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PERFORMANCE SPORTS GROUP LTD. SNAPS UP EASTON HOCKEY AS LOSSES CONTINUE AND CEO CHALLENGED

After years of diversifying away from its Bauer hockey roots through acquisitions of baseball, lacrosse and soccer companies, Performance Sports Group Ltd. (PSG) made a splash last week in acquiring Easton Hockey.

But the company's financial results continued to disappoint, weighed down again in large part by a weak Canadian dollar. Meanwhile, a former company chairman and stakeholder in PSG is calling for management and potential ownership changes.

The loss for the fiscal 2016-second quarter, ended November 30, came to \$4.5 million, or 10 cents a share, against earnings of \$1.03 million, or 2 cents, a year ago. Revenues were down 11.2 percent to \$153 million and dropped 6 percent on a currency-neutral basis. The net decline was primarily due to the unfavorable impact from foreign exchange, variations in product launch cycles in the company's hockey segment, as well as retailer consolidation in the U.S. and challenging market conditions in Russia and Eastern Europe, officials said.

"Our brands continued to take market share and demonstrated strong resilience in some very challenging markets," said Kevin Davis, CEO.

He noted that the Bauer brand continued to hold the No. 1 market share and its "brand affinity remains very strong." Driven by Easton's non-bat categories, baseball sales were up 28 percent, while lacrosse sales, fueled by Maverik's line of head and protective gear, advanced 9 percent.

Davis added that Easton Hockey's heritage of innovation would add to its existing Bauer brands, while adding intellectual property assets that would benefit all its hockey lines. The acquisition also gives PSG exclusive control of the Easton brand in all sports other than archery and cycling.

At the same time, efforts to improve operations to help offset the impacts from the weakening Canadian dollar are being executed. Year-to-date, PSG has reduced inventory to \$9 million and is on track to improving working capital by \$21 million in FY16. Savings from supply-chain initiatives are expected to reach between \$5.6 million and \$8.4 million this year, compared to between \$3.5 million and \$4.9 million previously estimated. But Davis noted that the Canadian dollar only further weakened over the last three months. (As of Friday, January 15, CAD \$1 was only fetching U.S. \$0.69 cents). PSG estimated that the



currency fluctuations lowered its adjusted EPS by 50 percent, or 12 cents a share, in the latest quarter compared to the year-ago quarter. As a result, the company slightly lowered its earnings guidance for the year.

The challenges come as former chairman Walter Graeme Roustan, who holds a 1.3 percent stake in PSG, before Christmas sent a letter to the company's board of directors calling for the ouster of Davis. Roustan further indicated in early January that he was looking to take PSG private or evaluating another proxy battle with the board is changes aren't made. He had threatened to push a proxy battle last fall to secure a board seat but dropped his proposal just before the October meeting.

Roustan, who was chairman for several years after Nike sold Bauer to Kohlberg & Co., has complained about the stock's underperformance over the last year, but particularly feels PSG's decision to open Bauer hockey stores is alienating existing wholesale retail partners.

On the conference call, Davis said PSG has not received any proposal or communication concerning a potential bid for the company. He also noted that PSG's board of directors "unanimously supports the entire management team and the overall strategic direction of the company," including its Own the Moment stores supporting Bauer.

Davis noted that Own the Moment, which has one store each in

Massachusetts and Minnesota, is "hitting or exceeding our financial and strategic expectations." PSG recently conducted an independent consumer study "showing that in these local markets, Bauer is increasing brand awareness, engaging consumers, and improving overall market share." Added Davis, "And because of the great shopping experience for hockey gear, we are increasing consumers' likelihood of visiting local hockey retailers after shopping at Own the Moment."

The company also announced plans to open two new locations fiscal year 2017, and continues to anticipate having eight to 10 open over the next several years.

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In the second quarter, revenues in the hockey segment slumped 19 percent to \$91.9 million and were down 11 percent on a currency-neutral basis. Besides foreign exchange, the decline reflected variations in ice hockey equipment product launch cycles. The company launched its new hockey products earlier in the season last year, resulting in more sales than usual in its fourth quarter.

