 %	859,183	36 %
Rest of World	434,869	18 %	383,942	16 %	368,864	15 %
Total	$2,457,769	100%	$2,343,505	100%	$2,392,864	100%

United States Segment:

Our products are sold throughout the United States. Our customer base consists principally of specialty and natural food distributors, supermarkets, natural food stores, mass-market and e-commerce retailers, food service channels and club, drug and convenience stores. Our products are sold through a combination of direct sales people, brokers and distributors. We believe that our direct sales people combined with brokers and distributors provide an effective means of reaching a broad and diverse customer base. Food brokers act as agents for us within designated territories, usually on a non-exclusive basis, and receive commissions. A portion of our direct sales force is organized into dedicated teams to serve our significant customers.

A significant portion of the products marketed by us are sold through independent food distributors. Food distributors purchase products from us for resale to retailers.

The brands sold by the United States segment by platform are:

Better-for-You Baby

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Our Better-for-You Baby products include infant and toddler formula, infant cereals, jarred baby food, baby food pouches, snacks, frozen toddler and kids' foods and diapers under the Earth's Best®, Earth's Best Sesame Street (under license) and Ella's Kitchen® brands.

Better-for-You Pantry

Our Better-for-You Pantry products include the following natural and organic brands: Spectrum® culinary oils, vinegars and condiments, Spectrum Essentials® nutritional oils and supplements, MaraNatha® nut butters, Imagine® broths, soups, and gravies, Rudi's Gluten Free Bakery® and Rudi's Organic Bakery® breads, buns, bagels and tortillas, Arrowhead Mills® flours, mixes and cereals, Hain Pure Foods® condiments and Westbrae® vegetarian products.

Better-for-You Snacking

Our Better-for-You snack food products include Terra® varieties of root vegetable chips, potato chips and other exotic vegetable chips, Garden of Eatin® tortilla chips, Sensible Portions® snack products including Garden Veggie Straws®, and Garden Veggie Chips and Apple Straws® and Bearitos®, puffs and other snacks.

Fresh Living

Our Fresh Living products include The Greek Gods® Greek-style yogurt and kefir, Almond Dream®, Coconut Dream®, Rice Dream®, Oat Dream®, Soy Dream® and other Dream™ brand plant-based beverages, yogurt, and frozen desserts.

Pure Personal Care

Our Pure Personal Care products include skin, hair and oral care, deodorants, sun care and baby care items under the Alba Botanica®, Avalon Organics®, Earth's Best®, JASON®, Live Clean® and Queen Helene® brands.

Tea

Our tea products are marketed under the Celestial Seasonings® brand and include more than 100 varieties of herbal, green, black, wellness and rooibos, with well-known names and products such as Sleepytime®, Lemon Zinger®, Red Zinger®, Cinnamon Apple Spice, Bengal Spice® and Country Peach Passion®.

United Kingdom Segment:

In the United Kingdom, our products include frozen and chilled products, including but not limited to soups, fruits and juices, plant-based and meat-free products, and premium rice and grain-based products as well as ambient products such as jams, fruit spreads, jellies, honey, marmalades, nut butters, sweeteners, syrups and dessert sauces.

The brands sold by our United Kingdom segment include Ella's Kitchen® infant and toddler foods, New Covent Garden Soup Co.® and Yorkshire Provender® chilled soups, Farmhouse Fare™ and Mary Berry™ hot-eating desserts, Johnson's Juice Co.® juices, Linda McCartney's® chilled and frozen plant-based meals, Cully & Sully® chilled soups and ready meals, Hartley's® jams, fruit spreads and jellies, William's™ conserves, Sun-Pat® nut butters, Gale's® honey, Clarks™ natural sweeteners, Robertson's® and Frank Cooper's® marmalades and Tilda® rice and grain-based products. We also provide a comprehensive range of private label products to many retailers, convenience stores and foodservice providers in the following categories: fresh soup, pre-cut fresh fruit, juice, smoothies, chilled desserts, meat-free meals and ambient grocery products.

Our products are principally sold throughout the United Kingdom and Ireland, but are also sold in other parts of the world as well. Our customer base consists principally of retailers, convenience stores, foodservice providers, business to business, natural food and ethnic specialty distributors, club stores and wholesalers.

Rest of World (Canada):

Our products are sold throughout Canada. Our customer base consists principally of grocery supermarkets, mass merchandisers, club stores, natural food distributors, personal care distributors, drug store chains and foodservice distributors. Our products are sold through our own retail direct sales force. We also utilize third-party brokers who receive commissions and sell to foodservice and retail customers. We utilize a third party merchandising team for retail execution. As in the United States, a portion of the products marketed by us are sold through independent distributors.

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The brands sold in our Canada segment include Yves Veggie Cuisine® refrigerated and frozen meat-alternative products, vegetables and lentils, Europe's Best® frozen fruits and vegetables, Earth's Best® infant formula and food, Casbah® packaged grains, MaraNatha® nut butters, Spectrum Essentials® cooking and culinary oils, Imagine® aseptic soups, The Greek Gods® Greek-style yogurt, Robertson's® marmalades, and Tilda® rice. Our plant-based beverages include Rice Dream®, Soy Dream®, Oat Dream®, Coconut Dream®, Almond Dream®, and Rice Dream® in refrigerated format, Rice Dream® and Almond Dream® plant-based frozen desserts, Celestial Seasonings® teas, Terra® chips, Garden of Eatin® tortilla chips and Sensible Portions® snack products. Our personal care products include skin, hair and oral care, deodorants and baby care items under the Avalon Organics®, Alba Botanica®, JASON® and Live Clean® brands.

Rest of World (Europe):

Our products sold by the Europe operating segment include Danival®, Dream®, Joya®, Lima® and Natumi®. The Danival® brand includes organic cooked vegetables, prepared meals, sauces, fruit spreads and desserts. The Lima® brand includes a wide range of organic products such as soy sauce, plant-based beverages and grain cakes, as well as grains, pasta, cereals, miso, snacks, sweeteners, spreads, soups and condiments. Our Natumi® and Dream® brands include plant-based beverages, including rice, soy, oat and spelt. Our Joya® brand includes soy, oat, rice and nut-based drinks as well as plant-based yogurts, desserts, creamers, tofu and private label products. We also sell our Hartley's® jams, fruit spreads and jellies, Terra® varieties of root vegetable and potato chips, and Celestial Seasonings® teas, Linda McCartney's® chilled and frozen plant-based meals and Tilda® dry rice and ready-to-heat products in Europe as well.

Our products are sold in grocery stores and organic food stores throughout Europe. Our products are sold using our own direct sales force and local distributors.

Rest of World (Cultivate):

Our products sold by the Cultivate operating segment include Better Bean® prepared beans and bean-based dips sold in refrigerated tubs, BluePrint® cold-pressed juice drinks, DeBoles® pasta, Health Valley® cereal bars and soups, GG UniqueFiber™ crackers, SunSpire® chocolates, Hollywood® oils, Tilda® rice and grain-based products, Casbah® grain-based products, WestSoy® brand tofu, seitan and tempeh products and Yves Veggie Cuisine® plant-based products.

Cultivate products are sold throughout the United States. Our customer base consists principally of grocery supermarkets, mass merchandisers, Direct Store Delivery ("DSD") distributors and natural food distributors. We utilize a dedicated sales team and third-party brokers who receive commissions and sell to grocery supermarkets and natural food stores. A portion of our BluePrint® products and GG UniqueFiber™ crackers are sold through our own DSD sales force as well as through our Direct to Consumer business.

Customers

Two of our customers each accounted for more than 10% of our consolidated net sales in each of the last three fiscal years, respectively. United Natural Foods, Inc., a distributor of products to natural foods supermarkets, independent natural retailers and other supermarkets and retailers, accounted for approximately 11%, 11% and 12% of our consolidated net sales for the fiscal years ended June 30, 2018, 2017, and 2016, respectively, which were primarily related to the United States segment. Likewise, Wal-Mart Stores, Inc. and its affiliates, Sam's Club and ASDA, together accounted for approximately 11%, 12%, and 12% of our consolidated net sales for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, which were primarily related to the United States and United Kingdom segments. No other customer accounted for more than 10% of our net sales in the past three fiscal years.

Foreign Operations

We sell our products to customers in more than 80 countries. International sales represented approximately 53%, 50% and 48% of our consolidated net sales in fiscal 2018, 2017 and 2016, respectively.

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Marketing

We use a combination of trade and consumer promotions to market our products. We use trade advertising and promotion, including placement fees, cooperative advertising and feature advertising in distribution catalogs. Consumer advertising and sales promotions are also made via social media and trial use programs. We utilize in-store product demonstrations and sampling in the club store channel. Our investments in consumer spending are aimed at enhancing brand equity and increasing consumption. These consumer spending categories include, but are not limited to, coupons, direct mailing, e-consumer relationship programs and other forms of promotions. Additionally, we maintain separate websites and social media pages for many of our brands featuring product information regarding the particular brand.

We also utilize sponsorship programs to help create brand awareness. In the United States, our Earth's Best® brand has an agreement
with PBS Kids and Sesame Workshop, and our Terra Blues® are the official snack of JetBlue Airways. Terra® and Sensible Portions® snacks are Official Partners of the New York Knicks along with other Hain Celestial brands featured at Madison Square Garden. In addition, Sensible Portions® products, Yves Veggie Cuisine® plant-based burgers and Terra® chips are advertised and sold at Citi Field. There is no guarantee that these promotional investments are or will be successful.

