HAIN CELESTIAL GROUP INC
Form 10-K
August 29, 2013
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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, 2013

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

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

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

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

Indicate by check mark if 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 ¨

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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. ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ¨ No 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 stock, as quoted on the Nasdaq Global Select Market on December 31, 2012, the last business day of the registrant's most recently completed second fiscal quarter, was $2,087,390,000.

As of August 20, 2013 there were 47,698,532 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 2013 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I
THE HAIN CELESTIAL GROUP, INC.

Item 1. Business

Unless otherwise indicated, references in this Annual Report to 2013, 2012, 2011 or “fiscal” 2013, 2012, 2011 or other years refer to our fiscal year ended June 30 of that year and references to 2014 or “fiscal” 2014 refer to our fiscal year ending June 30, 2014.

General

The Hain Celestial Group, Inc. was incorporated in Delaware on May 19, 1993. Our worldwide headquarters office is located at 1111 Marcus Avenue, Lake Success, NY 11042.

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

Our mission is to be the leading marketer, manufacturer and seller of organic and natural products by anticipating and exceeding consumer expectations in providing quality, innovation, value and convenience. We are committed to growing our Company while continuing to implement environmentally sound business practices and manufacturing processes.

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 and natural products companies or product lines to be an integral part of our business strategy. During the fiscal year ended June 30, 2013, we acquired a portfolio of market-leading packaged grocery brands in the United Kingdom, the BluePrint brand in the United States and Ella’s Kitchen Group Limited which operates primarily in the United Kingdom and the United States. See Note 4, Acquisitions and Disposals, in the Notes to Consolidated Financial Statements. Our operations are managed by geography and are comprised of four operating segments. See “Segments,” below.

Our business strategy within each operating segment is to integrate our brands under one management team and employ uniform marketing, sales and distribution programs. 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.

We have a minority investment in Hain Pure Protein Corporation (“HPP” or “Hain Pure Protein”), which processes, markets and distributes antibiotic-free chicken and turkey products. We also have an investment in a joint venture in Hong Kong with Hutchison China Meditech Ltd. (“Chi-Med”), a majority owned subsidiary of Hutchison Whampoa Limited, a company listed on the Alternative Investment Market, a sub-market of the London Stock Exchange, to market and distribute certain of the Company’s brands in China and other markets in Asia. See Note 2, Summary of Significant Accounting Policies, and Note 14, Investments and Joint Ventures.

As of June 30, 2013, we employed a total of 3,665 full-time employees. Of these employees, 271 were in sales and 2,291 in production, with the remaining 1,103 employees filling management, legal, finance, marketing, operations and clerical positions.

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Products

We sell our products in the following product categories: grocery, snacks, tea and personal care. Our product lines include natural products, products made with organic ingredients and certified organic products. Our product categories consist of the following:

Grocery

Grocery products include infant formula, infant, toddler and kids foods, non-dairy beverages and frozen desserts (such as soy, rice, almond and coconut), flour and baking mixes, hot and cold cereals, pasta, condiments, cooking and culinary oils, granolas, granola bars, cereal bars, canned, chilled fresh, aseptic and instant soups, greek-style yogurt, chilis, packaged grains, chocolate, nut butters, juices including cold-pressed juice, chilled hot-eating and frozen desserts, cookies, crackers, gluten-free frozen entrees and bars, frozen pastas and ethnic meals, frozen fruit and vegetables, cut fresh fruit, refrigerated and frozen soy protein meat-alternative products, tofu, seitan and tempeh products, jams, fruit spreads and jelly, honey and marmalade products, as well as other food products. Grocery products accounted for approximately 74% of our consolidated net sales in 2013, 69% in 2012 and 63% in 2011.

Snacks

Our snack products include a variety of potato, root vegetable and other exotic vegetable chips, straws, tortilla chips, whole grain chips, baked puffs and popcorn. Snack products accounted for approximately 13% of our consolidated net sales in 2013, 15% in 2012 and 18% in 2011.

Tea

We are a leading manufacturer and marketer of specialty teas. We develop flavorful and unique blends that are made from high-quality natural ingredients and flavors, and packaged in attractive, colorful and thought-provoking boxes. Our tea products include more than 70 varieties of herbal, green, wellness, white, red (rooibos) and chai teas. We offer caffeinated and herbal teas and also offer iced teas that do not require boiling water. We also offer a line of ready to drink kombucha products, ENERJI™green tea and kombucha energy shots and Sleepytime Snooz™ sleep shots. Tea products accounted for approximately 6% of our consolidated net sales in 2013, 8% 2012 and 9% in 2011.