Also impacting hockey sales was a decline in performance apparel related to the prior year's launch of a complete line of 37.5 apparel, and lower sales to the company's Russian and Eastern European distributors. Lower bookings and repeat orders were also experienced due to the consolidation of four of its top seven retailers during the past several months. These include Total Hockey's acquisition of Players Bench and Pure Hockey's acquisition of Hockey Giant.

Said Amir Rosenthal, president, PSG Brands, "It is worth noting that a similar consolidation phenomenon occurred in Canada in the 2012-2013 period, and we experienced an uptick in our sales once the consolidation was behind us in that market."

On the bright side, hockey team apparel was up 18 percent and hockey uniforms grew 13 percent, both on a currency-neutral basis. Its street hockey line also continues to perform well after launching in the first quarter 2015.

Hockey EBITDA in the quarter decreased 43.4 percent to \$7.3 million but grew 26 percent on a currency-neutral basis. Lower revenues and the currency challenges were partially offset by hockey price increases in Canada, lower costs for new hockey product launches in all regions, negotiated vendor cost savings, and lower SG&A costs largely due to a reduction in performance-based incentives.

Looking ahead with the acquisition, Rosenthal said, "Easton Hockey was the pioneer of the aluminum and composite stick in hockey and Easton has long been considered

a strong brand in the sport. We believe by focusing on their track record of success in the stick category and by utilizing the resources of a broader and more financially stable organization, we can support and further grow the Easton brand in this important category and other key equipment categories."

Within the first 12 months following closing, the company expects that the Easton Hockey business will operate at approximately break-even EBITDA and will generate positive cash flow.

In the baseball/softball segment, sales increased 3.6 percent in the quarter, to \$50.9 million and grew 4 percent on a currency-neutral basis. The gains benefited from 29 percent growth in non-bat categories. Rosenthal said the most notable growth from catcher's protective helmets, apparel, bags, and accessories.

Those gains were partially offset by the launch of only one bat family for Easton compared to a two-family launch last year. Comps were also constrained due to last year's earlier load-in of new products at retail, which shifted demand from Q3 and Q4 into Q2 and Q3. Sales for the Combat brand declined 10 percent, due to the early launch of Max-bats this year, compared to the traditional launch of bats in the second fiscal quarter.

EBITDA in baseball/softball declined 31.3 percent to \$7.9 million, which was largely driven by a bad debt write-off related to outstanding receivables for an online seller of baseball merchandise that filed for bankruptcy reorganization, as well as the product launch timing differences, Easton product mix, and other SG&A investments in marketing and IT.

Looking ahead, the company expects the non-bat category to continue to grow at a faster rate than bats in fiscal year 2016. The company also expects a decrease in bat revenues in fiscal 2017 due to USA Baseball's new

bat standard for youth baseball, but expects an increase due to the change in fiscal 2018.

In the company's "other sports" segment, which comprises lacrosse and soccer, sales rose 5.2 percent to \$10.2 million and gained 7 percent on a currency-neutral basis. The gains were due to a 9-percent increase in lacrosse sales, driven by continued strong growth in Maverik's line of heads and protective gear, as well as growth in the helmet category due to the prior year NOCSAE decertification of the lacrosse Cascade R model helmet.

Rosenthal noted that the women's lacrosse performance standard for new headgear has been formally approved and is expected to provide incremental growth for the Cascade brand in coming months.

In the soccer business, Inaria uniform sales decreased 5 percent on a currency-neutral basis, but are up 12 percent year-to-date due to further developing the brand in the U.S. and Canadian markets, and forging new retail relationships with companies like soccer.com.

Other sports EBITDA dropped 33.3 percent to \$1 million and were down 43 percent on a currency-neutral basis, driven by an increase in SG&A investments.