New Product Initiatives Through Research and Development

Innovation, including new product development, is a key component of our growth strategy. We continuously seek to understand our consumers and develop products that address their desire for organic, natural and better-for-you alternatives to conventional packaged foods and personal care products. We have a demonstrated track record of extending our product offerings into other product categories. A team of professional product developers, including microbiologists, nutritionists, food scientists, chefs and chemists, work to develop products to meet changing consumer needs. Our research and development staff incorporates product ideas from all areas of our business in order to formulate new products. In addition to developing new products, the research and development staff routinely reformulates and improves existing products based on advances in ingredients, packaging and technology. We incurred approximately $9.7 million in company-sponsored research and development activities, consisting primarily of personnel-related costs, in 2018, $10.1 million in 2017 and $11.4 million in 2016. In addition to our company-sponsored research and development activities, in order to quickly and economically introduce our new products to market, we may partner with contract manufacturers that make our products according to our formulas or other specifications. The Company also partners with certain customers from time-to-time on exclusive customer initiatives. The Company's research and development expenditures do not include the expenditures on such activities undertaken by co-packers and suppliers who develop numerous products on behalf of the Company and on their own initiative with the expectation that the Company will accept their new product ideas and market them under the Company's brands.

Production

Manufacturing

During 2018, 2017 and 2016, approximately 58%, 59% and 59%, respectively, of our revenue was derived from products manufactured at our own facilities.

Our United States segment operates the following manufacturing facilities:

- Boulder, Colorado (three facilities), which produce Celestial Seasonings® teas, WestSoy® fresh tofu, seitan and tempeh products, and Rudi's Organic Bakery® organic breads, buns, bagels, tortillas, wraps and soft pretzels and Rudi's Gluten-Free Bakery® gluten-free products including breads, buns and tortillas;
- Moonachie, New Jersey, which produces Terra® root vegetable and potato chips;
- Mountville, Pennsylvania, which produces Sensible Portions® snack products;
- Hereford, Texas, which produces Arrowhead Mills® cereals, flours and baking ingredients;
- Ashland, Oregon, which produces MaraNatha® nut butters; and
- Culver City, California, which produces Alba Botanica®, Avalon Organics®, JASON® and Earth's Best® personal care products.

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Our United Kingdom segment operates the following manufacturing facilities:

- Histon, England, which produces our ambient grocery products including Hartley's®, Frank Cooper's®, Robertson's® and Gale's®;
- Newport, Wales, which produces our Clarks™ sweeteners, syrups and dessert sauces;
- Rainham, England (two facilities), which produce our classic and ready-to-heat Tilda® rice and grain-based products;
- Grimsby, England, which produces our New Covent Garden Soup Co.® chilled soups;
- Peterborough, England, which also produces New Covent Garden Soup Co.® chilled soups;
- Clitheroe, England, which produces our Farmhouse Fare® hot-eating desserts;
- Leeds, England, which prepares our fresh fruit products;
- Fakenham, England (two facilities), which produces Linda McCartney's® meat-free frozen foods and jellies;
- Corby, England (two facilities), which produces drinks and desserts and prepares fresh cut fruit;
- Gateshead, England, which prepares fresh cut fruit; and
- North Yorkshire, England, which produces Yorkshire Provender® chilled soups; and
- Larvik, Norway, which produces our GG UniqueFiber™ products.

Rest of World operates the following manufacturing facilities:

- Trenton, Ontario, which produces Yves Veggie Cuisine® plant-based products;
- Vancouver, British Columbia, which produces Yves Veggie Cuisine® plant-based products;
- Mississauga, Ontario, which produces our Live Clean® and other personal care products;
- Troisdorf, Germany, which produces Natumi®, Rice Dream®, Lima®, Joya® and other plant-based beverages;
- Andiran, France, which produces our Danival® organic food products;
- Oberwart, Austria, which produces our Dream®, Lima®, and Joya® plant-based foods and beverages; and
- Schwerin, Germany, which also produces our Dream®, Lima®, and Joya® plant-based foods and beverages.

See "Item 2: Properties" of this Form 10-K for more information on the manufacturing facilities that we operate.

Co-Packers

In addition to the products manufactured in our own facilities, independent third-party manufacturers, who are referred to in our industry as "co-packers," manufacture many of our products. In general, utilizing co-packers provides us with the flexibility to produce a large variety of products and the ability to enter new categories quickly and economically. Our contract manufacturers have been selected based on their production capabilities, capitalization and their specific product category expertise, and we expect to continue to partner with them to improve and expand our product offerings. During 2018, 2017 and 2016, approximately 42%, 41% and 41%, respectively, of our revenue was derived from products manufactured by co-packers. We require that our co-packers comply with all applicable regulations and our quality and food safety program requirements, and compliance is verified through auditing and other activities. Additionally, the co-packers are required to ensure our products are manufactured in accordance with our finished good specifications to ensure we meet customer expectations.

Suppliers of Ingredients and Packaging

Agricultural commodities and ingredients, including almonds, corn, dairy, fruit and vegetables, oils, rice, soybeans and wheat, are the principal inputs used in our products. Our certified organic and natural raw materials as well as our packaging materials are obtained from various suppliers around the world. The Company works with its suppliers to ensure the quality and safety of their ingredients and that such ingredients meet our specifications and comply with applicable regulations. These assurances are supported by our purchasing contracts, supplier expectations manual and technical assessments, including questionnaires, scientific data, certifications, affidavits, certificates of analysis and analytical testing, where required. Our purchasers and quality team visit major suppliers around the world to procure competitively priced, quality ingredients that meet our specifications.

We maintain long-term relationships with many of our suppliers. Purchase arrangements with ingredient suppliers are generally made annually. Purchases are made through purchase orders or contracts, and price, delivery terms and product specifications vary.

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Competition

We operate in a highly competitive environment. Our products compete with both large mainstream conventional packaged goods companies and natural and organic packaged foods companies. Many of these competitors enjoy significantly greater resources. Large mainstream conventional packaged goods competitors include Campbell Soup Company, Mondelez International, Inc., General Mills, Inc., Groupe Danone, The J.M. Smucker Company, Kellogg Company, The Kraft Heinz Company, Nestle S.A., PepsiCo, Inc., The Hershey Company, Conagra Brands, Inc., Pinnacle Foods, Inc. and Unilever PLC, and conventional personal care products companies with whom we compete include, but are not limited to, The Proctor & Gamble Company, Johnson & Johnson and Colgate-Palmolive Company. Certain of these large mainstream conventional packaged foods and personal care companies compete with us by selling both conventional products and natural and/or organic products. Natural and organic packaged foods competitors include Chobani LLC, Nature’s Bounty Inc., Clif Bar & Company and Amy’s Kitchen. In addition to these competitors, in each of our categories we compete with many regional and small, local niche brands. Given limited retailer shelf space and merchandising events, competitors actively support their respective brands with marketing, advertising and promotional spending. In addition, most retailers market similar items under their own private label, which compete for the same shelf space.

Competitive factors in the packaged foods industry include product quality and taste, brand awareness and loyalty, product variety, interesting or unique product names, product packaging and package design, shelf space, reputation, price, advertising, promotion and nutritional claims. We believe that we currently compete effectively with respect to each of these factors.

Trademarks

We believe that brand awareness is a significant component in a consumer’s decision to purchase one product over another in highly competitive consumer products industries. Our trademarks and brand names for the product lines referred to herein are registered in the United States, Canada, the United Kingdom and European Union and a number of other foreign countries, and we intend to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. We also copyright certain of our artwork and package designs. We own the trademarks for our principal products, including Alba Botanica®, Almond Dream®, Arrowhead Mills®, Avalon Organics®, Bearitos®, Better Bean®, BluePrint®, Casbah®, Celestial Seasonings®, Coconut Dream®, Cully & Sully®, Clarks™, Danival®, DeBoles®, Earth’s Best®, Earth’s Best TenderCare®, Ella’s Kitchen®, Empire®, Europe’s Best®, Farmhouse Fare™, Frank Cooper’s®, FreeBird®, Gale’s®, Garden of Eatin’®, Hain Pure Foods®, Hartley’s®, Health Valley®, Imagine®, JASON®, Johnson’s Juice Co.®, Joya®, Kosher Valley®, Lima®, Live Clean®, MaraNatha®, Natumi®, New Covent Garden Soup Co.®, Nile Spice®, Orchard House®, Plainville Farms®, Queen Helene®, Rice Dream®, Robertson’s®, Rudi’s Organic Bakery®, Sensible Portions®, Soy Dream®, Spectrum®, Sun-Pat®, Sunripe®, SunSpire®, Terra®, The Greek Gods®, Tilda®, Walnut Acres Organic®, Westbrae®, WestSoy®, William’s™, Yorkshire Provender® and Yves Veggie Cuisine®. We also have trademarks for many of our best-selling Celestial Seasonings teas, including Country Peach Passion®, Lemon Zinger®, Mandarin Orange Spice®, Raspberry Zinger®, Red Zinger®, Sleepytime®, Tension Tamer® and Wild Berry Zinger®.

We also market products under brands licensed under trademark license agreements, including Linda McCartney’s™, Mary Berry®, Rose’s®, the Sesame Street name and logo and other Sesame Workshop intellectual property on certain of our Earth’s Best® products, and the Paddington Bear image on certain of our Robertson’s® products.

Government Regulation

We are subject to extensive regulations in the United States by federal, state and local government authorities. In the United States, the federal agencies governing the manufacture, marketing and distribution of our products include, among others, the Federal Trade Commission ("FTC"), the United States Food & Drug Administration ("FDA"), the United States Department of Agriculture ("USDA"), the United States Environmental Protection Agency ("EPA") and the Occupational Safety and Health Administration ("OSHA"). Under various statutes, these agencies prescribe and establish, among other things, the requirements and standards for quality, safety and representation of our products to the consumer in labeling and advertising.

Internationally, we are subject to the laws and regulatory authorities of the foreign jurisdictions in which we manufacture and sell our products, including the Food Standards Agency in the United Kingdom, the Canadian Food Inspection Agency in Canada and European Food Safety Authority which supports the European Commission, as well as individual country, province, state and local regulations.

Quality Control

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We utilize a comprehensive food safety and quality management program, which employs strict manufacturing procedures, expert technical knowledge on food safety science, employee training, ongoing process innovation, use of quality ingredients and both internal and independent auditing.