Personal Care Products

Our personal care products cover a variety of personal care categories including skin, hair and oral care, deodorants, baby care items, diapers, acne treatment, body washes and sunscreens. Personal care products accounted for approximately 7% of our consolidated net sales in 2013, 8% in 2012 and 10% in 2011.

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 and certain of our prepared food products are stronger in the warmer months.

We continuously evaluate our existing products for quality, taste, nutritional value and cost and make improvements where possible. We discontinue products or stock keeping units (“SKUs”) when sales of those items do not warrant further production.

Segments

We manage our business and report operating results geographically. Our operating segments are the United States, the United Kingdom (which includes Ireland), Canada and Europe. We use segment 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 general corporate expenses (which are a component of selling, general and administrative expenses) and acquisition related expenses, restructuring and integration charges.

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For reporting purposes, Canada and Europe do not currently meet the quantitative thresholds for reporting and are therefore combined as “Rest of World.” Net sales for our reportable segments were as follows:

	Fiscal Year ended June 30,					
	2013		2012		2011	
United States	$1,095,867	63%	$991,626	72%	$910,095	82%
United Kingdom	420,408	24%	192,352	14%	39,284	4%
Rest of World	218,408	13%	194,269	14%	159,167	14%
Total	$1,734,683	100%	$1,378,247	100%	$1,108,546	100%

See Note 1, Business, and Note 18, Segment Information, for additional information about our segments.

United States Segment:

Our major brands sold by the United States segment by category are:

Grocery:

Our grocery products include Earth’s Best® and Ella’s Kitchen® infant formula, infant, toddler and kids foods, Soy Dream®, WestSoy®, Rice Dream®, Coconut Dream® and Almond Dream® non-dairy beverages and frozen desserts, Arrowhead Mills® flour and baking mixes, hot and cold cereals, DeBoles® pasta, Hain Pure Foods® condiments, Spectrum® and Hollywood® cooking and culinary oils, Spectrum Essentials® nutritional oils, Health Valley® granola bars, cereal, cereal bars and canned soups, Imagine® aseptic soups, stocks and gravies, Nile Spice® instant soups, The Greek Gods® greek-style yogurt and kefir, Dream® non-dairy yogurt, Casbah® packaged grains, SunSpire® chocolates, MaraNatha® nut butters, Walnut Acres® juices and pasta sauces, GlutenFree Cafe® gluten-free frozen entrees, soups and bars, Rosetto® frozen pastas, Ethnic Gourmet® frozen meals, Yves Veggie Cuisine® soy protein meat-alternative products, Westbrae Natural® vegetarian products, WestSoy® brand tofu, seitan and tempeh products and BluePrint® cold-pressed juice drinks.

Snacks:

Our snack food products consist of Terra® varieties of root vegetable chips, potato chips and other exotic vegetable chips, Garden of Eatin'® tortilla chip products, Sensible Portions® snack products including Garden Veggie Straws®, Garden Veggie Chips, Potato Straws, Apple Straws and Pita Bites®, Bostons - The Best You’ve Ever Tasted® popcorn, tortilla chips and snack mix and Bearitos® snacks.

Tea:

Our tea products are marketed under the Celestial Seasonings® brand and include more than 70 varieties of herbal, green, wellness, white, red (rooibos) and chai teas, with well-known names like Sleepytime®, Lemon Zinger®, Mandarin Orange Spice®, Cinnamon Apple Spice, Red Zinger®, Tension Tamer® and Country Peach Passion®. We also sell a line of ready to drink kombucha products, ENERJI™green tea and kombucha energy shots and Sleepytime Snooz™ sleep shots. Since 2003, we have worked closely with Green Mountain Coffee Roasters, Inc. to offer a selection of Celestial Seasonings® teas in K-Cup® portion packs for the Keurig® Single-Cup Brewing system, including many of our popular hot teas and a line of Brew Over Ice iced teas.

Personal Care:

Our personal care products include skin, hair and oral care, deodorants and baby care items under the Avalon Organics®, Alba Botanica®, JASON®, Zia® skincare, Queen Helene® and Earth’s Best® brands.

