



Activist Insight

Roustan preps Performance Sports bid

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The former chairman of Performance Sports Group is meeting with private equity funds to coordinate a bid for the beleaguered hockey equipment maker, a day after lambasting management at a conference in Toronto.

Graeme Roustan told Activist Insight on the sidelines of the Activist Investing in Canada conference that he was meeting with at least three potential backers in New York as he lines up a bid that could see him return as chairman and CEO four years after leaving the company and at the end of two years agitating against a strategic shift towards retail for the owner of Bauer hockey equipment. The former executive said his experience with Performance Sports' customers could help earnings recover quicker, two weeks after the company filed for bankruptcy.

"I've told buyers to forget about the next two years," Roustan told Activist Insight. "It will take five years to get [the business] back."

The first-time activist had earlier explained to the conference how he came to oppose management's shift into direct retail and determined that a board seat was a prerequisite for contesting the strategy - a story previously told in Activist Insight Monthly. Performance Sports did enough to deter Roustan from launching a proxy contest last year, but has entered a downward spiral in 2016 amid financial restatements, accusations of channel stuffing and reduced earnings forecasts. Two weeks ago, the company filed for bankruptcy.

"This board has made every mistake imaginable," Roustan told the conference before repeating his demand that large shareholder Sagard Capital recuse itself from bidding on the company's assets. Sagard is part of a consortium offering \$575 million for Performance Sports Group's assets, but Roustan has objected to the bid on the grounds that the investor might have benefited from write-downs of some Performance Sports' account receivables in March following the bankruptcy of a baseball equipment retailer.

At the time, Sagard's founder Daniel Friedberg was still serving as a director at Performance Sports. However, Friedberg left the investment firm shortly afterward, and eventually resigned from the sports equipment company's board.

Roustan also said that Sagard had an indirect link to a board member at Adidas' hockey division CCM through its owner, Power Corporation.

However, without access to Performance Sports Group's financial statements, Roustan was not able to say whether Sagard's bid could be matched, raising the prospect that shareholder recoveries from the bankruptcy proceedings might be minimal.

According to Moody's, when Performance Sports filed for Chapter 11 bankruptcy in October it had an outstanding debt of \$460 million. Sagard and other lenders have provided \$386 million of debtor-in-possession financing.

Despite a consuming two-year battle, Roustan said he did not regret taking such a public stance.

"My father always told me, 'Never throw the first punch but make sure you throw the last one,'" he recalled. "I'm not 'get-along Graeme.' I have enough friends, I have two dogs."