In the United States, each of our own manufacturing facilities has a Food Safety Plan (“FSP”), which focuses on preventing food safety risks and is compliant with the requirements set forth under the Food Safety and Modernization Act (“FSMA”). In addition, each facility has at least one Preventive Controls Qualified Individual (“PCQI”) who has successfully completed training in the development and application of risk-based preventive controls at least equivalent to that received under a standardized curriculum recognized by the FDA.

All of our Hain-owned manufacturing sites and a significant number of our co-packers are certified against a standard recognized by the Global Food Safety Initiative (“GFSI”) including Safe Quality Foods (“SQF”) and British Retail Consortium (“BRC”). These standards are integrated food safety and quality management protocols designed specifically for the food sector and offer a comprehensive methodology to manage food safety and quality. Certification provides an independent and external validation that a product, process or service complies with applicable regulations and standards.

In addition to third-party inspections of our co-packers, we have instituted audits to address topics such as allergen control; ingredient, packaging and product specifications; and sanitation. Under FSMA, each of our contract manufacturers is required to have a FSP, a Hazard Analysis Critical Control Plant (“HACCP”) plan or a hazard analysis critical control points plan that identifies critical pathways for contaminants and mandates control measures that must be used to prevent, eliminate or reduce relevant food-borne hazards.

Independent Certification

In the United States, our organic products are certified in accordance with the USDA’s National Organic Program through Quality Assurance International (“QAI”), a third party certifying agency. For products marketed as organic outside of the United States, we use accredited certifying agencies to ensure compliance with country-specific government regulations for selling organic products or reciprocity, where available.

Many of our products are certified kosher under the supervision of accredited agencies including The Union of Orthodox Jewish Congregations, The K’hal Adath Jeshurun, “KOF-K” Kosher Supervision and Star K Kosher Certification.

We also work with other non-governmental organizations such as NSF International, which developed the NSF/ANSI 305 Standard for Personal Care Products Containing Organic Ingredients and provides third party certification through QAI for our personal care products in the absence of an established government regulation for these products. In addition, we work with other nongovernmental organizations such as the Gluten Free Intolerance Group, Whole Grain Council and the Non-GMO Project.

Currently all of our Hain-owned facilities are GFSI compliant and audited by external certification bodies. 90% of our FDA regulated food facilities have achieved an SQF-Level III status.

Available Information

The following information can be found, free of charge, in the “Investor Relations” section of our corporate website at http://www.hain.com:

- our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (“SEC”);
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our policies related to corporate governance, including our Code of Business Conduct and Ethics ("Code of Ethics") applying to our directors, officers and employees (including our principal executive officer and principal financial and accounting officers) that we have adopted to meet the requirements set forth in the rules and regulations of the SEC and Nasdaq; and

- the charters of the Audit, Compensation and Corporate Governance and Nominating Committees of our Board of Directors.

In addition, copies of the Company's annual report will be made available, free of charge, upon written request.

Item 1A. Risk Factors

Our business, operations and financial condition are subject to various risks and uncertainties. The most significant of these risks include those described below; however, there may be additional risks and uncertainties not presently known to us or that we currently consider immaterial. If any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment. These risk factors should be read in conjunction with the other information in this Annual Report on Form 10-K and in the other documents that we file from time-to-time with the SEC.

Our markets are highly competitive.

We operate in highly competitive geographic and product markets. Numerous brands and products compete for limited retailer shelf space, where competition is based on product quality, brand recognition, brand loyalty, price, product innovation, promotional activity, availability and taste among other things. Retailers also market competitive products under their own private labels, which are generally sold at lower prices and compete with some of our products.

Some of our markets are dominated by multinational corporations with greater resources and more substantial operations than us. We may not be able to successfully compete for sales to distributors or retailers that purchase from larger competitors that have greater financial, managerial, sales and technical resources. Conventional food companies, including but not limited to Campbell Soup Company, Mondelez International, Inc., General Mills, Inc., Groupe Danone, The J.M. Smucker Company, Kellogg Company, The Kraft Heinz Company, Nestle S.A., PepsiCo, Inc., The Hershey Company, Conagra Brands, Inc., Pinnacle Foods, Inc., and Unilever PLC, and conventional personal care products companies, including but not limited to The Procter & Gamble Company, Johnson & Johnson and Colgate-Palmolive Company, may be able to use their resources and scale to respond to competitive pressures and changes in consumer preferences by introducing new products or reformulating their existing products, reducing prices or increasing promotional activities. We also compete with other organic and natural packaged food brands and companies, which may be more innovative and able to bring new products to market faster and may be better able to quickly exploit and serve niche markets. As a result of actual or perceived conflicts resulting from this competition, retailers may take actions that negatively affect us. Consequently, we may need to increase our marketing, advertising and promotional spending to protect our existing market share, which may result in an adverse impact on our profitability.

Our growth and continued success depend upon consumer preferences for our products, which could change.

Our business is primarily focused on sales of organic, natural and “better-for-you” products which, if consumer demand for such categories were to decrease, could harm our business. While we continue to diversify our product offerings, developing new products entails risks, and demand for our products may not continue at current levels or increase in the future. The success of our innovation and product improvement effort is affected by our ability to anticipate changes in consumers’ preferences, the level of funding that can be made available, the technical capability of our research and development staff in developing, formulating and testing product prototypes, including complying with governmental regulations, and the success of our management in introducing the resulting improvements in a timely manner. In addition, we may see a substantial shift in consumption towards the e-commerce channel. Typically, products sold via the e-commerce channel have lower margins than those sold in traditional brick and mortar retailers and present unique challenges in order fulfillment. If we are unsuccessful in implementing product improvements or introducing new products that satisfy the demands of consumers, our business could be harmed.

In addition, we have other product categories that are subject to evolving consumer preferences. Consumer demand could change based on a number of possible factors, including dietary habits and nutritional values, concerns regarding the health effects of ingredients and shifts in preference for various product attributes. A significant shift in consumer demand away from our products could reduce the sales of our brands or our market share, both of which could harm our business.

Consolidation of customers or the loss of a significant customer could negatively impact our sales and profitability.

Our growth and continued success depend upon, among other things, our ability to maintain and increase sales volumes with existing customers, our ability to attract new customers, the financial condition of our customers and our ability to provide products that appeal to customers at the right price. Customers, such as supermarkets and food distributors in North America and the European Union, continue to consolidate. This consolidation has produced larger, more sophisticated organizations with increased negotiating and buying power that are able to resist price increases or demand increased promotional programs, as well as operate with lower inventories, decrease the number of brands that they carry and increase their emphasis on private label products, which could negatively impact our business. The consolidation of retail customers also increases the risk that a significant adverse impact on their business could have a corresponding material adverse impact on our business.

Two of our customers each accounted for more than 10% of our consolidated net sales in each of the last three fiscal years, respectively. United Natural Foods, Inc., a distributor of products to natural foods supermarkets, independent natural retailers and other supermarkets and retailers, accounted for approximately 11%, 11% and 12% of our consolidated net sales for the fiscal years ended June 30, 2018, 2017, and 2016, respectively, which were primarily related to the United States segment. Likewise, Wal-Mart Stores, Inc. and its affiliates, Sam's Club and ASDA, together accounted for approximately 11%, 12%, and 12% of our consolidated net sales for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, which were primarily related to the United States and United Kingdom segments.

The loss of any large customer, the reduction of purchasing levels or the cancellation of any business from a large customer for an extended length of time could negatively impact our sales and profitability.

We rely on independent distributors for a substantial portion of our sales.

In our United States segment, we rely upon sales made by or through a group of non-affiliated distributors to customers. Distributors purchase directly for their own account for resale. The loss of, or business disruption at, one or more of these distributors may harm our business. If we are required to obtain additional or alternative distribution agreements or arrangements in the future, we cannot be certain that we will be able to do so on satisfactory terms or in a timely manner. Our inability to enter into satisfactory distribution agreements may inhibit our ability to implement our business plan or to establish markets necessary to successfully expand the distribution of our products.

Disruptions in the worldwide economy and the financial markets may adversely impact our business and results of operations.

Adverse and uncertain economic and market conditions, particularly in the locations in which we operate, may impact customer and consumer demand for our products and our ability to manage normal commercial relationships with our customers, suppliers and creditors. Consumers may shift purchases to lower-priced or other perceived value offerings during economic downturns, which may adversely affect our results of operations. Consumers may also reduce the number of organic and natural products that they purchase where there are conventional alternatives, given that organic and natural products generally have higher retail prices than do their conventional counterparts. In addition, consumers may choose to purchase private label products rather than branded products, which generally have lower retail prices than do their branded counterparts. Distributors and retailers may also become more conservative in response to these conditions and seek to reduce their inventories.

Prolonged unfavorable economic conditions may have an adverse effect on any of these factors and, therefore, could adversely impact our sales and profitability.

We are subject to risks associated with our international sales and operations, including foreign currency, compliance and trade risks.

Operating in international markets involves exposure to movements in currency exchange rates, which are volatile at times. The economic impact of currency exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. Consequently, isolating the effect of changes in currency does not incorporate these other important economic factors. These changes, if material, could cause adjustments to our financing and operating strategies.

We hold assets, incur liabilities, earn revenue and pay expenses in a variety of currencies other than the United States Dollar, primarily the British Pound, the Euro, the Canadian Dollar and the Indian Rupee. Our consolidated financial statements are presented in United States Dollars, and therefore we must translate our assets, liabilities, revenue and expenses into United States Dollars for external reporting purposes. As a result, changes in the value of the United States Dollar during a period may unpredictably and adversely impact our consolidated operating results, our asset and liability balances and our cash flows in our consolidated financial statements, even if their value has not changed in their original currency.