Sales and Distribution

Our products are sold throughout the United States and other parts of the world. Our customer base consists principally of natural food distributors, supermarkets, natural food stores, mass-market retailers, e-tailers and club stores.
In the United States, our products are sold through a combination of our retail direct sales force and internal sales professionals, supported by third-party food brokers. 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

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customers. Additionally, we utilize our retail direct sales force for sales into natural food stores, which has allowed us to reduce our reliance on food brokers.

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. Because food distributors take title to the products upon purchase, product pricing decisions on sales of our products by the distributors to the retailers are generally made in their sole discretion. We may influence product pricing with the use of promotional incentives.

United Kingdom Segment:

In the United Kingdom, the products we sell comprise a wellness platform which features fresh, chilled products, meat-free and non-dairy alternatives as well as products that are lower in sugar or sodium.

Our major brands sold by our United Kingdom segment are grocery products, which include The New Covent Garden Soup Co.® chilled soups, Farmhouse Fare® and Lovetub® hot-eating desserts, Johnson's Juice Co.® fresh juices, Linda McCartney® chilled and frozen meat-free meals, Cully & Sully® chilled soups and ready meals, Hartley's® jams, fruit spreads and jellies, Sun-Pat® peanut butter, Gale's® honey, Robertson's® and Frank Cooper's® marmalades and The Greek Gods® greek-style yogurt. We also provide a comprehensive range of private label products to many retailers, convenience stores and foodservice providers in the following categories; fresh soup, prepared fruit, fresh juice, fresh smoothies, chilled and frozen desserts, meat-free meals and ambient grocery products.

Our products are sold throughout the United Kingdom and Ireland. Our customer base consists principally of retailers, convenience stores, foodservice providers, business to business, natural food distributors, club stores and wholesalers.

Canada Segment:

Our major brands sold in Canada by category are:

Grocery:

Our grocery products include Yves Veggie Cuisine® refrigerated and frozen meat-alternative products, Yves canned vegetables and lentils, Europe's Best® frozen fruit and frozen vegetables, Earth's Best® infant and toddler food, Casbah® packaged grains, MaraNatha® nut butters, Spectrum Essentials® cooking and culinary oils, Imagine® aseptic soups, Health Valley® canned soups and frozen fruit, Nile Spice® instant soups, Arrowhead Mills® gluten free pasta and The Greek Gods® greek-style yogurt. Our tea products are marketed under the Celestial Seasonings® brand and include more than 30 varieties of herbal, green, wellness, white, red (rooibos) and chai teas, with familiar names like Sleepytime®, Lemon Zinger® and Bengal Spice®. Our non-dairy beverages include Soy Dream®, Rice Dream®, Oat Dream®, Coconut Dream® and Almond Dream® in aseptic format, Rice Dream® in refrigerated format and Rice Dream® and Almond Dream® non-dairy frozen desserts.

Snacks:

Our snack food products consist of Terra® varieties of root vegetable chips, potato chips and other exotic vegetable chips, Garden of Eatin'® tortilla chips and baked puff products, Sensible Portions® Garden Veggie Straws®, Potato Straws, and Pita Bites® snack products.

Personal Care:

Our personal care products include skin, hair and oral care, deodorants and baby care items under the Avalon Organics®, Alba Botanica®, JASON® and Earth's Best® brands.

Our products are sold throughout Canada. Our customer base consists principally of grocery supermarkets, club stores, natural food distributors, personal care distributors, drug store chains, and food service 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 club 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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Europe Segment:
Our major brands sold by the Europe segment are grocery products, which include Lima®, Danival®, Natumi®, and GG UniqueFiber™. The Lima brand includes traditional Japanese-style products such as soy sauce, miso and edamame, as well as grains, pasta, breakfast cereals, cereal cakes, snacks, sweeteners, spreads, non-dairy beverages, soups and condiments. The Danival® brand includes cooked vegetables, sauces, fruit spreads and jams, chestnuts and dessert products. Natumi® produces and sells non-dairy beverages based on rice, soy, oat and spelt. GG UniqueFiber™ produces high-fiber bran products in cracker and sprinkle form. We sell our non-dairy Rice Dream® brand, Terra® varieties of root vegetable and potato chips, and Celestial Seasonings® teas in Europe as well.

Our products are sold throughout Europe. European customers consist primarily of organic food stores. Our products are primarily sold using our own direct sales force.