Companywide, on a reported basis, gross profit decreased 260 basis points to 29.9 percent, primarily driven by unfavorable foreign exchange rates which more than offset hockey price increases in Canada and lower costs on new hockey product launches in all regions. On a currency-neutral basis, gross profit margin was up 160 basis points to 34.1 percent.

Given the continued weakening of the Canadian dollar, PSG lowered its guidance in its current fiscal year to between 66 and 69 cents a share from a range of 70 to 72 cents, previously. Adjusted EPS to range between 9 and 10 cents in its third quarter and between 31 and 33 in its fourth quarter. ■

VIETNAMESE APPAREL BOOM FORESHADOWS TPP APPROVAL

While the three leading contenders in the U.S. presidential race said they oppose the Trans Pacific Partnership (TPP) deal, Asia's apparel and footwear manufacturers are acting as though it's a done deal.

"Thousands of companies invested in China are diversifying and moving part of their production into Vietnam," Oliver Massmann told about two-dozen members of the Sports and Fitness Industry Association during a Jan. 14 webinar. "This is happening now."

Massmann was asked to address the TPP by the Sports and Fitness Industry Association because he has 20 years of experience practicing commercial law in Vietnam, where he is a partner in Duane Morris Vietnam LLC. In his 40-minute presentation, Massmann said the trade agreement establishes a degree of legal certainty for investors unmatched by any other international standard and far above that of the World Trade Organization.

"I have just attended here in Hanoi, in Vietnam today, an information round with European delegation from Brussels," Massmann said. "They have concluded three trade agreements between Vietnam and the European Union and I asked for a comparison of TPP with their free trade agreements and they refused to compare. One reason being they are concerned about the very high level of the TPP and really shy away from comparison."

The TPP agreement, which was reached in October after a decade of negotiations, sets more liberal trade rules between 12 countries that account for a third of



world trade. As the group's poorest country, Vietnam is expected to benefit the most from the deal. And as reported by The B.O.S.S. Report in November, 2015 Vietnam's textile, garment and footwear industries stand to benefit the most if they can meet the yarn-forward provisions of the agreement.

Asian and European investors have been pouring billions into Vietnam's power and textile industry in recent years to not only offset rising costs in China, but to build up Vietnam's capacity to make yarns, fibers and fabrics in anticipation that the United States, Vietnam and Japan will ratify the agreement.

Under TPP, U.S. investors would be able to seek redress against Vietnamese companies in U.S. venues. Theoretically, he said, a U.S. company that prevailed in a U.S. arbitration proceeding against a state-owned Vietnamese company could enforce their judgment by seizing their assets in the United States. That provides a degree of legal certainty unmatched by any other multilateral trade agreement.

"If you are a company from the U.S. that is producing machines that produce this yarn or other raw resources then you should come here to Vietnam and invest now, because this is the time," he said.

Under the agreement, Vietnam and Japan will also permit U.S. companies to establish wholly-owned import, distribution and retail companies for the first time.

"It's the most modern trade agreement ever created by mankind," Massmann said. "Thailand, Indonesia, the Philippines will have to join TPP at some point and are probably not doing themselves any favor by waiting too long." ■



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GOPRO TO SLASH SEVEN PERCENT OF WORKFORCE AS HOLIDAY SALES TANK

GoPro (Nasdaq: GPRO) stunned investors after sharply cutting its fourth-quarter sales guidance. It also revealed plans to cut its workforce by seven percent.

The maker of action-sports cameras now only expects revenue of \$435 million during the fourth quarter. In October, the company had forecast quarterly revenue of \$500 million to \$550 million. Wall Street's average target for sales was \$521 million.

In a statement, GoPro officials said the lower guidance "reflects lower than anticipated sales of its capture devices due to slower than expected sell through at retailers, particularly in the first half of the quarter."

The new forecast means revenue dropped about 32 percent from the fourth quarter of 2014. The decline follows gains of 43 percent in the third quarter, 72 percent growth in the second quarter and 54 percent in the first quarter.