During fiscal 2018, 53% of our consolidated net sales were generated outside the United States, while such sales outside the United States were 50% of net sales in 2017 and 48% in 2016. Sales from outside our U.S. markets may continue to represent a significant portion of our total net sales in the future, especially as we look to expand our operations into new countries. Our non-U.S. sales and operations are subject to risks inherent in conducting business abroad, many of which are outside our control, including:

- periodic economic downturns and the instability of governments, including default or deterioration in the credit worthiness of local governments, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption, expropriation and other economic or political uncertainties;
- difficulties in managing a global enterprise, including staffing, collecting accounts receivable and managing distributors;
- compliance with U.S. laws affecting operations outside of the United States, such as the Foreign Corrupt Practices Act and the Office of Foreign Asset Control trade sanction regulations and anti-boycott regulations;
- difficulties associated with operating under a wide variety of complex foreign laws, treaties and regulations, including compliance with antitrust and competition laws, anti-modern slavery laws, anti-bribery and anti-corruption laws, data privacy laws, including the European Union General Data Protection Regulation ("GDPR"), and a variety of other local, national and multi-national regulations and laws in multiple regimes;
- tariffs, quotas, trade barriers or sanctions, other trade protection measures and import or export licensing requirements imposed by governments that might negatively affect our sales, including, but not limited to, Canadian and European Union tariffs imposed on certain U.S. food and beverages;
- pandemics, such as the flu, which may adversely affect our workforce as well as our local suppliers and customers;
- earthquakes, tsunamis, floods or other major disasters that may limit the supply of products that we purchase abroad;
- varying regulatory, tax, judicial and administrative practices in the jurisdictions where we operate, including changes in tax laws, interpretation of tax laws, tax audit outcomes and potentially burdensome taxation;
- changes in capital controls, including price and currency exchange controls;
- discriminatory or conflicting fiscal policies;
- varying abilities to enforce intellectual property and contractual rights;
- greater risk of uncollectible accounts and longer collection cycles;
- design and implementation of effective control environment processes across our diverse operations and employee base;
- foreign currency exchange and transfer restrictions;
- increased costs, disruptions in shipping or reduced availability of freight transportation; and
- differing labor standards.

In addition, the results of the referendum relating to the membership of the United Kingdom in the European Union ("Brexit"), advising for the exit of the United Kingdom from the European Union, has caused and may continue to cause disruptions to and create uncertainty surrounding our business, including affecting our relationships with our existing and future customers, suppliers and employees, which could have an adverse effect on our business, financial results and operations. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. The measures could potentially disrupt the markets we serve and the tax jurisdictions in which we operate, adversely change tax benefits or liabilities in these or other jurisdictions and may cause us to lose customers, suppliers and employees. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate.

If we do not manage our supply chain effectively, our operating results may be adversely affected.

The success of our business depends, in part, on maintaining a strong sourcing and manufacturing platform. The inability of any supplier of raw materials, independent co-packer or third party distributor to deliver or perform for us in a timely or cost-effective manner could cause our operating costs to increase and our profit margins to decrease, especially as it relates to our products that have a short shelf life. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet consumer demand as well as having too much inventory on hand that may reach its expiration date and become unsaleable. If we are unable to manage our supply chain efficiently and ensure that our products are available to meet consumer demand, our operating costs could increase, and our profit margins could decrease.

Our future results of operations may be adversely affected by volatile commodity costs.

Many aspects of our business have been, and may continue to be, directly affected by volatile commodity costs, including fuel. Agricultural commodities and ingredients, including almonds, corn, dairy, fruit and vegetables, oils, rice, soybeans and wheat, are the principal inputs used in our products. These items are subject to price volatility which can be caused by commodity market fluctuations, crop yields, seasonal cycles, weather conditions (including the potential effects of climate change), temperature extremes and natural disasters (including floods, droughts, water scarcity, frosts, earthquakes and hurricanes), pest and disease problems, changes in currency exchange rates, imbalances between supply and demand, natural disasters and government programs and policies among other factors. Volatile fuel costs translate into unpredictable costs for the products and services we receive from our third party providers including, but not limited to, distribution costs for our products and packaging costs. While we seek to offset the volatility of such costs with a combination of cost savings initiatives, operating efficiencies and price increases to our customers, we may be unable to manage cost volatility. If we are unable to fully offset the volatility of such costs, our financial results could be adversely affected.

Our ability to offset the impact of cost input inflation on our operations is partially dependent on our ability to implement and achieve targeted savings and efficiencies from cost reduction initiatives.

We continuously seek to put in place initiatives that are designed to control or reduce costs or that increase operating efficiencies in order to improve our profitability and offset many of the input cost increases that are outside of our control. For example, as discussed above, during fiscal 2016, the Company commenced a strategic review called “Project Terra,” of which a key initiative is the identification of global cost savings, as well as removing complexities from the business. Under this plan, the Company aims to achieve $350 million in global savings by fiscal 2020, a portion of which the Company intends to reinvest into its brands. This review includes streamlining of the Company’s manufacturing plants, co-packers, and supply chain. Our success depends on our ability to execute and realize cost savings and efficiencies from our operations. If we are unable to identify and fully implement our productivity plans and achieve our anticipated efficiencies, including with respect to Project Terra, our profitability may be adversely impacted.

Our profit margins also depend on our ability to manage our inventory efficiently. As part of our effort to manage our inventory more efficiently, we carry out SKU rationalization programs from time-to-time, which may result in the discontinuation of numerous lower-margin or low-turnover SKUs. For example, as part of the Project Terra review, the Company has carried out product rationalization initiatives aimed at eliminating slow moving SKUs or brands entirely. However, a number of factors, such as changes in customers’ inventory levels, access to shelf space and changes in consumer preferences, may lengthen the number of days we carry certain inventories, which may impede our effort to manage our inventory efficiently and thereby increase our costs.

We have a material weakness in our internal control over financial reporting. If we are unable to remediate this material weakness, or if we experience additional material weaknesses or deficiencies in the future or otherwise fail to maintain an effective system of internal controls, our business may be harmed.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on our system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we are required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting.

In connection with our most recent year-end assessment of internal control over financial reporting, we identified a material weakness in our internal control over financial reporting as of June 30, 2018, which represents a component of the material weakness previously identified by the Company in its Annual Report on Form 10-K for the fiscal year ended June 30, 2017. For a discussion of our internal control over financial reporting and a description of the identified material weakness, see Part II, Item 9A, “Controls and Procedures.”

As further described in Item 9A “Controls and Procedures - Management’s Report on Internal Control Over Financial Reporting and Remediation of the Material Weakness in Internal Control Over Financial Reporting,” we have undertaken steps to improve our internal control over financial reporting. We expect that we will continue to improve certain existing operational and financial systems, procedures and controls, and implement new ones, to manage our future business effectively. Any implementation delays, or disruption in the transition to new or enhanced systems, procedures or controls, could harm our ability to forecast sales, manage our supply chain and record and report financial and management information on a timely and accurate basis.

Ineffective internal controls could impact the Company's business and financial results.

Our internal controls over financial reporting may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain adequate internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, we could fail to meet our financial reporting obligations and our business, financial results and reputation could be harmed.

Legal claims, government investigations or other regulatory enforcement actions could subject us to civil and criminal penalties.

We operate in a highly regulated environment with constantly evolving legal and regulatory frameworks. Consequently, we are subject to a heightened risk of legal claims, government investigations and other regulatory enforcement actions. We are subject to extensive regulations in the United States, United Kingdom, Canada, Europe, Asia, including India, and any other countries where we manufacture, distribute and/or sell our products. Our products are subject to numerous food safety and other laws and regulations relating to the sourcing, manufacturing, storing, labeling, marketing, advertising and distribution of these products. Enforcement of existing laws and regulations, changes in legal requirements and/or evolving interpretations of existing regulatory requirements may result in increased compliance costs and create other obligations, financial or otherwise, that could adversely affect our business, financial condition or operating results.

In addition, with our expanding international operations, we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act ("FCPA") and similar worldwide anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials or other third parties for the purpose of obtaining or retaining business. Although we have implemented policies and procedures designed to ensure compliance with existing laws and regulations, we cannot provide any assurance that our employees, contractors or agents will not violate our policies and procedures.

Moreover, a failure to maintain effective control processes could lead to violations, unintentional or otherwise, of laws and regulations. Legal claims, government investigations or regulatory enforcement actions arising out of our failure or alleged failure to comply with applicable laws and regulations could subject us to civil and criminal penalties that could materially and adversely affect our product sales, reputation, financial condition, and operating results. In addition, the costs and other effects of defending potential and pending litigation and administrative actions against us may be difficult to determine and could adversely affect our financial condition and operating results.

Pending and future litigation may lead us to incur significant costs.

We are, or may become, party to various lawsuits and claims arising in the normal course of business, which may include lawsuits or claims relating to contracts, intellectual property, product recalls, product liability, the marketing and labeling of products, employment matters, environmental matters, data protection or other aspects of our business as well as any securities class action and stockholder derivative litigation. For example, as discussed under Item 3, "Legal Proceedings", we are currently subject to class actions and derivative complaints arising out of or related to the Company's internal accounting review. Even when not merited, the defense of these lawsuits may divert our management's attention, and we may incur significant expenses in defending these lawsuits. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some or all of these legal disputes may result in adverse monetary damages, penalties or injunctive relief against us, which could have a material adverse effect on our financial position, cash flows or results of operations. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

We may be subject to significant liability that is not covered by insurance, and our potential indemnification obligations and limitations of our director and officer liability insurance could result in significant legal expenses or damages and cause our business, financial condition, results of operations and cash flows to suffer.

While we believe that the extent of our insurance coverage is consistent with industry practice, any claim under our insurance policies may be subject to certain exceptions as well as caps on amounts recoverable, may not be honored fully, in a timely manner, or at all, and we may not have purchased sufficient insurance to cover all losses incurred. Separate from potential indemnification obligations, if we were to incur substantial liabilities or if our business operations were interrupted for a substantial period of time, we could incur costs and suffer losses. Such inventory and business interruption losses may not be covered by our insurance policies. Additionally, in the future, insurance coverage may not be available to us at commercially acceptable premiums, or at all.