Foreign Operations
We sell our products to customers in more than 50 countries. International sales represented approximately 37.5%, 28.1% and 17.9% of our consolidated net sales in fiscal 2013, 2012 and 2011, respectively.

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 national and regional magazine advertising and social media, couponing and other 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, consumer advertising using internet, radio and print, direct mailing and e-consumer relationship programs and other forms of promotions. Additionally, we maintain separate websites for most of our brands. Each website features 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 arrangement with PBS Kids and Sesame Street and our Terra Blues® are the official snack of JetBlue Airways. Hain Celestial, Terra® chips and Sensible Portions® are each an official partner of the New York Knicks. In addition, Sensible Portions products, Yves Veggie Cuisine® meatless 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
We consider research and development of new products to be a significant part of our overall philosophy and we are committed to developing innovative, high-quality and safe products that exceed consumer expectations. 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, and conducts value engineering to maintain competitive price points. We incurred approximately $7.5 million in Company-sponsored research and development activities in 2013, $3.9 million in 2012 and $3.5 million in 2011. Our research and development investments do not include the expenditures on such activities undertaken by co-packers and suppliers who develop numerous products and ingredients collaboratively with us which are aligned with our brand strategies and our corporate mission. These efforts by co-packers and suppliers have resulted in a substantial number of our new product introductions and product reformulations. We are unable to estimate the investments made by co-packers and suppliers in research and development on our behalf; however, we believe these activities and expenditures are important to our continuing ability to grow our business.

Production
Manufacturing

During 2013, 2012 and 2011, approximately 55%, 48% and 44%, respectively, of our revenue was derived from products manufactured at our own facilities.

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Our United States segment currently operates the following manufacturing facilities:
Boulder, Colorado, which produces Celestial Seasonings® specialty teas and kombucha;
Moonachie, New Jersey, which produces Terra® root vegetable and potato chips;
Lancaster, Pennsylvania, which produces Sensible Portions® snack products;
Hereford, Texas, which produces Arrowhead Mills® cereals, flours and baking ingredients;
Shreveport, Louisiana, which produces DeBoles® organic and gluten-free pasta;
West Chester, Pennsylvania, which produces Earth's Best® pouches, Ethnic Gourmet® frozen meals, Rosetto® frozen pastas and Gluten Free Café® frozen entrees;
Ashland, Oregon, which produces MaraNatha® nut butters;
Boulder, Colorado, which produces our WestSoy® fresh tofu, seitan and tempeh products;
Culver City, California, which produces Alba Botanica®, Avalon Organics®, JASON® and Earth's Best® personal care products; and
Long Island City, New York, and Hawthorne, California, which produce BluePrint® cold-pressed juices.

Our United Kingdom segment has the following manufacturing facilities:
Histon, England, which produces our ambient grocery products including Hartley's®, Frank Cooper's®, Robertson's® and Gale's®;
Grimsby, England, which produces our New Covent Garden Soup Co.® and Cully & Sully® chilled soups;
Peterborough, England, which also produces New Covent Garden Soup Co.® chilled soups;
Ashford, England, which produces our Johnsons Juice Co.® fruit juices;
Clitheroe, England, which produces our Farmhouse Fare® hot-eating desserts;
Leeds, England, which prepares our fresh fruit products;
Luton, England, which produces fruit and vegetable meal solutions; and
Fakenham, England, which produces Linda McCartney® and other meat-free frozen foods, as well as chilled and frozen dessert products.

Our Rest of World segment has the following manufacturing facilities:
Vancouver, British Columbia, which produces Yves Veggie Cuisine® soy-based meat-alternative products;
Brussels, Belgium, which prepares Grains Noirs® fresh organic appetizers, salads, sandwiches and other full-plated dishes;
Troisdorf, Germany, which produces Natumi® soymilk, Rice Dream® and other non-dairy beverages;
Andiran, France, which produces our Danival® organic food products; and
Larvik, Norway, which produces our GG UniqueFiber™ products.

We own the manufacturing facilities in Moonachie, New Jersey; Boulder, Colorado; Hereford, Texas; Shreveport, Louisiana; West Chester, Pennsylvania; Ashland, Oregon; Vancouver, British Columbia; Andiran, France; Histon, England; Ashford, England; and Fakenham, England.

