

AMID BANKRUPTCIES, BRANDS FLOCK TOWARD SPECIALTY AT GRASSROOTS SHOW

Specialty outdoor retailers were getting some much-deserved attention this week.

With an expected excess of inventory to hit the active-lifestyle market following several high-profile, big-box retail bankruptcies in the space, brands at the Spring Grassroots Outdoor Alliance Show in Albuquerque, NM were doubling down on their partnerships with these smaller, but more influential group of retailers.

“For some time now, there’s been talk that the over-production and over-distribution in the industry would lead to trouble, and guess what, we’re here,” said Grassroots Outdoor Alliance (GOA) President Wes Allen. “The good news is that I see the needle swinging back toward specialty.”

By that, Allen meant that the established and well-run businesses (such as Grassroots’ membership) would likely come out on top as those who rushed to active-lifestyle hoping to make a quick buck in the past years would fall by the wayside. Still, he stressed that specialty retailers “need to pick their vendor partners carefully,” talking among their retail peers to see which brands were doing things right.

The B.O.S.S. Report was onsite at the show and observed plenty of that kind of conversation. The week-long event, that pairs the organization’s core outdoor retail and vendor members to conduct business in the early ordering season, then shifted gears to its “Connect” portion on Wednesday, where it expanded the show to 100 affiliate retailers and vendors.



Photos by David Clucas

News also came from Allen in his announcing that he would step down as GOA president later this summer. After two years on the job, Allen said it was time for him to get back to his family and business, Sunlight Sports in Cody, WY.

“It’s bittersweet because we’re doing well and it’s fun to be part of something that’s growing,” Allen told *The B.O.S.S. Report*. “But it’s also not a hard decision to spend more time with my wife, my daughter and the store. I love being a retailer.”

Allen said he would likely stay on through at least August, helping search for a new

president, who he said should bring a fresh skillset to the job, which has expanded as the organization has grown.

“We Need To Be Here”

Grassroots has grown in large part by billing itself as a show where business gets done versus the larger Outdoor Retailer, which many feel is more of a marketing show.

“Unlike other trade shows, people make an appointment here that they keep,” said Russ Pitman, vice president of sales at Terramar Sports.

“It’s absolutely essential that we are here,” said new Mountain Hardwear President John Walbrecht. “If we want to be the premier outdoor specialty brand in the market, then we need to be here.”

“The beauty of Grassroots is that you can dig deeper,” said Matt Huff, managing director of Sport Hansa, which distributes European brands such as Montane and Helle Norway in the United States. “You have the time to go through the numbers — and I thrive on that stuff. Outdoor Retailer is a lot more drive-by.”

First Look

While much of the focus at Grassroots is on doing business — booths are notably low-key with only a quarter of a brand’s space allowed for marketing and merchandising — the show does give the industry its first, hands-on look at product slated for spring/summer 2017.

The most visibly active space is camping equipment, where brands are reaching out to new “outdoorsy” customers hunting for products that aren’t solely meant for backpacking, or even car camping. Now designers are thinking of music festival-goers, sports fans, hunters and anglers.

Nemo Equipment Director of Sales Ben Saunders (pictured above) described the current state of so-called “lifestyle camping” as a “cross between tiny houses and RV-ing.” People want to be mobile, but comfortable, he said.

To that end, on the show floor, we saw a merging of tent, shelter and yurt designs, many

THE B.O.S.S. REPORT

Group Publisher & Creative Director

Teresa Hartford
teresa@sportsonesource.com
303.997.7302

Editorial Director

David Clucas
clucas@sportsonesource.com
303.578.7007

Associate Editor | Sports & Fitness Editor

Jahla Seppanen
jahla@sportsonesource.com
303.578.7008

Senior Business Editor

Tom Ryan
tryan@sportsonesource.com
917.375.4699

Media Sales

Buz Keenan
buz@sportsonesource.com
201.887.5112

Senior Business Editor

Charlie Lunan
clunan@sportsonesource.com
704.996.4463

Circulation & Subscriptions

admin@sportsonesource.com
303.997.7302

Art Director

Chris Loving-Campos
chrislc@sportsonesource.com

SGB Media

Print Magazine: SGB Magazine
Digital Magazine: SGB Weekly
Executive Newsletters: Sports Executive Weekly,
The B.O.S.S. Report, SGB Executive
Email Updates: SGB Today
Daily Emails: SGB Update, SGB Apparel, SGB Footwear,
SGB Outdoor, SGB Sportsmans, SGB Sports & Fitness