In addition, both current and former officers and members of our Board of Directors, as individual defendants, are the subject of lawsuits related to the Company. Under Delaware law, our bylaws and certain indemnification agreements, we may have an obligation to indemnify both current and former officers and directors in relation to these matters, and our insurance coverage may not be adequate to cover all of the costs associated with these claims. If the Company incurs significant uninsured indemnity obligations, our indemnity obligations could result in significant legal expenses or damages and cause our business, financial condition, results of operations and cash flow to suffer.

Our success may depend on the continued service and availability of key personnel.

On June 25, 2018, the Company announced a Chief Executive Officer succession plan, whereby, upon the hiring of a new Chief Executive Officer, Mr. Irwin Simon, the Company’s Founder, Chairman of the Board, President and Chief Executive Officer, will become Non-Executive Chairman of the Board for a transition period to work closely with the incoming Chief Executive Officer. Since its founding, the Company has benefitted from Mr. Simon's more than 25 years of expertise and knowledge in the organic and natural foods industry, as well as his relationships with customers and suppliers. We expect that the recently implemented succession plan will allow leadership to gain valuable, competitive industry insight through working closely with Mr. Simon and provide the Company an opportunity for continued success and leadership in the manufacturing and retail of natural and organic products.

The Board of Directors has engaged a leading global executive search firm to assist the Corporate Governance and Nominating Committee in identifying a successor for the role of President and Chief Executive Officer; however, if a strong candidate cannot be identified, the implementation of our strategic objectives and execution of our business transformation could be at risk. Our future success will depend on, among other factors, our ability to successfully execute our succession plan and continue to attract and retain qualified employees. Additionally, if we lose one or more members of our senior management team, our business, financial position, results of operations or cash flows could be harmed.

We may be subject to significant liability should the consumption of any of our products cause illness or physical harm.

The sale of products for human use and consumption involves the risk of injury or illness to consumers. Such injuries may result from inadvertent mislabeling, tampering by unauthorized third parties or product contamination or spoilage. Under certain circumstances, we may be required to recall or withdraw products, suspend production of our products or cease operations, which may lead to a material adverse effect on our business. In addition, customers may cancel orders for such products as a result of such events. Even if a situation does not necessitate a recall or market withdrawal, product liability claims might be asserted against us. While we are subject to governmental inspection and regulations and believe our facilities and those of our co-packers and suppliers comply in all material respects with all applicable laws and regulations, if the consumption of any of our products causes, or is alleged to have caused, a health-related illness, we may become subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or physical harm, could adversely affect our reputation with existing and potential customers and consumers and our corporate and brand image. Moreover, claims or liabilities of this type might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. Although we maintain product liability and product recall insurance in an amount that we believe to be adequate, we may incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. A product liability judgment against us or a product recall could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

An impairment in the carrying value of goodwill or other acquired intangible assets could materially and adversely affect our consolidated results of operations and net worth.

As of June 30, 2018, we had goodwill of $1.02 billion and trademarks and other intangibles assets of $510.4 million, which represented 52% of our total consolidated assets. The net carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date (or subsequent impairment date, if applicable). The net carrying value of trademarks and other intangibles represents the fair value of trademarks, customer relationships and other acquired intangibles as of the acquisition date (or subsequent impairment date, if applicable), net of accumulated amortization. Goodwill and other acquired intangibles expected to contribute indefinitely to our cash flows are not amortized, but must be evaluated by management at least annually for impairment. Amortized intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Impairments to goodwill and other intangible assets may be caused by factors outside our control, such as increasing competitive pricing pressures, changes in discount rates based on changes in cost of capital (interest rates, etc.), lower than expected sales and profit growth rates, changes in industry Earnings Before Interest Taxes Depreciation and Amortization (“EBITDA”) multiples, the inability to quickly replace lost co-manufacturing business, or the bankruptcy of a significant customer. We have in the past recorded, and may in the future be required to record, significant charges in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined. The incurrence of impairment charges could negatively affect our results of operations and adversely impact our net worth and our consolidated earnings in the period of such charge.

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Our acquisition strategy exposes us to risk, including our ability to integrate the brands that we acquire.

We may continue to grow our business in part through the acquisition of brands, both in the United States and internationally. Our acquisition strategy is based on identifying and acquiring brands with products that complement our existing product mix and identifying and acquiring brands in new categories and in new geographies for purposes of expanding our business internationally. We may not be able to successfully identify suitable acquisition candidates, negotiate acquisitions of identified candidates on terms acceptable to us or integrate acquisitions that we complete.

We may encounter increased competition for acquisitions in the future, which could result in acquisition prices we do not consider acceptable. We are unable to predict whether or when any prospective acquisition candidate will become available or the likelihood that any acquisition will be completed. Furthermore, acquisition-related costs are required to be expensed as incurred even though the acquisition may not be completed.

The success of our acquisitions will be dependent upon our ability to effectively integrate those brands, including our ability to realize potentially available marketing opportunities and cost savings, some of which may involve operational changes. Despite our due diligence investigation of each business that we acquire, there may be liabilities of the acquired companies that we fail to or are unable to discover during the diligence process and for which we, as a successor owner, may be responsible. We cannot be certain:

- as to the timing or number of marketing opportunities or amount of cost savings that may be realized as the result of our integration of an acquired brand;
- that a business combination will enhance our competitive position and business prospects;
- that we will be able to coordinate a greater number of diverse businesses and businesses located in a greater number of geographic locations;
- that we will not experience difficulties with customers, personnel or other parties as a result of a business combination;
- that disputes with sellers will not arise; or
- that, with respect to our acquisitions outside the United States, we will not be affected by, among other things, exchange rate risk and risks associated with local regulatory regimes.

Companies or brands acquired may not achieve the level of sales or profitability that justify the investment made. We may determine to discontinue products if, among other reasons, they do not meet our standards for quality or profitability or both, which may have a material adverse effect on sales relating to such acquisition.

We may not be successful in:

- integrating an acquired brand’s distribution channels with our own;
- coordinating sales force activities of an acquired brand or in selling the products of an acquired brand to our customer base; or
- integrating an acquired brand into our management information systems or integrating an acquired brand’s products into our product mix.

Additionally, integrating an acquired brand into our existing operations will require management resources and may divert management’s attention from our day-to-day operations. We may not respond quickly enough to the changing demands that acquired companies or brands will impose on management and our existing infrastructure, and changes to our operating structure may result in increased costs or inefficiencies that we cannot currently anticipate. Changes as a result of our growth may have a negative impact on the operation of our business, and cost increases resulting from our inability to effectively manage our growth could adversely impact our profitability. If we are not successful in integrating the operations of acquired brands, our business could be harmed.

We may not be able to successfully consummate proposed divestitures.

We may, from time to time, divest businesses that become less of a strategic fit within our core portfolio. Our profitability may be impacted by gains or losses on the sales of such businesses, or lost operating income or cash flows from such businesses. Additionally, we may be required to record, and have in the past recorded, asset impairment or restructuring charges related to divested businesses. Similarly, we may be obliged to indemnify buyers for liabilities, which may reduce our profitability and cash flows. We may also not be able to negotiate such divestitures on terms acceptable to us. Such potential divestitures will require management resources and may divert management's attention from our day-to-day operations. If we are not successful in divesting such businesses, our business could be harmed.

Our future results of operations may be adversely affected by the availability of organic ingredients.

Our ability to ensure a continuing supply of organic ingredients at competitive prices depends on many factors beyond our control, such as the number and size of farms that grow organic crops, climate conditions, increased demand for organic ingredients by our competitors, changes in national and world economic conditions, currency fluctuations and forecasting adequate need of seasonal ingredients.

The organic ingredients that we use in the production of our products (including, among others, fruits, vegetables, nuts and grains) are vulnerable to adverse weather conditions and natural disasters, such as floods, droughts, water scarcity, temperature extremes, frosts, earthquakes and pestilences. Natural disasters and adverse weather conditions (including the potential effects of climate change) can lower crop yields and reduce crop size and crop quality, which in turn could reduce our supplies of organic ingredients or increase the prices of organic ingredients. If our supplies of organic ingredients are reduced, we may not be able to find enough supplemental supply sources on favorable terms, if at all, which could impact our ability to supply product to our customers and adversely affect our business, financial condition and results of operations.

We also compete with other manufacturers in the procurement of organic product ingredients, which may be less plentiful in the open market than conventional product ingredients. This competition may increase in the future if consumer demand for organic products increases. This could cause our expenses to increase or could limit the amount of products that we can manufacture and sell.

Interruption in, disruption of or loss of operations at one or more of our manufacturing facilities could harm our business.

For the fiscal years ended June 30, 2018, 2017 and 2016, approximately 58%, 59% and 59%, respectively, of our net sales was derived from products manufactured at our own manufacturing facilities. An interruption in, disruption of or the loss of operations at one or more of these facilities, which may be caused by work stoppages, governmental actions, disease outbreaks or pandemics, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters at one or more of these facilities, could delay or postpone production of our products, which could have a material adverse effect on our business, results of operations and financial condition until such time as the interruption of operations is resolved or an alternate source of production is secured. In addition, if one or more of our manufacturing facilities are running at full capacity and we are unable to keep up with customer demand, we may not be able to fulfill orders on time or at all which could adversely impact our business.

Loss of one or more of our independent co-packers could adversely affect our business.

During fiscal 2018, 2017 and 2016, approximately 42%, 41% and 41%, respectively, of our net sales were derived from products manufactured at independent co-packers. In some cases, an individual co-packer may produce all of our requirements for a particular brand. We believe there are a limited number of competent, high-quality co-packers in the industry, and many of our co-packers produce products for other companies as well. Therefore, if we lose or need to change one or more co-packers, experience disruptions or delays at a co-packer or fail to retain co-packers for newly acquired products or brands, production of our products may be delayed or postponed and/or the availability of some of our products may be reduced or eliminated, which could have a material adverse effect on our business, results of operations and financial condition.

Disruption of our transportation systems could harm our business.