Shares of GoPro fell more than 15.1 percent, below \$12.40 on January 14, the morning after the revision was reported the prior evening. GoPro's June 2014 initial public offering priced at \$24 per share and shares reached as high as \$98 in October 2014. The stock began sliding sharply last fall on worries about its tiny "Hero 4 Session" launch as well as broader concerns amid fresh competition from Sony, TomTom and others.

The action-camera maker had been hoping the tiny Hero4 Session, launched last summer, would prove a hit with consumers over the holiday period. But the \$399 launch price proved too pricey, forcing the company into not one, but two price cuts, first in October to \$299 and then in early December to \$199.

On Wednesday, GoPro said it would record a \$21 million expense for "price protection related charges" associated with the price cuts. It also said it would record an expense of \$30 million to \$35 million for excess inventory, excess parts and obsolete tooling to make the cameras.

Non-GAAP gross margins are anticipated to be between 34.5 percent and 35.5 percent.

The layoffs, which amount to about 105 employees, were made to "better align resources to key growth initiatives," officials said. GoPro noted that its headcount over the past two years had grown by more than 50 percent annually, to more than 1,500 employees at the end of 2015.

"Since our IPO we've hired more than 1,000 people to help us grow our core business and capitalize on new business opportunities," Nick Woodman, CEO and founder, wrote in an email to employees attained by Forbes. "We determined that we need to reallocate resources from existing headcount in order to reinvest more aggressively in certain areas of our business, namely software, hardware and media development along with expanded global marketing initiatives."

The company estimates it will incur approximately \$5 million to \$10 million of restructuring expenses in the first quarter of 2016, substantially all of which will be severance costs.

Mounting competition from overseas manufacturers and improving smartphone camera technology have impacted GoPro. A flurry of competing cameras with virtual reality capabilities at CES 2016 in Las Vegas spurred new questions about GoPro among investors.

GoPro continues to try to diversify away from cameras into other revenue streams. Last year, it began licensing content shot on its cameras to media companies for its GoPro Channel as part of a long push to position itself as a media company.

But GoPro's statement also revealed that Zander Lurie, who had been running the company's entertainment division, would be stepping down from his role while joining its board of directors. Over roughly the last year, GoPro has penned deals with the NHL and the X-Games, and brought its original content to PlayStation, Xbox, and the Roku player.

On the hardware side, a quadcopter drone, which will be called Karma, is expected to launch later this year. GoPro has also partnered with Alphabet, formerly Google, to create Odyssey, a 16-camera rig for virtual reality filmmaking.

The stock's continued fall again led to speculation on whether GoPro would become an acquisition candidate. Apple has been the most prominent name mentioned as a possible buyer.

In signing off on his email to employees, Woodman urged his staff to remain optimistic. He wrote, "Today isn't the type of day we're used to at GoPro. But from the looks of things... tomorrow is looking pretty damn good."

GoPro's plans to report its full fourth-quarter and year-end earnings' results on February 3. ■

YUE YUEN SUSTAINS GROWTH RATE IN 2015

Yue Yuen Industrial (Holdings) Limited sustained its growth rate in 2015 as orders from western athletic and outdoor footwear brands mitigated the impact of a rapid slowdown at its Chinese retailing subsidiary.

The Chinese company said net consolidated operating revenue, or total sales less sales discount and sales return, reached \$740.4 million in December and \$8.44 billion for the 12 months ended December 31, up 0.8 percent and 5.36 percent respectively from the same periods a year earlier. The company's sales grew 5.7 percent in 2014.

Yue Yuen is a leading original design manufacturer/original equipment manufacturer for Nike, Adidas, Reebok, Asics, New Balance, Puma, Under Armour, Converse, Merrell, Salomon and Timberland. It makes athletic and casual outdoor shoes as well as sandals and shoe components at factories in China, Indonesia, Vietnam, the United States, Mexico and other areas in Asia.

The growth came despite a significant slowdown at the company's Pou Sheng International (Holdings) Limited subsidiary, which sells sports performance and lifestyle apparel and footwear through more than 6,000 points of sale in mainland China, Taiwan and Hong Kong.