SSIData

SSIData.com

Career Services

SGBJobs.com

The B.O.S.S. Report is published 50 weeks per year and delivered via e-mail the first day of each business week. Articles and subscription info can also be accessed daily at SportsOneSource.com

The B.O.S.S. Report is protected under all applicable copyright laws and is intended for the sole use and benefit of the subscriber. Any attempts to copy, alter, distribute or otherwise transfer content of this copyrighted material, in whole or in part, is strictly forbidden.

Powered by

SPORTSONESOURCE

1075 E. South Boulder Road • Third Floor • Louisville • CO • 80027
SportsOneSource.com | 303.997.7302



with huge, front porch-like canopies providing shade, and in some cases, bug protection to encourage hanging around the tent.

“It’s aspirational,” Saunders said. Customers can imagine using the multi-faceted shelters in many different ways.

Don’t let the party atmosphere in camping fool you, though. Core, lightweight backpacking tents continue to sell extremely well and at a show like Grassroots, buyers point to the traditional fare, which continues to get lighter, and tell people like Saunders “that’s what I’m selling.”

Retailers told us they saw a bounce in camping and backpacking sales this spring, largely fueled by recent media and movies on the topic and the National Parks’ centennial celebration.

Another area of movement on the technical/performance side is so-called cooling fabrics. Brands are moving away from chemical treatments toward more mechanical solutions such as phase-changing materials that will open up when they sense heat and sweat and close off when it’s too cool.

Lifestyle and fashion pieces remain a big trend — not just in apparel, but equipment, too. The boom in bright colors is shifting — not back to black and grays, however, but to more subdued colors, particularly on the women’s side with more gender-neutral blues and greens versus hot melons and pinks, said Sara Roberts, sales manager for Stonewear.



Serving Specialty

When specialty retailers gathered to talk, much of the conversation centered on controlling inventory.

“We’re not going to rush ahead to order and then race back to cancel,” one retailer said.

Indeed, said Pitman at Terramar, “the big thing everyone is talking about is: turn, turn, turn. They want smaller orders with more frequency.” And it makes sense, he said, because that’s how the consumer is buying, too. “They don’t plan a purchase for the season anymore,” he said. “They buy it the moment they need it.”

The end result is shifting some of the inventory risk back to the brands.

Brands were also talking about getting better control over their minimum-advertised-price (MAP) policies — although it’s a tune many retailers have heard before. At Helly Hansen, Director of Sales Brent Turner said the brand has had success keeping to its MAP policy through February, instead of breaking it right after Christmas. The brand has also limited some of its lines to only specialty retailers. “Retailers don’t want to go online and find it everywhere,” he said.

Brands must also do a better job marketing the products they sell retailers, Walbrecht at Mountain Hardwear said.

“We have to focus on sell-through,” he said. “If we’re not willing to advertise that style on the back of a magazine, then why should a retailer buy it?” ■

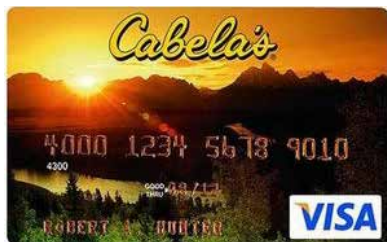
A DELAYED ANNUAL MEETING AT CABELA'S HAS US WATCHING

Do something for eight years in a row, and people expect the same the ninth.

Cabela's Inc.'s delay in scheduling its annual shareholder meeting — held in early June since 2008 — may indicate the retailer has yet to agree on a potential slate of directors, or set other agenda items with the activist investor that became its second largest investor last fall. The other possibility is that bigger news is around the corner. As of June 17, the public company has yet to file a proxy statement laying out the place, time and agenda for its 2016 annual meeting.

