

## Diamond Foods Downgraded After Restatement

NEW YORK (AP) — Diamond Foods' stock dropped to its lowest point in more than six years on Monday after an analyst lowered the snack food company's rating and price target following the restatement of some earnings results.

**THE SPARK:** Last week, Diamond Foods restated financial results for two years. It effectively wiped away \$56.5 million in profit from its books after it revised its results from 2010 and 2011. The company also posted a net loss of \$53.4 million for the first three quarters of 2012, due to a weaker walnut business and costs tied to a recent investigation, its financial restatements and a terminated deal to buy Pringles.

**THE BIG PICTURE:** The San-Francisco based company restated its results after an internal investigation last year found that it improperly accounted for payments to walnut growers, which skewed its financial results.

Diamond Foods suffered mightily from the fallout. Its stock price sank on concerns about the payments, it lost its bid to buy the Pringles brand from Procter & Gamble Co. and it eventually replaced its CEO and chief financial officer over the issue.

CEO Brian Driscoll, who joined the company in May, says the company has a new direction as it invests in its brands, cuts costs and rebuilds its walnut supply.

**THE ANALYSIS:** Jefferies' Thilo Wrede cut Diamond Foods' rating to "Underperform" from "Hold," and slashed the price target to \$10 from \$27. The analyst said in a note to clients that he believes that the company's earnings and revenue "will get worse before they get better."

"While management seems to have a viable strategy, we believe that it will take some time to show positive results and until then we prefer not to own the stock," Wrede wrote.

**SHARE ACTION:** Shares of Diamond Foods Inc. dropped \$1.53, or 10.1 percent, to \$13.60 in morning trading, earlier falling as low as \$13.52. That's the stock's lowest point since August 2006. Diamond's shares traded as high as \$40.71 a year ago, have lost more than 33 percent since the restatement was made public.

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