Co-Packers

In addition to the products manufactured in our own facilities, independent manufacturers, who are referred to in our industry as co-packers, manufacture many of our products. During 2013, 2012 and 2011, approximately 45%, 52% and 56%, respectively, of our revenue was derived from products manufactured by independent co-packers. Many of our co-packers produce products for other companies as well. We believe that alternative sources of co-packing production are available for the majority of our co-packed products, although we may experience disruption in our operations if we are required to change any of our significant co-packing arrangements. Our co-packers are audited regularly by our quality assurance staff and are required to follow our Food Safety & Quality manual detailing standard operating procedures and compliance with Good Manufacturing Practices (GMPs). Additionally, the co-packers are required to ensure our products are manufactured in accordance with our quality and safety specifications and that they are compliant with all regulations, including regulations issued under the 2010 U.S. Food

Safety and Modernization Act.

Suppliers of Ingredients and Packaging

Our natural and certified organic raw materials as well as our packaging materials are obtained from various suppliers around the world. All of our raw and packaging materials are purchased based upon requirements designed to meet our rigid specifications for food quality and safety and to comply with applicable U.S. and international regulations. The Company works with its suppliers to assure the quality and safety of their ingredients. These assurances are supported by our purchasing contracts and quality

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assurance specification packets including affidavits, certificates of analysis and analytical testing, where required. Our purchasers 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.

Competition

We operate in highly competitive geographic and product markets. Competitors include large national and international companies and numerous local and regional companies, some of which have greater resources. We compete for limited retailer shelf space for our products, and some of those retailers also market competitive products under their own private labels. We also compete with the conventional products of larger mainstream companies. Products are distinguished based on product quality, price, nutritional value, brand recognition and loyalty, product innovation, promotional activity, and the ability to identify and satisfy consumer preferences.

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 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 Earth’s Best®, Sensible Portions®, Terra®, Rice Dream®, The New Covent Garden Soup Co.®, Hartley’s®, Sun-Pat®, Arrowhead Mills®, Bearitos®, Breadshop’s®, Casbah®, Spectrum Naturals®, Spectrum Essentials®, MaraNatha®, SunSpire®, Celestial Seasonings®, DeBoles®, Ethnic Gourmet®, Garden of Eatin’®, The Greek Gods®, Hain Pure Foods®, BluePrint®, Health Valley®, Imagine®, JASON®, Zia®, Little Bear Organic Foods®, Nile Spice®, Boston’s The Best You’ve Ever Tasted®, Soy Dream®, Rosetto®, Gluten Free Café®, Walnut Acres Organic®, Westbrae Natural®, WestSoy®, Lima®, Danival®, Grains Noirs®, Natumi®, Johnson’s Juice Co.®, Farmhouse Fare®, Cully & Sully®, Robertson’s®, Gale’s®, Frank Cooper’s®, Ella’s Kitchen®, Yves Veggie Cuisine®, Avalon Organics®, Alba Botanica®, Queen Helene®, Batherapy®, Shower Therapy®, Footherapy® and Earth’s Best TenderCare® brands. We also have trademarks for most of our best-selling Celestial Seasonings teas, including Sleepytime®, Lemon Zinger®, Mandarin Orange Spice®, Red Zinger®, Wild Berry Zinger®, Tension Tamer®, Country Peach Passion® and Raspberry Zinger®.

We market the Linda McCartney® brand under license. We also market a Rose’s® marmalade and Cadbury® chocolate spreads under license. In addition, we license the right from Sesame Workshop to utilize the Sesame Street name and logo, as well as other Sesame Street intellectual property, on certain of our Earth’s Best® 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, among other things, the requirements and establish the 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.

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Independent Certification

In the United States, we certify our organic products in accordance with the USDA's National Organic Program through organizations such as Quality Assurance International ("QAI"), Oregon Tilth and the Texas Department of Agriculture. Where reciprocity does not exist or where a product is marketed solely outside of the United States, we use accredited certifying agencies to ensure compliance with country-specific government regulations for selling organic products.

The majority of our products are certified kosher under the supervision of accredited agencies including The Union of Orthodox Jewish Congregations, The Organized Kashruth Laboratories, "KOF-K" Kosher Supervision, Star K Kosher Certification and Circle K.

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 non-governmental organizations such as the Gluten Free Intolerance Group, Whole Grain Council and the Non-GMO project.

We are working with the Global Food Safety Initiative (GFSI) to certify all of our Company-owned manufacturing facilities under accredited programs including SQF (Safe Quality Foods) and BRC (British Retail Consortium) and ISO (International Organization for Standardization).