Pou Sheng's net consolidated operating revenue - total sales less sales discount and sales returns - reached \$2.3 billion in 2015. While that was up 16.2 percent from 2014, it marked a slowdown from the first nine months of the year when Pou Sheng's sales were up 19.8 percent. Much of that decline came in the fourth quarter, when Pou Sheng's year-over-year growth rate slowed from 14.8 percent in October to 8.5 percent in November and 1.7 percent in December.

In addition to operating mono-branded stores under license from such brands as Adidas, Asics, Columbia, Converse, Ked's, Li-Ning, Mizuno, Nike, Oakley, O'Neill, Reebok, Rockport and Sperry Top-Sider, Pou Sheng is pioneering the multi-brand store concept in mainland China. In recent years, it has sought to expand distribution of outdoor performance brands. ■

CABELA'S INC. SELLS OFF TRAVEL BUSINESS

Cabela's Inc. has completed the sale of its Outdoor Adventures hunting, fishing and experiential travel and Trophy Application and Guide Service (T.A.G.S.) businesses to Utah-based Worldwide Trophy Adventures, LLC for an undisclosed amount.

Founded in 1985, Cabela's Outdoor Adventures and T.A.G.S. connects outdoor enthusiasts with a wide roster of outfitters in North America and internationally, assisting with trip selection, logistics, and also with the application process for securing tags to limited-entry hunts across a range of states and species.

The new owner will keep the businesses in Cabela's hometown of Sidney, NE, now a second location for combined company in addition to its St. George, UT headquarters. Worldwide Trophy Adventures and Outdoor Adventures and T.A.G.S. will be Cabela's preferred providers for their respective services.

Worldwide Trophy Adventures (WTA), a full-service licensing program for big-game hunting, is led by hunting entrepreneur Mark Peterson, who in addition to the WTA agency business is the owner and host of the "Destination Extreme" television show and other media properties in the outdoor industry.

In early December, [Cabela's management acknowledged that it was exploring a wide range of strategic alternatives to enhance shareholder](#)



[value](#), which could include selling parts or the entire business. Although, separately and earlier in 2015, officials had indicated they were seeking a partner for the Outdoor Adventure business.

"In setting out on this process, we wanted to find an excellent new home for our world class staff, a buyer that would continue to serve the Cabela's customer base professionally, and a financial result that reflected the value of this business and its position in the market," Cabela's CFO Ralph Castner said.

"We are extremely proud to have this opportunity to partner with Cabela's to expand both Outdoor Adventures and T.A.G.S.," Peterson said. "When we combine our new team in Nebraska with our Utah team and other WTA consultants located around the United States, Worldwide Trophy Adventures will have the strongest and most knowledgeable group of consultants and employees in the outdoor adventure industry."

Under their new partnership, WTA and Cabela's will develop "unique and exclusive offerings" for Cabela's customers and CLUB members, officials said. Additionally, Cabela's gift cards and CLUB points will be redeemable with WTA, and Cabela's CLUB members will earn extra CLUB points on purchases made through WTA.

"Worldwide Trophy Adventures is a great organization with a history of providing outstanding opportunities and service to outdoor enthusiasts, and we believe they are the right strategic partner to foster growth for Outdoor Adventures and T.A.G.S.," said Tommy Millner, Cabela's CEO. "We are excited for this partnership and confident WTA will be a great asset for our customers."

Integrus Partners advised Cabela's during the sales process and helped close the deal. ■

VISTA OUTDOORS INC. TO OPEN NEW DOORS FOR JIMMY STYKS

Vista Outdoors Inc. (NYSE:VSTO) will use its heft with big retailers to open new doors this spring for Jimmy Styks, a maker of stand-up paddleboards it acquired last year to grow its presence outside of shooting sports.

In a January 13 presentation to the ICR Conference, Vista Outdoors Senior Vice President and CFO Stephen Nolan would not identify the retailers, but noted that the company is now Cabela's largest vendor. Vista Outdoor, which earns 60 percent of its revenue from ammunition and firearms sales, will launch several new products at The SHOT Show in Las Vegas next week.