On June 16, Cabela's filed Securities and Exchange Commission regulatory documents saying it continues to explore selling its World's Most Foremost Bank (WFB) separate from its retailing business, even though such a sale could hurt the performance of both businesses. The filing came ahead of a routine offering of securities tied to credit card receivables owned by the bank, which issues Cabela's Club Visa credit cards.

"The results of this strategic alternative review process could include, but are not limited to, a sale of Cabela's or



one of its businesses, including a sale of the bank or its assets, or a transaction combining a sale of the bank or all or a portion of its assets to one or more

purchasers and a sale of the parent company (including all of its merchandising business) to one or more other purchasers," Cabela's reported. "Any such transaction could adversely impact Cabela's business, the bank and the Cabela's Club program."

If Cabela's sells WFB, it's unlikely the buy would continue to use WFB to securitize receivables, which could adversely affect the liquidity for the notes, Cabela's warned. In addition, any purchaser of WFB, or Cabela's itself, might seek to repurchase some or all of the notes.

A \$12.3 million, or 25.4 percent, increase in profits from WFB more than offset a decline in profits from Cabela's merchandise sales in the fiscal first quarter ended April 1.



All the buzz surrounding Cabela's started back in October 2015, when partnerships controlled by billionaire hedge fund manager Paul Singer disclosed they had invested \$152.3 million to amass an 11.1 percent stake in Cabela's, including 5.1 percent owned through derivatives that did not authorize them to vote the underlying shares. While Singer's group, Elliot Management, began buying shares (NYSE:CAB) in small lots as early as August, regulatory filings show it made the bulk of its investments on or after October 22, when Cabela's stock plunged about 18 percent to the \$33 level on news of disappointing third-quarter results and plans to slow store expansion and consider selling some assets.

In an October 28 filing disclosing its holdings to the Securities and Exchange Commission, Elliot fund managers said the shares were significantly undervalued and "represent an attractive investment opportunity."

"In light of the robust environment for private equity investment in retail companies, potential strategic interest in the Issuer, and the Issuer's substantial asset holdings, there exist multiple pathways for the Issuer to unlock significant unrealized value," reads the filing.

The filing went on to say that Elliot would seek to work with Cabela's board to explore options for unlocking value, including the sales of the company, assets and operational and management initiatives.

In early December, Cabela's confirmed its board of directors had begun working with Guggenheim Securities, LLC and two law firms to review strategic options, but said there was no assurance the process would lead to any transactions. It has since sold an adventure travel business, split the President and CEO roles and eliminated two senior executive positions. Cabela's Chairman and Founder James W. Cabela was listed as the company's largest shareholder in the company's 2015 proxy statement, followed by Cabela's Family, LLC, which held eight percent of the company's common shares.

In February, Elliot told the SEC it had sold some of its derivatives and upped its direct holdings of Cabela's common stock in lots priced between about \$40 and \$47.50. The filing said Elliot had invested \$232.1 million since October to acquire its holdings in the retailer.

Cabela's shares reached a 52-week high May 2 after the company reported those better-than-expected numbers due to the credit-card business. Its comparable-store sales, however, declined 4.3 percent compared with a year earlier. Cabela's reaffirmed its guidance for fiscal 2016, which calls for revenue to grow at high-single-digit growth rate and earnings per dilute share to grow in the high- to low-double digits compared to fiscal 2015.

On June 17, Cabela's shares hovered around \$50, buoyed recently in part by speculation that the June 12 mass shooting in Orlando would trigger a run on modern sporting rifles such as the one used by the shooter. ■

ANALYST REVIEWS CABELA'S STRATEGIC OPTIONS

Of all the rumors swirling around Cabela's Inc., D.A. Davidson & Company analyst Andrew Burns sees the least reported as making the most sense.

As a research analyst, Burns is not privy to confidential information D.A. Davidson & Company investment bankers may have and relies on a mix of public information, including filings with the Securities & Exchange Commission, press reports, earnings calls and his own research.

