

The Hockey News

Shakeup at Bauer and Easton Hockey amid turmoil and financial woes



By: [Ken Campbell](#) on March 27, 2016

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Steven Stamkos (left) and Jonathan Toews

The company that owns the world's largest manufacturer of hockey equipment is the subject of at least one class-action lawsuit, saw its chief executive officer resign earlier this week and has witnessed a drop in stock price of about 90 percent during the past nine months.

Performance Sports Group CEO Kevin Davis resigned from the company that owns both the Bauer and Easton hockey brands after allegations surfaced that the company had misstated revenues and misled shareholders. It represents the end of a contentious relationship between Davis and former Bauer chairman Graeme Rouston, the company's largest individual shareholder. Rouston has been trying for the better part of a year to have Davis removed from his post.

"I have been calling on the removal of the CEO for months and now that he is gone, I am calling on chairman Bernard McDonell to tender his resignation immediately," Rouston said. "I would consider returning as chairman of the board to try and put the company back on its tracks if certain demands were met."

A few days before his resignation, while attending a retail conference, Davis denied any wrongdoing. "We do not manipulate our earnings," he said in a story posted by the *New York Post*. "We stand by our business practices."

Rouston also took issue with Bauer's decision to launch its "Own the Moment" strategy in which the company announced plans to open nine retail stores across North America, stores that would compete directly with the company's retailers in those markets and offer products at a lower cost. This, Rouston claims, upset a number of large retailers who threatened to scale back their Bauer and Easton inventory and increase those of competitors. In January of this year, Bauer announced its sales were down 19 percent, while rival CCM reported an 18 percent increase in sales.

The company has retail stores in New York and Minneapolis and there were plans to open stores in Chicago and Toronto. But the company recently announced it would not put any capital expenditures into retail stores until at least May 31, 2017. At a meeting last June with the board of directors, which includes Edmonton Oilers president Bob Nicholson, Rouston said in a media release that he pleaded with the board to "reverse (its) Bauer retail store strategy," but, "I was unable to convince them that retail partners would likely react negatively to the abrupt change in business strategy and reduce their purchase of Bauer, Easton and Cascade products."

The price of stock in the company dropped quickly and dramatically, going from a high of \$22 (U.S) last June to its current value of about \$3.50. When the company revised its quarterly earnings forecast two weeks ago and said they would be down by about 31 percent, the stock price went from \$8.95 to \$2.95 in

a matter of hours. It's believed investors have lost in excess of \$400 million with the drop in price of the stock.

Roustan said his lawyers have been contacted by 11 law firms that have filed class-action lawsuits against the company, alleging that it misled shareholders of the company's financial problems. One of the lawsuits alleges the company, "made materially false and misleading statements and omitted materially adverse facts about the company's business operations and prospects. As a result, the defendants' alleged false and misleading statements, the company's stock traded at artificially high prices."

Interim CEO Amir Rosenthal, who is also the president of the company, declined to be interviewed. Performance Sports Group senior director, corporate communications Steve Jones issued a statement, saying, "Based on recent media reports, we believe that a single class-action suit has been filed in California. However, we have not received service of a complaint. Should litigation commence, we will aggressively defend it as we would with any litigation against our company."

The financial woes are not likely to affect deals the company has with NHL players, a list that includes [Alex Ovechkin](#), [Steven Stamkos](#), [Jonathan Toews](#), [Patrick Kane](#) and [Jack Eichel](#).

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