The success of our business depends, in large part, upon dependable and cost effective transportation systems and a strong distribution network. A disruption in transportation services could result in an inability to supply materials to our or our co-packers' facilities or finished products to our distribution centers or customers. We utilize distribution centers that are managed by third parties. Activity at these distribution centers could be disrupted by a number of factors, including labor issues, failure to meet customer standards, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters or bankruptcy or other financial issues affecting the third party providers. Any extended disruption in the distribution of our products or an increase in the cost of these services could have a material adverse effect on our business.

We may face difficulties as we expand our operations into countries in which we have no prior operating experience.

We intend to continue to expand our global footprint in order to enter into new markets. This may involve expanding into countries other than those in which we currently operate. It may involve expanding into less developed countries, which may have less political, social or economic stability and less developed infrastructure and legal systems. Continued international expansion of our business may involve the sale of products across international borders through the channel of e-commerce. The operation of an international business in e-commerce may present challenges relating to compliance with regulatory standards of countries where orders are originated, as well as changing standards and practices relating to intellectual property and the collection of consumer data. It is costly to establish, develop and maintain international operations and develop and promote our brands in international markets. As we expand our business into new countries, we may encounter regulatory, personnel, technological and other difficulties that increase our expenses or delay our ability to become profitable in such countries, which may have a material adverse effect on our business.

Our inability to use our trademarks could have a material adverse effect on our business.

We believe that brand awareness is a significant component in a consumer's decision to purchase one product over another in the highly competitive food, beverage and personal care industries. Although we endeavor to protect our trademarks and trade names, these efforts may not be successful, and third parties may challenge our right to use one or more of our trademarks or trade names. We believe that our trademarks and trade names are significant to the marketing and sale of our products and that the inability to utilize certain of these names could have a material adverse effect on our business, results of operations and financial condition.

In addition, we market products under brands licensed under trademark license agreements, including Linda McCartney's™, the Sesame Street name and logo and other Sesame Workshop intellectual property on certain of our Earth's Best® products. We believe that these trademarks have significant value and are instrumental in our ability to market and sustain demand for those product offerings. We cannot assure you that these trademark license agreements will remain in effect and enforceable or that any license agreements, upon expiration, can be renewed on acceptable terms or at all. In addition, any future disputes concerning these trademark license agreements may cause us to incur significant litigation costs or force us to suspend use of the disputed trademarks and suspend sales of products using such trademarks.

We are subject to environmental laws and regulations relating to hazardous materials, substances and waste used in or resulting from our operations. Liabilities or claims with respect to environmental matters could have a significant negative impact on our business.

As with other companies engaged in similar businesses, the nature of our operations expose us to the risk of liabilities and claims with respect to environmental matters, including those relating to the disposal and release of hazardous substances. Furthermore, our operations are governed by laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous chemicals in the workplace. Any material costs incurred in connection with such liabilities or claims could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. Any environmental or health and safety legislation or regulations enacted in the future, or any changes in how existing or future laws or regulations will be enforced, administered or interpreted, may lead to an increase in compliance costs or expose us to additional risk of liabilities and claims, which could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

If the reputation of one or more of our leading brands erodes significantly, it could have a material impact on our results of operations.

Our financial success is directly dependent on the consumer perception of our brands. The success of our brands may suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Further, our results could be negatively impacted if one of our brands suffers substantial damage to its reputation due to real or perceived quality issues or the Company is perceived to act in an irresponsible manner. In addition, it is possible for such information, misperceptions and opinions to be shared quickly and disseminated widely due to the continued growing use of social and digital media.

We rely on independent certification for a number of our products.

We rely on independent third party certification, such as certifications of our products as “organic”, “Non-GMO” or “kosher,” to differentiate our products from others. We must comply with the requirements of independent organizations or certification authorities in order to label our products as certified organic. For example, we can lose our “organic” certification if a manufacturing plant becomes contaminated with non-organic materials, or if it is not properly cleaned after a production run. In addition, all raw materials must be certified organic. Similarly, we can lose our “kosher” certification if a manufacturing plant and raw materials do not meet the requirements of the appropriate kosher supervision organization. The loss of any independent certifications could adversely affect our market position as an organic and natural products company, which could harm our business.

A cybersecurity incident or other technology disruptions could negatively impact our business and our relationships with customers.

We use computers in substantially all aspects of our business operations. We also use mobile devices, social networking and other online activities to connect with our employees, suppliers, customers and consumers. Such uses give rise to cybersecurity risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' information, private information about employees, and financial and strategic information about the Company and its business partners. Further, as we grow through acquisitions and pursue new initiatives that improve our operations and cost structure, we are also expanding and improving our information technologies, resulting in a larger technological presence and increased exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Additionally, while we have implemented measures to prevent security breaches and cyber incidents, our preventative measures and incident response efforts may not be entirely effective. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, litigation, violation of privacy laws, loss of customers, potential liability and competitive disadvantage any of which could have a material adverse effect on our business, financial condition or results of operations.

Our business operations could be disrupted if our information technology systems fail to perform adequately.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, supply chain, order entry and fulfillment, and other business processes. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, system failures and viruses. Any such damage or interruption could have a material adverse effect on our business.

Compliance with data privacy laws may be costly, and non-compliance with such laws may result in significant liability.

Many jurisdictions in which the Company operates have laws and regulations relating to data privacy and protection of personal information, including the European Union GDPR, which became effective May 25, 2018. GDPR requires companies to satisfy new requirements regarding the handling of personal data. Failure to comply with GDPR requirements could result in litigation, adverse publicity and penalties of up to 4% of worldwide revenue. The law in this area continues to develop, and the changing nature of privacy laws in the European Union and elsewhere could impact the Company's processing of personal information related to the Company's employees, consumers, customers and vendors. The enactment of more restrictive laws, rules or regulations or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant liability.

Joint ventures that we enter into present a number of risks and challenges that could have a material adverse effect on our business and results of operations.

As part of our business strategy, we have made minority interest investments and established joint ventures. These transactions typically involve a number of risks and present financial and other challenges, including the existence of unknown potential disputes, liabilities or contingencies and changes in the industry, location or political environment in which these investments are located, that may arise after entering into such arrangements. We could experience financial or other setbacks if these transactions encounter unanticipated problems, including problems related to execution by the management of the companies underlying these investments. Any of these risks could adversely affect our results of operations.

Global capital and credit market issues could negatively affect our liquidity, increase our costs of borrowing and disrupt the operations of our suppliers and customers.

We depend on stable, liquid and well-functioning capital and credit markets to fund our operations. Although we believe that our operating cash flows, financial assets, access to capital and credit markets and revolving credit agreement will permit us to meet our financing needs for the foreseeable future, future volatility or disruption in the capital and credit markets and the state of the economy, including the consumer staples industry, may impair our liquidity or increase our costs of borrowing. Such disruptions could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy.

Climate change may negatively affect our business and operations.

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There is concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, such as corn, oats, rice, wheat and various fruits and vegetables. As a result of climate change, we may also be subjected to decreased availability of water, deteriorated quality of water or less favorable pricing for water, which could adversely impact our manufacturing and distribution operations.

Our ability to issue preferred stock may deter takeover attempts.

Our Board of Directors is empowered to issue, without stockholder approval, preferred stock with dividends, liquidation, conversion, voting or other rights, which could decrease the amount of earnings and assets available for distribution to holders of our common stock and adversely affect the relative voting power or other rights of the holders of our common stock. In the event of issuance, the preferred stock could be used as a method of discouraging, delaying or preventing a change in control. Our amended and restated certificate of incorporation authorizes the issuance of up to 5 million shares of “blank check” preferred stock with such designations, rights and preferences as may be determined from time-to-time by our Board of Directors. Although we have no present intention to issue any shares of our preferred stock, we may do so in the future under appropriate circumstances.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Our principal facilities, which are leased except where otherwise indicated, are as follows:

Primary Use	Location	Approximate Square Feet	Expiration of Lease
United States:			
Headquarters office	Lake Success, NY	86,000	2029
Manufacturing and offices (Tea)	Boulder, CO	158,000	Owned
Manufacturing and distribution (Flours and grains)	Hereford, TX	136,000	Owned
Manufacturing (formerly Frozen foods, pouches and cold-pressed juice drinks, held for sale)	West Chester, PA	105,000	Owned
Manufacturing (Snack products)	Moonachie, NJ	75,000	Owned
Manufacturing and distribution center (Snack products)	Mountville, PA	100,000	2024
Manufacturing and distribution (formerly Pasta, held for sale)	Shreveport, LA	37,000	Owned
Manufacturing (Personal care)	Culver City, CA	24,000	2018
Manufacturing (Meat-alternatives)	Boulder, CO	21,000	Owned
Manufacturing (Nut butters)	Ashland, OR	13,000	Owned
Distribution center (Grocery, snacks, and personal care products)	Ontario, CA	375,000	2018
Distribution (Tea)	Boulder, CO	100,000	2020
Distribution center (Meat-alternatives)	Boulder, CO	45,000	Month to month
Manufacturing and distribution (Breads, buns, and related products)	Boulder, CO	69,000	2020
Manufacturing and distribution (Personal Care)	Bell, CA	125,000	2028
Storage facility (Raw and packaging products)	Ashland, OR	13,000	2020
United Kingdom:			
Manufacturing and offices (Ambient grocery products)	Histon, England	303,000	Owned
Manufacturing and offices (Classic rice products)	Rainham, England	80,000	Owned
Manufacturing and offices (Ready-to-heat rice products)	Rainham, England	69,000	Owned
Manufacturing (Hot-eating desserts)	Clitheroe, England	38,000	2026
Distribution (Classic rice products)	Karnal, India	55,000	2020
Manufacturing (Fresh fruit and salads)	Leeds, England	34,000	2022
Manufacturing (Chilled soups)	Grimsby, England	61,000	2029
Manufacturing (Chilled soups)	Peterborough, England	45,000	2020
Manufacturing (Chilled soups)	North Yorkshire, England	14,000	Owned
Manufacturing (Desserts and plant-based frozen products)	Fakenham, England	101,000	Owned
Manufacturing (Fresh prepared fruit products)	Corby, England	45,000	2024
Distribution and offices (Packaging and ingredients)	Corby, England	22,500	2019
Manufacturing, distribution and offices (Fresh prepared fruit products and drinks)	Corby, England	89,500	Owned
Manufacturing and offices (Fresh prepared fruit)	Gateshead, England	46,000	2020
Manufacturing and distribution (Crackers)	Larvik, Norway	16,000	2019
Manufacturing and distribution (Natural sweeteners)	Newport, England	14,500	2023

