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Regulators investigating Performance Sports

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Performance Sports Group Ltd., the owner of athletic brands including Bauer hockey equipment and Easton baseball gear, is under investigation by the U.S. Securities and Exchange Commission after the company delayed the filing of its latest annual financial statements.

The company said it has also received "inquiries" from Canadian regulators. The disclosures sent PSG shares tumbling 15 per cent, adding to the sense of the turmoil surrounding the company, whose biggest shareholder is a firm controlled by the wealthy Desmarais family.

Related: After a rocky year, Performance Sports shares are taking a dive
[http://www.theglobeandmail.com/report-on-business/performance-sports-delays-filing-of-audited-results-in-talks-with-lenders/article31404368/]

Despite its well-known brand name in the hockey community in Canada and the United States, PSG has been beset by falling revenues and profits, along with turnover at the executive level. Chief executive officer Kevin Davis left the company in March, and the share price has fallen 83 per cent so far this year, eliminating $500-million in market capitalization.

In a bid to slash costs, PSG has reduced the size of its work force by 15 per cent and started to restructure the organization.

This week, the company said it has initiated an internal investigation into its books and has delayed filing its audited year-end financial results. But its loan agreements require the company to submit its statements by Aug. 15, raising questions as to whether it will default on its debt.

Former chairman Graeme Roustan, who has had a long-running battle with current board over its business strategy, said in an interview he has been contacted by regulators, but would not disclose what they have asked him.

Mr. Roustan took aim at the company's board of directors. "The tone at the top sets the standards for everyone," he said in an interview. "And it is my belief that the leadership at the top of the board ... has not set the right tone for the other directors to follow." He would not say whether he currently owns shares in the company.

PSG declined to comment further on the investigation. The company said that it will finalize its results "as soon as practicable."

The Quebec-born businessman teamed up with private equity firm Kohlberg & Co. to buy the company from Nike in 2008. The new owners took Bauer public in 2011. Mr. Roustan stayed with the company until 2012, when he stepped down as chair to work on bringing a National Hockey League team to Markham, north of Toronto.

Bauer started moving into other sports, racking up deals to acquire companies that make lacrosse and baseball equipment, and its debt ballooned. It owed $439-million (U.S.) as of the end of February. The company changed its name from Bauer to PSG after a string of acquisitions.

It also launched a strategy to open its own stores, an idea that Mr. Roustan opposed. Starting in January of 2015, he began openly questioning PSG's strategy, arguing that it was the wrong decision at a time for slowing hockey sales – and something that would also infuriate rival retailers who sold Bauer goods.

Mr. Roustan said he met with PSG's board of directors in June, 2015, to outline his concerns and later sought a seat on the board at the annual general meeting last October. However, he said his efforts were stymied by current chair Bernard McDonell, who sent a letter to shareholders arguing against the appointment. In September, Mr. Roustan gave up his quest.

Mr. Roustan spoke out again this past January, publicly calling for former Mr. Davis to resign.

A month after the CEO's departure, PSG revealed a $145-million non-cash impairment charge in its baseball and softball segment – more than half the total of the $330-million it spent in 2014 to buy Easton. Mr. Davis could not be reached for comment.

Mr. Roustan indicated he could make a play for the company if it is unable to escape financial trouble. "I am monitoring the situation closely and if the company enters into receivership, I'll be first in the line to buy the company and take it private," he added. "I am uniquely qualified to take back control of this company and put it back on the right track."