Vista Outdoor's top 10 customers now account for 30 percent of its sales. WalMart Stores Inc. remains its largest customer and Amazon has emerged as a key partner even though it does not sell firearms or ammunition.

Vista Outdoor's ability to leverage those relationships to grow distribution of acquired brands is key to its growth strategy. To be considered an acquisition candidate by the business, companies must generate returns above Vista Outdoor's cost of capital from day one, without the benefit of cost and other synergies the acquirer brings to the table.

"We have walked away from several this year, and we will walk away from several more, I'm sure, in just the balance of the year," Nolan said of acquisition talks.

Vista Outdoor has become Cabela's largest vendor over the last 15 years thanks largely to a shift in shooting sports from hunting to target shooting that favored its lower ammunition manufacturing costs. The company estimates it has grown its share of the market for shooting sports ammunition to 40 from 30 percent since 2001, largely at the expense of competitors Winchester and Remington.



"Most ammunition is now shot at a paper target rather than hunting," Nolan explained. "There has been a huge demand for lower-priced ammunition to cater to that market, which is growing every year as the Xbox generation comes of age and grows from shooting zombies and whatever their shooter game of choice is on the Xbox to now shooting paper targets."

Younger shooters are also fueling demand for a new generation of paper targets that feature zombies and drones flying over cities rather than bulls eyes, Nolan said.

Salt Lake City-based Vista Outdoor expects to earn about \$1.3 billion, or 60 percent of its sales, from eight ammunition and two firearms brands in the fiscal year ending in March. The remaining \$1 billion will come from its Outdoor Products division, which is anchored by the optics brand Bushnell, but spans more than a dozen shooting accessories, golf, ski, snowboard, cycling, paddling and other outdoor brands, including its recent acquisition of hydration brand CamelBak. ■



LULULEMON ATHLETICA INC. RAISES Q4 GUIDANCE ON 'EXCEPTIONAL' HOLIDAY SALES

Strong holidays sales led Lululemon Athletica Inc. (Nasdaq:LULU) to raise its EPS and sales guidance for the fourth quarter, ending January 31.

Lululemon CEO Laurent Potdevin told investors at the ICR Conference, January 12, that the brand's holiday sales were "exceptional."

"If you think about our revenue between Cyber Monday and Christmas Day, we did 90 percent of our business at full retail," he said. "And quarter up to-date, including Black Friday, Cyber Monday, that number hovered around 85 percent."

For the fourth quarter, Lululemon now anticipates that net revenue will be in the range of \$690 million to \$695 million - up about 15 percent (or 19 percent on a constant-dollar basis) from a year ago - versus previous guidance of net revenue in the range of \$670 million to \$685. Comparable-store sales are expected to rise in the high-single digits versus the previous forecast of a mid-single-digit increase. The company also upped its fourth-quarter diluted-earnings-per-share forecast in the range of 78 to 80 cents a versus the previous expected range of 75 to 78 cents.

For the full-year 2015, the company expects to surpass \$2 billion in sales, said Lululemon CFO Stuart Haselden.

"High single-digit comps, square-footage growth north of 20 percent, e-commerce growth in the mid-20s, men's growth north of 20 percent and a solid women's comp in the mid-single digit driven largely by the outperformance in our pants business, we believe paints a pretty

compelling picture for the momentum in our business model broadly and we're excited at the prospects of how we will be able to extend this performance into next year," Haselden said at the conference.

Still working against the brand are some higher inventory numbers that Haselden expects to get back on track by the first quarter 2016 and adverse foreign exchange headwinds, particularly in Canada.