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Primary Use	Location	Approximate Square Feet	Expiration of Lease
Rest of World:			
Manufacturing (Plant-based foods)	Vancouver, BC, Canada	76,000	Owned
Manufacturing and offices (Personal care)	Mississauga, ON, Canada	61,000	2020
Distribution (Personal care)	Mississauga, ON, Canada	81,000	2022
Manufacturing (Plant-based foods)	Trenton, ON, Canada	47,000	2028
Offices	Toronto, ON, Canada	14,000	2024
Manufacturing, distribution and offices (Plant-based beverages)	Troisdorf, Germany	131,000	2027
Manufacturing and offices (Organic food products)	Andiran, France	39,000	Owned
Distribution (Organic food products)	Nerac, France	18,000	Owned
Manufacturing and offices (Plant-based foods and beverages)	Oberwart, Austria	108,000	Unlimited
Manufacturing (Plant-based foods and beverages)	Schwerin, Germany	650,000	Owned
Manufacturing and distribution (Plant-based foods and beverages	Loipersdorf, Austria	76,000	Unlimited
Hain Pure Protein (discontinued operations):			
Manufacturing and offices (Poultry products)	Fredericksburg, PA	55,000	Owned
Manufacturing and offices (Poultry products)	Fredericksburg, PA	60,000	Owned
Distribution and offices (Poultry products)	New Oxford, PA	92,000	Owned
Manufacturing and offices (Poultry products)	New Oxford, PA	130,000	Owned
Manufacturing and offices (Poultry products)	Liverpool, NY	15,000	Owned
Manufacturing, distribution and offices (Kosher poultry products)	Mifflintown, PA	280,000	Owned
Manufacturing, distribution and offices (Feed mill)	Sellinsgrove, PA	10,000	Owned
Manufacturing and offices (Poultry hatchery)	Beaver Springs, PA	35,000	Owned

We also lease space for other smaller offices and facilities in the United States, United Kingdom, Canada, Europe and other parts of the world.

In addition to the foregoing distribution facilities operated by us, we also utilize bonded public warehouses from which deliveries are made to customers.

For further information regarding our lease obligations, see Note 17, Commitments and Contingencies, in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K. For further information regarding the use of our properties by segments, see “Item 1, Business - Production” of this Form 10-K.

Item 3. Legal Proceedings

Securities Class Actions Filed in Federal Court

On August 17, 2016, three securities class action complaints were filed in the Eastern District of New York against the Company alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934.
The three complaints are: (1) Flora v. The Hain Celestial Group, Inc., et al. (the “Flora Complaint”); (2) Lynn v. The

Hain Celestial Group, Inc., et al. (the "Lynn Complaint"); and (3) Spadola v. The Hain Celestial Group, Inc., et al. (the "Spadola Complaint" and, together with the Flora and Lynn Complaints, the "Securities Complaints"). On June 5, 2017, the court issued an order for consolidation, appointment of Co-Lead Plaintiffs and approval of selection of co-lead counsel. Pursuant to this order, the Securities Complaints were consolidated under the caption In re The Hain Celestial Group, Inc. Securities Litigation (the "Consolidated Securities Action"), and Rosewood Funeral Home and Salamon Gimpel were appointed as Co-Lead Plaintiffs. On June 21, 2017, the Company received notice that plaintiff

Spadola voluntarily dismissed his claims without prejudice to his ability to participate in the Consolidated Securities Action as an absent class member. The Co-Lead Plaintiffs in the Consolidated Securities Action filed a Consolidated Amended Complaint on August 4, 2017 and a Corrected Consolidated Amended Complaint on September 7, 2017 on behalf of a purported class consisting of all persons who purchased or otherwise acquired Hain Celestial securities between November 5, 2013 and February 10, 2017 (the "Amended Complaint"). The Amended Complaint names as defendants the Company and certain of its current and former officers (collectively, the "Defendants") and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on allegedly materially false or misleading statements and omissions in public statements, press releases and SEC filings regarding the Company's business, prospects, financial results and internal controls. Defendants filed a motion to dismiss on October 3, 2017. Co-Lead Plaintiffs filed an opposition on December 1, 2017, and Defendants filed the reply on January 16, 2018. On April 4, 2018, the Court requested additional briefing relating to certain aspects of Defendants' motion to dismiss. In accordance with this request, Lead Plaintiffs submitted their supplemental brief on April 18, 2018, and Defendants submitted an opposition on May 2, 2018. Lead Plaintiffs filed a reply brief on May 9, 2018, and Defendants submitted a sur-reply on May 16, 2018.

Stockholder Derivative Complaints Filed in State Court

On September 16, 2016, a stockholder derivative complaint, Paperny v. Heyer, et al. (the "Paperny Complaint"), was filed in New York State Supreme Court in Nassau County against the Board of Directors and certain officers of the Company alleging breach of fiduciary duty, unjust enrichment, lack of oversight and corporate waste. On December 2, 2016 and December 29, 2016, two additional stockholder derivative complaints were filed in New York State Supreme Court in Nassau County against the Board of Directors and certain officers under the captions Scarola v. Simon (the "Scarola Complaint") and Shakir v. Simon (the "Shakir Complaint" and, together with the Paperny Complaint and the Scarola Complaint, the "Derivative Complaints"), respectively. Both the Scarola Complaint and the Shakir Complaint allege breach of fiduciary duty, lack of oversight and unjust enrichment. On February 16, 2017, the parties for the Derivative Complaints entered into a stipulation consolidating the matters under the caption In re The Hain Celestial Group (the "Consolidated Derivative Action") in New York State Supreme Court in Nassau County, ordering the Shakir Complaint as the operative complaint. On November 2, 2017, the parties agreed to stay the Consolidated Derivative Action until April 11, 2018. On April 6, 2018, the parties filed a proposed stipulation agreeing to stay the Consolidated Derivative Action until October 4, 2018, which the Court granted on May 3, 2018.

Additional Stockholder Class Action and Derivative Complaints Filed in Federal Court

On April 19, 2017 and April 26, 2017, two class action and stockholder derivative complaints were filed in the Eastern District of New York against the Board of Directors and certain officers of the Company under the captions Silva v. Simon, et al. (the "Silva Complaint") and Barnes v. Simon, et al. (the "Barnes Complaint"), respectively. Both the Silva Complaint and the Barnes Complaint allege violation of securities law, breach of fiduciary duty, waste of corporate assets and unjust enrichment.

On May 23, 2017, an additional stockholder filed a complaint under seal in the Eastern District of New York against the Board of Directors and certain officers of the Company. The complaint alleges that the Company's directors and certain officers made materially false and misleading statements in press releases and SEC filings regarding the Company's business, prospects and financial results. The complaint also alleges that the Company violated its by-laws and Delaware law by failing to hold its 2016 Annual Stockholders Meeting and includes claims for breach of fiduciary duty, unjust enrichment and corporate waste. On August 9, 2017, the Court granted an order to unseal this case and reveal Gary Merenstein as the plaintiff (the "Merenstein Complaint").

On August 10, 2017, the court granted the parties stipulation to consolidate the Barnes Complaint, the Silva Complaint and the Merenstein Complaint under the caption In re The Hain Celestial Group, Inc. Stockholder Class and Derivative Litigation (the “Consolidated Stockholder Class and Derivative Action”) and to appoint Robbins Arroyo LLP and Scott+Scott as Co-Lead Counsel, with the Law Offices of Thomas G. Amon as Liaison Counsel for Plaintiffs. On September 14, 2017, a related complaint was filed under the caption Oliver v. Berke, et al. (the “Oliver Complaint”), and on October 6, 2017, the Oliver Complaint was consolidated with the Consolidated Stockholder Class and Derivative Action. The Plaintiffs filed their consolidated amended complaint under seal on October 26, 2017. On December 20, 2017, the parties agreed to stay Defendants’ time to answer, move, or otherwise respond to the consolidated amended complaint through and including 30 days after a decision is rendered on the motion to dismiss the Amended Complaint in the consolidated Securities Class Actions, described above.

Center for Environmental Health v. Save Mart Supermarkets, et.al., Superior Court of the State of California, Alameda County

On August 19, 2015, the Center for Environmental Health (“CEH”), a private enforcer, filed a complaint under the California Safe Drinking Water and Toxic Enforcement Act (the “Enforcement Act”) (commonly referred to as “Proposition 65”), naming various defendants, including the Company. The complaint alleges that the Company is required to provide warnings for certain of its products for alleged exposure to the substance listed under the Enforcement Act as “acrylamide.” The other defendants named in the action are five retailers and one distributor, all of which are named for the Company’s products at issue. Acrylamide is a

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chemical that can form in some foods during high-temperature cooking processes, such as frying, roasting, and baking. The complaint seeks injunctive relief, civil penalties in the amount of $2,500 per day (unrounded) for each alleged violation, and CEH's attorneys' fees and costs.

To date, the Company has answered the complaint, denying the allegations, and engaged in discovery, including fact discovery and expert discovery. The Court bifurcated the trial into two phases for liability and remedies respectively, and the first phase of the trial is expected to be limited to determining liability and the Company's establishment of the "no significant risk level."

The parties sought a continuance of the trial date to January 14, 2019 and a stay of the litigation through October 13, 2018 in order to pursue mediation. On August 27, 2018, the Court issued an order granting the parties' stipulation and continuing the trial date to January 14, 2019 per the parties' request.