During a 30-minute conversation Friday, Burns outlined the pros and cons of three possible scenarios Cabela's is, or is reported to be, evaluating. In order of likelihood, he lists those as: a sale of World's Foremost Bank, which issues and manages its Cabela's Club Visa credit card loyalty program; an acquisition by rival Bass Pro; and a sale to the investment firm KKR, which already owns Texas-based Academy Sports + Outdoor.

Selling WFB

Burns said transactions by department stores indicated Cabela's could potentially receive \$400 million-plus from selling the credit card business while still retaining the majority of earnings it derives from the Cabela's Club Visa program. That would enable it to free up capital on the WFB balance sheet and pay for stock buybacks sought by affiliates of Elliot Capital Management, a hedge fund firm that took an 11 percent stake in the retailer last fall. Burns, however, sees that as a short-sighted approach that could eliminate one of Cabela's biggest competitive advantages.

"The inherent problem with that is that you are talking about the secret sauce of their success, which is issuing new credit cards to consumers during a firearms purchase" Burns said. "When you put that in someone else's hands, whose attitude toward financing guns might change, you put that secret sauce in jeopardy. What happens if political sentiment changes and the underwriter no longer wants to do that? That's why they have been so reluctant to do that."

Selling To Bass Pro

Burns also sees significant obstacles to a merger with privately owned rival Bass Pro Shops, although he said consolidation among the nation's five national hook and bullet retailers - Cabela's, Bass Pro, Sportsman's Warehouse, Gander Mountain, Dick's Sporting Goods (Field & Stream) - is inevitable.



Photo courtesy Cabela's

"Cabela's has to push into Bass Pro territory to grow, so at a high level it makes sense," Burns said of published reports this spring that Bass Pro had teamed with Goldman Sachs to prepare a bid for Cabela's. "The problem with that scenario is, first, Cabela's family has to be comfortable with the negative impact this merger would have on Sidney, NE. Second, they have up to 10 stores where Bass Pro/Cabela's store proximity would be an issue.

Selling To KKR

A sale to KKR makes more sense to Burns. In that scenario, which has also been rumored, both chains would continue to operate separately but pool purchasing, distribution, IT and other back-end functions to drive down costs just as Vestis Retail Group LLC sought to do with Sports Chalet, Eastern Mountain Sports (EMS) and Bob's Stores.

While Sports Chalet is now being liquidated under court supervision, Vestis Retail expects to exit bankruptcy court this summer with EMS and Bob's Stores largely intact.

"That one makes sense to me as most logical buyer," said Burns. "Although given the Sports Authority liquidation, one wonders if that makes sense." In the end, nothing much could change, Burns noted. "I do think there is a potential that the strategic review leaves the business largely unchanged given the pros and cons of each scenario." ■

AISLE TALK

Amer Sports named **Sebastian Lund**, formerly at Procter & Gamble, as its incoming Chief Human Resources Officer.

Blackburn, the maker of cycling trainers recently acquired by Vista Outdoors Inc., has awarded exclusive U.S. distribution rights to **Hawley** of Lexington, SC.

Centers for Disease Control and Prevention began reporting data on June 16 on the **Zika** virus causing birth defects and pregnancy losses in the United States, which could curb participation in outdoor activities this summer, but also spur product sales of outdoor mosquito repellent protection.

DestiMetrics tracked actual occupancy and bookings for the May through October season at western Mountain resorts and found they were up 10.5 percent at the end of May from the prior year.

Gander Mountain announced that **Jeff Csuy** would join the company this month as Senior VP of Softlines Merchandising and Product Development.

The 15th annual **GoPro Mountain Games** held in Vail, CO this past weekend will likely set a participation and attendance record, event organizers reported.

Haglöfs recruited **Christina Rolén** as its new Global Marketing Director in a bid to bolster brand awareness and customer loyalty at Swedish outdoor brand.

Ibex Outdoor Clothing named **Scott Parr** as its new VP of Sales.

Magura USA added **Aaron Bilsing** as Magura/Bosch Sales and Technical Support for the East Coast.