Objectives for the brand in 2016 will be:

- Growing its international presence. Asia is going well, but Europe has been a tougher challenge, where the brand will remain patient to gain a greater foothold.
- Diversifying its store formats away from the standard 3,000 square feet to some as large as 10,000 square feet and others as small as 1,100 square feet, and expecting the same profit per square foot.
- Expanding its digital business by translating the brand's grassroots and community efforts effectively online. "From a digital standpoint, it's about building CRM, it's about understanding our guests better and obviously, at the store level, continuing to do what we do so well," Potdevin said. "We've had a tremendous online business and we haven't even started to scratch the surface on how much we can optimize that business. So, in Q4, we started to dial up digital marketing and we've been able to drive amazing highly-qualified traffic." ■

AISLE TALK

Adidas extended its partnership with **Stella McCartney** until 2020.

Adidas Tennis welcomed **Tomáš Berdych**, the current No. 6 player in the world, to its team of ambassadors.

Columbia Sportswear entered into an exclusive global licensing agreement for eyewear with **Marchon Eyewear**.

Dick's Sporting Goods launched Dick's Team Sports HQ to offer youth sports leagues online registration and team/league websites, custom uniforms and FanWear, and access to donations and sponsorships all on one site.

Fila signed endorsement agreements with **John Isner**, the No. 1 ranked American male tennis player, and **Karolina Pliskova**, the No. 11 ranked WTA player.

Garmin Ltd. acquired **PulsedLight**, a designer of optical distance measurement technology located in Bend, OR.

Implus LLC appointed **Ari Perez** as U.S. Territory Manager for Alabama, Arkansas, Kentucky, Louisiana, Mississippi and Tennessee, and named 360 Athletics as its Canadian distributor.

L.L.Bean plans to open its first Rhode Island store.

Majestic Athletic extended its agreement with the **NFL**.

New Era signed **Bryce Harper** as Brand Ambassador.

Nike's CEO **Mark Parker** joined **Walt Disney's** board.

Nike extended its sponsorship with **Ohio State University** with a 15-year deal reportedly valued at \$252 million, making it the richest in college sports.

Oofos added T-Mobile USA President and CEO **John Legere** and former Timberland Senior Executive **Mike Harrison** to its board.

Reebok partnered with **DanceOn** to transform three internationally renowned dancers into global brand ambassadors for its new Reebok Studio Collection.

Reebok-CCM Hockey, which is part of Adidas Group, reported an 8 percent increase in its global equipment business in 2015, and 18 percent sales growth over the past two years.

Skullcandy now expects sales to be flat or climb two percent in the fourth quarter, below its previous guidance calling for a gain between five and seven percent.

Sports Authority is collaborating with **Ripken Baseball**, to host a series of youth Baseball Field Days in February and March throughout four communities in California.

Sports Direct International PLC acquired a 2.3 percent stake in **Dick's Sporting Goods** and an 11.5 percent stake in **Iconix Brand Group**. According to the U.K. sporting goods giant, the stakes "allow Sports Direct to hopefully build a relationship and develop commercial partnerships with the relevant parties. They also help the company to build relationships with key suppliers and brands."

Under Armour agreed to sponsor **Yale**.

Wolverine World Wide appointed **Pat O'Malley** as **Saucony's** President. He succeeds **Richie Woodworth**, who was recently appointed President of the company's Lifestyle Group.

JOURNEYS BOOSTS GENESCO INC.'S HOLIDAY SALES

At ICR Conference 2016, Bob Dennis, Genesco Inc.'s chairman, president and CEO said the company found a "slightly higher promotional holiday" than expected but strong momentum at its Journeys chain helped Genesco (NYSE:GCO) deliver a 5-percent comp gain in the first nine weeks of the fourth quarter.

Companywide, store comps were up 3 percent and e-commerce ahead 20 percent. The Journeys segment led Genesco's segments with a 7 percent gain. Johnston & Murphy was up 6 percent and Lids added 5 percent while Schuh was down 2 percent.

Still, a day before its presentation, Genesco lowered its fourth-quarter EPS guidance due to accelerated efforts to reduced inventories at Lids and current challenges in the Schuh Group's business. It now expects earnings in the range of \$4.30 to \$4.40 per share, down from \$4.50 to \$4.60 previously.