Available Information

The following information can be found, free of charge, on 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");
- 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 officer) 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.

We intend to satisfy the applicable disclosure requirements regarding amendments to, or waivers from, provisions of our Code of Ethics by posting such information on our website. The information contained on our website or connected to our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this report.

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.

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 become more

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conservative in response to these conditions and seek to reduce their inventories. Our results of operations 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 consumers at the right price.

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

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 and loyalty, price, product innovation and 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 cannot be certain that we will 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, The WhiteWave Foods Company, Mondelez International, Inc., General Mills, Inc., Groupe Danone, The J.M. Smucker Company, Kellogg Company, Kraft Foods Inc., Nestle S.A., PepsiCo, Inc. and Unilever, PLC, and conventional personal care products companies, including but not limited to The Proctor and Gamble Company, Johnson & Johnson and Colgate-Palmolive, may be able to use their resources and scale to respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities. We also compete with other organic and natural packaged food brands and companies, including Annie’s, Inc., Nature’s Path Foods, Inc. and Amy’s Kitchen, and with smaller companies, which may be more innovative, able to bring new products to market faster and better able to quickly exploit and serve niche markets. Retailers also market competitive products under their own private labels, which are generally sold at lower prices and compete with some of our products. As a result of actual or perceived conflicts resulting from this competition, retailers may take actions that negatively affect us. As a result, 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.

Consumer preferences for our products are difficult to predict and may change.

Our business is primarily focused on sales of organic and natural products which, if consumer demand for such categories were to decrease, could harm our business. In addition, we have other product categories which are subject to evolving consumer preferences.

Consumer trends could change based on a number of possible factors, including:

- dietary habits and nutritional values, such as fat content or sodium levels;
- concerns regarding the health effects of ingredients, such as sugar or processed wheat;
- a shift in preference from organic to non-organic and from natural products to non-natural products;
- the availability of competing private label products offered by retailers; and
- economic factors and social trends.

A significant shift in consumer demand away from our products or our failure to maintain our current market position could reduce our sales or the prestige of our brands in our markets, which could harm our business. While we continue to diversify our product offerings, developing new products entails risks and we cannot be certain that demand for our products will continue at current levels or increase in the future.

Our growth is dependent on our ability to introduce new products and improve existing products.

Our growth depends in part on our ability to generate and implement improvements to our existing products and to introduce new products to consumers. 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 and testing product prototypes, including complying with governmental regulations, and the success of our management in introducing the resulting improvements in a timely manner. If we are unsuccessful in implementing product improvements or introducing new products that satisfy the demands of consumers, our business could be harmed.

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

We intend to continue to grow our business in part through the acquisition of new 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 cannot be certain that we will 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 acquisitions we make 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 due diligence investigation 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 successful if we enter categories or markets in which we have limited or no prior experience;
- that we will not experience difficulties with customers, personnel or other parties as a result of a business combination; or
- that, with respect to our acquisitions outside the United States, we will not be affected by, among other things, exchange rate risk.

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 they do not meet, among other reasons, our standards for quality or profitability or both, which may have a material adverse effect on sales relating to such acquisition.

We cannot be certain that we will 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. 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 portfolio or no longer meet our growth or profitability targets. 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 asset impairment or restructuring charges related to divested businesses, or 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.

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. 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

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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. This may have a material adverse effect on our business.

We are dependent upon the services of our Chief Executive Officer and senior management team.

We are highly dependent upon the services of Irwin D. Simon, our Chairman of the Board, President and Chief Executive Officer. We believe Mr. Simon's reputation as our founder and his expertise and knowledge in the organic and natural products industry are critical factors in our continuing growth. His relationships with customers and suppliers are not easily found elsewhere in the organic and natural products industry. The loss of the services of Mr. Simon could harm our business.

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

We rely upon sales made by or through non-affiliated distributors to customers. Distributors purchase directly for their own account for resale. One distributor, United Natural Foods, Inc., which redistributes products to natural foods supermarkets, independent natural retailers and other retailers, accounted for approximately 15%, 18% and 21% of our consolidated net sales for the fiscal years ended June 30, 2013, 2012, and 2011, respectively. 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 expand the distribution of our products successfully.

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

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.

Our largest customer, United Natural Foods, Inc., a distributor, accounted for approximately 15%, 18% and 21% of our consolidated net sales for the fiscal years ended June 30, 2013, 2012, and 2011, respectively, which were primarily related to the United States segment. A second customer, Walmart and its affiliates Sam's Club and ASDA, together accounted for approximately 10% of our consolidated net sales for the fiscal year ended June 30, 2013, 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.

