

Shareholder Alert: Bernstein Litowitz Berger & Grossmann Announces Filing of Securities Class Action Lawsuit against Mohawk Industries, Inc.

New York, NY – (PR Newswire) – January 3, 2020 – Today, prominent investor rights law firm Bernstein Litowitz Berger & Grossmann LLP (“BLB&G”) filed a class action lawsuit for violations of the federal securities laws in the U.S. District Court for the Northern District of Georgia against Mohawk Industries, Inc. (“Mohawk” or the “Company”) and certain of the Company’s senior executives (collectively, “Defendants”) on behalf of investors in Mohawk common stock between April 28, 2017 and July 25, 2019, inclusive (the “Class Period”).

The complaint is based on an extensive proprietary investigation and a careful evaluation of the merits of this case. A copy of the complaint is available on BLB&G’s website by clicking [here](#). Investors who purchased Mohawk common stock during the Class Period may, no later than March 3, 2020, seek to be appointed Lead Plaintiff for the Class.

Mohawk’s Alleged Fraud

Mohawk is a global manufacturer of flooring products, including ceramic and porcelain tile and natural stone products, carpets, rugs, laminate, hardwood flooring, sheet vinyl, and luxury vinyl tile, or LVT. During the past several years, the flooring industry has seen a rapid and significant increase in demand for LVT—an alternative to conventional flooring products designed to look like traditional wood, stone, or ceramic tile that is predominantly manufactured in China.

While Mohawk’s competitors entered into distribution deals directly with Chinese manufacturers to capitalize on the growing LVT trend, Mohawk took a different approach, investing in LVT production plants and looking to grow its LVT business through acquisitions. The growing consumer demand for LVT siphoned growth away from Mohawk’s conventional flooring products—a market in which Mohawk had historically dominated the industry.

Faced with slowing demand for its conventional flooring products, Mohawk engaged in a scheme to inflate its revenues and earnings by booking fictitious sales of those products. This practice—known as channel stuffing—was used by the Company to mask severely declining demand for conventional flooring products. Throughout the Class Period, Defendants made false and misleading statements about Mohawk’s sales growth and the demand for the Company’s conventional flooring products. Defendants also reassured investors about the Company’s increasing accounts receivable and inventory levels during the Class Period by falsely attributing those increases to external factors like rising raw material costs and inflation. As a result of these misrepresentations, shares of Mohawk’s common stock traded at artificially inflated prices during the Class Period.

The truth was revealed through a series of corrective disclosures. On July 26, 2018, the Company issued what would be the first of a series of disappointing financial results, with earnings for the quarter that were well below both Wall Street estimates and the Company’s previous guidance range. The Company also announced that it would be reducing production, signaling that its sales channels were stuffed with more product than it was able to sell through. Then, on October 26, 2018, the Company reported sales and earnings for the third quarter of 2018 that substantially missed analyst estimates, with sales growth in all segments lower than expectations. Company executives attributed Mohawk’s poor financial results, in part, to further manufacturing reductions that were required during the period to control inventory buildup. Last, on July 26, 2019, Mohawk reported that it was again reducing production to control inventory levels and match its supply with customer demand. These disclosures caused the price of Mohawk shares to decline precipitously.

BLB&G filed this action on behalf of the Public Employees’ Retirement System of Mississippi, and the case is captioned *Public Employees’ Retirement System of Mississippi v. Mohawk Industries, Inc.*, in the U.S. District Court for the Northern District of Georgia.

If you wish to serve as Lead Plaintiff for the Class, you must file a motion with the Court no later than March 3, 2020, which is the first business day on which the U.S. District Court for the Northern District of Georgia is open that is 60 days after the date that this notice is being published. Any member of the proposed Class may move the Court to serve as Lead Plaintiff through counsel of their choice. Members may also choose to do nothing and remain part of the proposed Class.

If you wish to discuss this action or have any questions concerning this notice or your rights or interests, please contact Michael D. Blatchley of BLB&G at 212-554-1281, or via e-mail at michaelb@blbglaw.com.

About BLB&G

Bernstein Litowitz Berger & Grossmann LLP is widely recognized worldwide as a leading law firm advising institutional investors on issues related to corporate governance, shareholder rights, and securities litigation. Since its founding in 1983, BLB&G has built an international reputation for excellence and integrity and pioneered the use of the litigation process to achieve precedent-setting governance reforms. Unique among its peers, BLB&G has obtained several of the largest and most significant securities recoveries in history, recovering over \$33 billion on behalf of defrauded investors. More information about the firm can be found online at www.blbglaw.com.

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