SEC Investigation

As previously disclosed, the Company voluntarily contacted the SEC in August 2016 to advise it of the Company's delay in the filing of its periodic reports and the performance of the independent review conducted by the Audit Committee. The Company has reached an agreement with the staff, subject to approval by the commission, that fully resolves this matter, without any finding of intentional wrongdoing and without any monetary penalty, while noting the Company's ongoing cooperation. The settlement, if approved, relates to the Company's previously disclosed material weakness in internal controls over financial reporting.

Other

In addition to the litigation described above, the Company is and may be a defendant in lawsuits from time to time in the normal course of business. While the results of litigation and claims cannot be predicted with certainty, the Company believes the reasonably possible losses of such matters, individually and in the aggregate, are not material. Additionally, the Company believes the probable final outcome of such matters will not have a material adverse effect on the Company's consolidated results of operations, financial position, cash flows or liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Outstanding shares of our common stock, par value $.01 per share, are listed on the Nasdaq Global Select Market under the ticker symbol "HAIN". The following table sets forth the reported high and low sales prices for our common stock for each fiscal quarter from July 1, 2016 through June 30, 2018.

	Common Stock			
	Fiscal Year 2018		Fiscal Year 2017	
	High	Low	High	Low
First Quarter	$45.00	$38.09	$55.35	$34.57
Second Quarter	$42.54	$34.37	$39.90	$34.38
Third Quarter	$41.95	$31.85	$40.99	$34.46
Fourth Quarter	$31.93	$25.52	$38.82	$31.60

Holders

As of August 22, 2018, there were 261 holders of record of our common stock.

Dividends

We have not paid any cash dividends on our common stock to date. The payment of all dividends will be at the discretion of our Board of Directors and will depend on, among other things, future earnings, operations, capital requirements, contractual restrictions, including restrictions under our credit facility, our general financial condition and general business conditions.

Issuance of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The table below sets forth information regarding repurchases by the Company of its common stock during the periods indicated.

Period	(a) Total number of shares purchased (1)	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans	(d) Maximum number of shares that may yet be purchased under the plans (in millions) (2)
April 1, 2018 - April 30, 2018	—	$ —	—	$ 250
May 1, 2018 - May 31, 2018	28	27.24	—	250
June 1, 2018 - June 30, 2018	11,656	28.95	—	250
Total	11,684	$ 28.97	—	

(1) Shares surrendered for payment of employee payroll taxes due on shares issued under stockholder approved stock-based compensation plans.

(2) On June 21, 2017, the Company’s Board of Directors authorized the repurchase of up to $250 million of the Company’s issued and outstanding common stock. Repurchases may be made from time to time in the open market, pursuant to pre-set trading plans, in private transactions or otherwise. The authorization does not have a stated expiration date. The Company did not repurchase any shares under this program in fiscal 2018 or 2017.

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Stock Performance Graph

The following graph compares the performance of our common stock to the S&P 500 Index, the S&P Smallcap 600 Index and the S&P Packaged Foods & Meats Index (in which we are included) for the period from June 30, 2013 through June 30, 2018.

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Item 6. Selected Financial Data

The following information has been summarized from our financial statements. The information set forth below is not necessarily indicative of results of future operations and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below, including the completion of several business combinations in recent years. Refer to Note 6, Acquisitions, in the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K for additional information. Amounts are presented in thousands except per share amounts.

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
Operating results:					
Net sales	$2,457,769	$2,343,505	$2,392,864	$2,272,416	$2,107,822
Net income from continuing operations [(a)]	$82,428	$65,541	$27,571	$147,750	$128,526
Net (loss) income from discontinued operations, net of tax [(b)]	$(72,734)	$1,889	$19,858	$17,212	$1,396
Net income[(a)] [(b)]	$9,694	$67,430	$47,429	$164,962	$129,922
Basic net income (loss) per common share [(c)]:					
From continuing operations	$0.79	$0.63	$0.27	$1.45	$1.31
From discontinued operations	(0.70)	0.02	0.19	0.17	0.01
Net income per common share - basic	$0.09	$0.65	$0.46	$1.62	$1.33
Diluted net income (loss) per common share [(c)]:					
From continuing operations	$0.79	$0.63	$0.26	$1.43	$1.29
From discontinued operations	(0.70)	0.02	0.19	0.17	0.01
Net income per common share - diluted*	$0.09	$0.65	$0.46	$1.60	$1.30
Financial position:					
Working capital[(d)]	$629,142	$534,287	$543,206	$537,440	$358,345
Total assets [(d)]	$2,946,674	$2,931,104	$3,008,080	$3,099,408	$2,943,814
Long-term debt, less current portion	$687,501	$740,135	$835,787	$812,088	$767,827
Stockholders' equity	$1,737,049	$1,712,832	$1,664,514	$1,727,667	$1,580,825

* Net income/(loss) per common share may not add in certain periods due to rounding

(a) Income from continuing operations and net income for fiscal 2018 included a goodwill impairment charge of $7.7 million in our Cultivate operating segment, an impairment charge of $8.4 million which related to long-lived assets associated with the closure of manufacturing facilities in the United States and United Kingdom and discontinuation of certain slow moving SKUs in the United States segment, an impairment charge of $5.6 million on certain of the Company's trade names and $9.3 million of accounting review costs. Income from continuing operations and net income for fiscal 2017 included an impairment charge of $26.4 million related primarily to long-lived assets associated with the exit of certain portions of our own-label chilled desserts business in the United Kingdom segment and an impairment charge of $14.1 million on certain of the Company's trade names. Additionally, income from continuing operations and net income for fiscal 2017 were impacted by $29.6 million of accounting review costs. Income from continuing operations and net income for fiscal 2016 included a goodwill impairment charge of $84.5 million and an impairment charge of $39.7 million on certain of the Company's trade names. See Note 9, Goodwill and Other Intangible Assets, in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

(b) Loss from discontinued operations and net income for fiscal 2018 included impairment charges of $78.5 million related to assets held for sale. See Note 5, Discontinued Operations, in the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

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(c) On December 29, 2014, we effected a two-for-one stock split of our common stock in the form of a 100% stock dividend to shareholders of record as of December 12, 2014. All per share information has been retroactively adjusted to reflect the stock split.

(d) Upon adoption of Accounting Standards Update (“ASU”) 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, in fiscal year 2016 deferred tax assets and liabilities previously classified as current are presented as non-current. Fiscal years 2015 and 2014 have not been adjusted.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Item 1A and the Consolidated Financial Statements and the related notes thereto for the period ended June 30, 2018 included in Item 8 of this Form 10-K. Forward-looking statements in this Form 10-K are qualified by the cautionary statement included in this review under the sub-heading, "Cautionary Note Regarding Forward Looking Information," at the beginning of this Form 10-K.

Overview

The Hain Celestial Group, Inc., a Delaware corporation, 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 Create and Inspire A Healthier Way of Life™ and 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.

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®, Better Bean®, BluePrint®, Casbah®, Celestial Seasonings®, Clarks™, 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®, Mary Berry (under license), Natumi®, New Covent Garden Soup Co.®, Orchard House®, Plainville Farms®, Rice Dream®, Robertson's®, Rudi's Gluten-Free Bakery®, Rudi's Organic Bakery®, Sensible Portions®, Spectrum Organics®, Soy Dream®, Sun-Pat®, Sunripe®, SunSpire®, Terra®, The Greek Gods®, Tilda®, Walnut Acres®, WestSoy®, Yorkshire Provender®, Yves Veggie Cuisine® and William's™. The Company's personal care products are marketed under the Alba Botanica®, Avalon Organics®, Earth's Best®, JASON®, Live Clean® and Queen Helene® brands.

The Company sells its products through specialty and natural food distributors, supermarkets, natural foods stores, mass-market and e-commerce retailers, food service channels and club, drug and convenience stores in over 80 countries worldwide.

Project Terra

During fiscal 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™. The core platforms are defined by common consumer need, route-to-market or internal advantage and are aligned with the Company's strategic roadmap to continue its leadership position in the organic and natural, "better-for-you" products industry. Beginning in fiscal 2017, those core platforms within the United States segment are:

- Better-for-You Baby, which includes infant foods, infant and toddler formula, toddler and kids foods, diapers and wipe products that nurture and care for babies and toddlers, under the Earth's Best® and Ella's Kitchen® brands.
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- Better-for-You Pantry, which includes core consumer staples such as MaraNatha®, Arrowhead Mills®, Imagine® and Spectrum® brands.
- Better-for-You Snacking, which includes wholesome products for in-between meals such as Terra®, Sensible Portions® and Garden of Eatin'® brands.
- Fresh Living, which includes yogurt, plant-based proteins and other refrigerated products such as The Greek Gods® yogurt and Dream™ plant-based beverage brands.
- Pure Personal Care, which includes personal care products focused on providing consumers with cleaner and gentler ingredients such as JASON®, Live Clean®, Avalon Organics® and Alba Botanica® brands.
- Tea, which includes tea products marketed under the Celestial Seasonings® brand.

Beginning in fiscal 2017, the Company launched Cultivate Ventures ("Cultivate"), a venture unit with a twofold 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 these brands a dedicated, creative focus for refresh and relaunch; and (ii) to incubate and grow small acquisitions until they reach the scale required to migrate to the Company's core platforms. Cultivate also includes Casbah®, GG UniqueFiber™, Tilda® and Yves Veggie Cuisine®, global brands that have a growing presence in the United States.

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Another key initiative from Project Terra was the identification of global cost savings, as well as removing complexities from the business. Under this plan, the Company aims to achieve $350 million in global savings by fiscal 2020, a portion of which the Company intends to reinvest into its brands. This review includes streamlining the Company's manufacturing plants, co-packers and supply chain, eliminating served categories or brands within categories, and product rationalization initiatives which are aimed at eliminating slow moving stock-keeping units ("SKUs").

During fiscal 2018, the Company initiated a SKU rationalization, which included the removal of over 400 SKUs for a total of over 1,100 SKUs to date identified as part of Project Terra.

Additionally, the Company, with the assistance of outsid