We do not generally enter into sales agreements with our customers. 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.

Loss of one or more of our manufacturing facilities or independent co-packers or distribution centers could harm our business.

For the fiscal years ended June 30, 2013, 2012 and 2011, approximately 55%, 48% and 44%, respectively, of our revenue was derived from products manufactured at our own manufacturing facilities. An interruption in 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 could be 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.

During fiscal 2013, 2012 and 2011, approximately 45%, 52% and 56%, respectively, of our revenue was 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. The success of our business depends, in part, on maintaining a strong sourcing and manufacturing platform. We believe there are a limited number of competent, high-quality co-packers in the industry, and if we were required to obtain additional or alternative co-packing agreements or arrangements in the future, we can provide no assurance that we would be able to do so on satisfactory terms in a timely manner. Therefore, the loss of one or more co-packers, disruptions or delays at a co-packer, or our failure to retain co-packers for newly acquired products or brands, could delay or postpone production of our products or reduce

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or eliminate the availability of some of our products, which could have a material adverse effect on our business, results of operations and financial condition.
In addition, the success of our business depends, in large part, upon dependable 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. We utilize distribution centers which 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 could have a material adverse effect on our business.

If we do not manage our supply chain effectively, our operating results may be adversely affected.
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 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, 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, frosts, earthquakes and pestilences. Adverse weather conditions and natural disasters 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 product that we can manufacture and sell.

Our future results of operations may be adversely affected by increased fuel, raw materials and commodity costs.
Many aspects of our business have been, and may continue to be, directly affected by the rising cost of fuel and commodities. Increased fuel costs translate into increased costs for the products and services we receive from our third party providers including, but not limited to, increased distribution costs for our products and increased packaging costs. Agricultural commodities and ingredients, including wheat, corn, soybeans, nuts and oils, 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, weather conditions, natural disasters (including floods, droughts, 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. We seek to offset the impact of these cost increases with a combination of cost savings initiatives, operating efficiencies and price increases to our customers. However, if we are unable to fully offset such cost increases 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 which 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 which are outside of our control. 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 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 stock-keeping unit ("SKU") rationalization programs from time to time, which may result in the discontinuation of numerous lower-margin or low-turnover SKUs. However, a number of factors, such as changes in customers'

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inventory levels, access to shelf space and changes in consumer preferences, may lengthen the number of days we carry certain inventories, hence impeding our effort to manage our inventory efficiently and thereby increasing our costs.

We are subject to risks associated with our international sales and operations, including foreign currency 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 and incur liabilities, earn revenue, and pay expenses in a variety of currencies other than the United States dollar, primarily the British pound, Canadian dollar and the Euro. Our consolidated financial statements are presented in U.S. dollars, and therefore we must translate the assets, liabilities, revenue, and expenses into United States dollars for external reporting purposes. As a result, changes in the value of the U.S. dollar during a period may unpredictably and adversely impact our consolidated operating results and our asset and liability balances in our consolidated financial statements, even if their value has not changed in their original currency.
During fiscal 2013, approximately 37.5% of our consolidated net sales were generated outside the United States, while such sales outside the United States were 28.1% of net sales in 2012 and 17.9% in 2011. Sales from outside our United States markets may continue to represent a significant portion of our total net sales in the future. 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 the threat of war, terrorist attacks, epidemic or civil unrest;
- price and foreign currency exchange controls;
- fluctuations in the relative values of currencies;
- unexpected changes in trading policies, regulatory requirements, tariffs and other barriers;
- compliance with applicable foreign laws;
- the imposition of tariffs or quotas;
- changes in tax laws; and
- difficulties in managing a global enterprise, including staffing, collecting accounts receivable and managing distributors.

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, there can be no assurance that these efforts will be successful, or that third parties will not 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 affect on our business, results of operations and financial condition.
In addition, we market products under brands licensed under trademark license agreements, including Linda McCartney®, the Sesame Street name and logo and other Sesame Street intellectual property on certain of our Earth’s Best® products, Cadbury®, Rose’s® and Candle Cafe™ brand. We believe that these trademarks have significant value and are instrumental in our ability to create and sustain demand for and to market those products 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 U.S and international regulations that could adversely affect our business and results of operations.