

SurfStitch Group Limited – Possible Class Action

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Gadens is presently engaged in a preliminary investigation of the financial circumstances of the online sports and apparel company SurfStitch Group Ltd ACN 602 288 044 (ASX: SRF).

Gadens is particularly concerned to inquire about the initial float of SurfStitch in 2014 and the manner in which its affairs have been conducted since. There are issues about the sufficiency of the disclosure made by SurfStitch at the time of the float and thereafter concerning its extensive business and brand acquisition program and the affect that program would have on its share price.

Gadens is also interested in whether SurfStitch complied with its continuous disclosure obligations and properly kept the market informed of matters affecting its share price or value.

Some further events that may be relevant to these questions include:

1. It has been reported that 30 private briefings were conducted with some shareholders between 25 and 29 April 2016. This was prior to the ASX update on 3 May 2016 when the profit forecast was downgraded. The fact of the private briefings raises questions about why the communications in those briefings were not made public until, at the earliest, 3 May 2016.
2. The trading halt on 8 June 2016 prior to the latest downgrade in forecast profit on 9 June 2016 has resulted in a forecast loss for the 2016 financial year. SurfStitch has attributed this to a reversal of \$20.3 million in revenue said to be due to the grant of a perpetual licence to a third party which occurred in the first half of the 2016 financial year. It is currently unclear why there has been a delay in recognising this revenue shortfall.
3. In this calendar year, SurfStitch has issued three separate profit downgrades. This raises questions about the bases on which the initial profit forecasts were made.

SurfStitch shares floated at \$1.00, rose to a high of \$2.13 in November 2015 and have since declined to 33¢ on 10 June 2016. As a result the market value of SurfStitch stock has dropped by over \$500 million.

Shareholders might wish to know whether more information could have been made available to them by SurfStitch about the reasons for this decline in the value of their investment. Shareholders might also wish to know whether they could have been informed earlier of such information or of the information forming the basis of the downgraded forecasts.

Gadens invites all current and past SurfStitch shareholders to go to <https://classactions.gadens.com> to register their interest in participating in a possible shareholder class action against SurfStitch and its directors. The potential claims could be based on breaches of the Corporations legislation, consumer protection legislation and continuous disclosure obligations. Compensation would be sought to redress loss suffered by shareholders.

Those registering their interest will be kept informed of developments and can contact Gadens with any queries. No charge will be made on

More information



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those registering their interest. Gadens' privacy policy (<https://classactions.gadens.com/Home/Privacy>) will apply to those registering their interest.

Further inquiries can be made to Gadens by sending an email to **vic-surfstitch@gadens.com**. Leading the Gadens investigations into SurfStitch is Gadens Partner & Chief Counsel, Glenn McGowan QC.