Microban International Ltd., textile odor control and prevention company, will relaunch its global textiles division.

Montana joined Utah, Colorado and Washington in creating an **official Governor's Office of Outdoor Recreation**.

Nester Hosiery promoted President **Kelly Nester** to the position of CEO.

Oofos, the maker of recovery footwear, has partnered with **Locally**, the online-to-offline shopping platform.

Performance Bicycle and cyclists nationwide raised \$17,522 for **Rails-to-Tracks Conservancy** during National Bike Month.

NEWELL BRANDS TO DIVEST \$250 TO 300 MILLION THAT COULD INCLUDE ACTIVE-LIFESTYLE BRANDS

Newell Brands, which now owns more than 50 sporting goods and outdoor brands after its recent acquisition of Jarden Corp., announced this week it has plans to divest product lines with combined annual sales of \$250 to \$300 million over the next two to three years.

Which active-lifestyle industry brands could be on the sales block will likely depend on the results of a brand equity study expected to be completed sometime in August, the company's CEO indicated June 16.

"I can tell you with experience that the equity scores are going to surprise us on the high side," Newell Brands CEO Mike Polk said at the Deutsche Bank Global Consumer Conference in Paris, France. "These are great brands: Coleman, excellent brand; the Yankee, excellent brand; Oster, excellent brand; Rawlings, excellent brand; and the ski businesses, excellent brands. Any brand that evokes nostalgic reflection means that it's been present and been part of people's lives. And all of those brands I mentioned jump out like that."

Yankee Candle and blender maker Oster were part of Jarden's two other business segments, which enjoy much greater synergy with Newell-Rubbermaid's brand portfolio.

Polk said the study might not be completed in time for Newell Brands' next board meeting in August, making it unlikely that the company would begin shopping brands before then.

The company was formed mid-April when Newell-Rubbermaid Inc. acquired Jarden Corp. to create \$16-billion-a-year consumer goods behemoth. Included in the deal was Jarden's Outdoor Solutions segment which, in addition to Coleman, Marmot, Rawlings and a half dozen fishing brands, owns dozens of specialty snow, running, and outdoor brands such as K2, Marker, Volkl and Zoot. The segment's

more than 50 brands generated \$2.74 billion in revenue in fiscal 2015.

In a June 15 press release affirming its fiscal 2016 guidance, Newell Brands disclosed the divestitures would slow organic sales growth at Jarden Corp. to 2 to 4 percent in fiscal 2016, compared with the 3 to 5 percent target Jarden had set leading into the merger. The guidance also reflects the anticipated impact poor sell through of some ski equipment and seasonal apparel this past winter will have on fall 2016 orders.

"You really learn very quickly the weather impact on the business," Polk said. "You see the seasonality play through in skis, see the seasonality play through in Marmot."

When asked which Jarden brands have the most potential for the company's future, Polk spoke effusively about FoodSaver, Bell and Waddington, as well as Yankee Candle and the company's baby gear business, which share shelf space at Wal-Mart, Target and Amazon with Newell-Rubbermaid's FreshWorks and Rubbermaid food container and Nuk baby products.

Pure Fishing and Coleman were singled out as the most promising sporting goods brands, although Polk added a caveat to the latter.

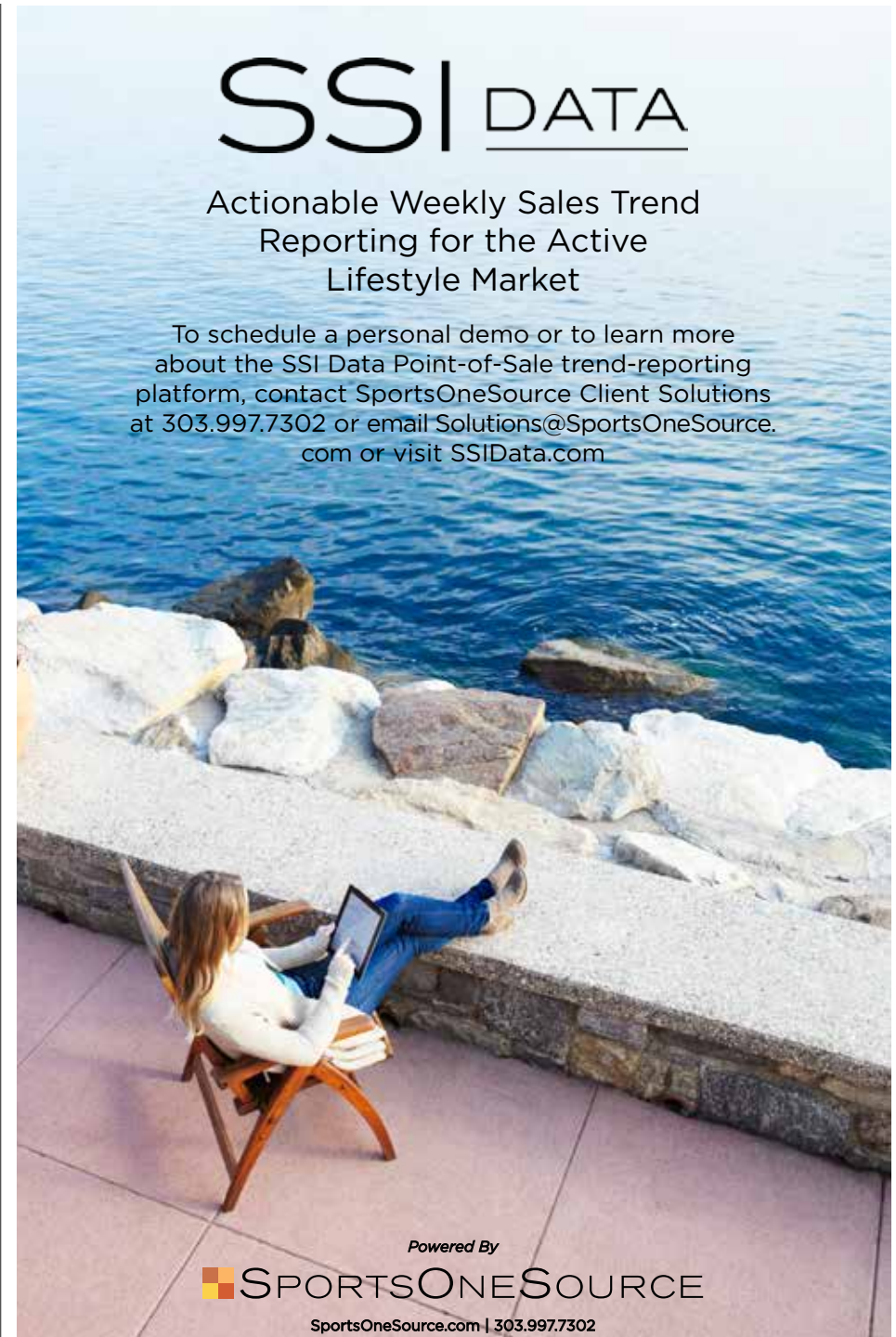
"I think we have some work to do on Coleman," Polk said of Jarden's largest sporting goods brand. But I think that brand has amazing potential. The Pure Fishing business is a great business...The Pure Fishing team [is] really adept at driving consumption."

Jarden recorded a \$145.4 million impairment charge in the fourth quarter in what some deemed a prelude to the sale of its winter sports business, which includes K2, Marker and Volkl ski brands; the 5150, Morrow and Ride snowboards brands; the Line and Full Tilt alpine ski brands; the Madshus Nordic ski brand; Backcountry Access avalanche safety gear; and the snowshoe brands Atlas, Powderidge and Tubbs. ■

SSI DATA

Actionable Weekly Sales Trend Reporting for the Active Lifestyle Market

To schedule a personal demo or to learn more about the SSI Data Point-of-Sale trend-reporting platform, contact SportsOneSource Client Solutions at 303.997.7302 or email Solutions@SportsOneSource.com or visit SSIData.com



Powered By

SPORTSONESOURCE

SportsOneSource.com | 303.997.7302