Dennis noted three themes marked the holiday season. First, warm weather had an impact on seasonal goods early on, impacting more winter-oriented boot products as well as knit hats for the company. Second, "Christmas came late," partly related to the warm weather. A "solid" Black Friday weekend was followed by a slowdown until a "significant uptick" arrived in the few days before Christmas and even stronger traffic after Christmas.

As a result, many stores promoted early in December, Dennis noted.

Finally, Dennis said online growth continued to outpace offline growth. Overall, Genesco's comps grew 20 percent online and 3 percent offline in the nine weeks.

At Journeys, the 21percent comp again was complemented by a strong 6-percent offline increase. Outside markdown pressures on seasonal goods, the performance of Journeys over the holidays was "really exceptional" and helped by "fashion right" merchandise, according to Dennis. Journeys also has close relationships with vendors to manage leftover inventories and avoid "any significant margin erosion."

Some bright spots for Journeys include Journeys Kidz, which saw comps gain 6 percent in the nine weeks and continues to be looked on as a growth vehicle. Dennis said part of the Journeys Kidz's appeal is that it attracts a "mother who grew up with Journeys." Journeys.com grew 21 percent in the nine weeks on top of a 40 percent gain last year. A new order management system and catalog mailings are supporting growth online.

Schuh, Genesco's U.K. chain that's similar to Journeys, was hurt by the U.K. adopting Black Friday weekend much more aggressively this year as well as clearance sales arriving on December 19 or December 20, well

before the typical post-Christmas sales seen in the U.S. Schuh remained at full price during the period but may become more promotional next year if the trend continues. Schuh is also testing two shops in Germany to a strong early response from local consumers.

Schuh.com grew 9 percent in the first nine weeks of the quarter. Dennis said the business has become "particularly important right now" given that store traffic in London was down double-digits following the Paris terrorist attacks.

"You can imagine some of the trepidation going through the minds of shoppers as to whether they wanted to be in a busy mall during the Christmas season," he said. "The pattern played out across all of the

U.K., even down to New Year's events where its equivalent to Times Square was significantly under attended relative to past years as a measure of the kind of mentality."

Dennis said Lids underwent a "reset year" in 2015 due to high inventories at the start. With the segment likely exceeding its target for inventory reduction, Lids is "especially excited about where we are set to start next year," Dennis said.

Among Lids' specific chains, the flagship Lids chain that focuses on headwear is "actually a very strong business right now" with the highest four-wall profitability among all of Genesco's banners. Dennis said the knit business was challenging for the Lids chain, "but we are clearing

through that nicely and our inventories will be in great shape."

Lids Locker Room and the Clubhouse business of Lids required a significant inventory reset last year but is expected to be clean by the close of the year. The Clubhouse segment, which operates stores around specific teams, is currently facing challenging comparisons because it partners with Ohio State University, who won the national championship last year.

Lids expects a strong year in 2016 for the fan shops Lids operates inside 187 Macy's stores. Having rolled out the shops over the last year and a half, Lids has tweaked staffing, reworked its royalty arrangement with Macy's, and is better positioning the shops inside each Macy's. ■



BIG 5 SPORTING GOODS CORP. Q4 BOOSTED BY CHILLY WEATHER IN WEST

Boosted by favorable winter weather conditions arriving in late December throughout most of its Western markets, Big 5 Sporting Goods Corp. (Nasdaq:BGFV) said it expects earnings for its fourth quarter will land at the upper end of its projected guidance.

For the quarter ended January 3, the company now projects an EPS of 18 to 19 cents a share, including 2 cents per share of non-cash impairment and expenses related to evaluating store growth strategies and potential profit improvement opportunities. Previously, EPS was projected in the range of 10 to 20 cents, including approximately 1 cent per share of consulting expenses.

In the 2014 quarter, earnings reached 13 cents a share, including 4 cents for legal accruals and 1 cent for a non-cash impairment charge.

In late October, Big 5 had lowered its guidance due to softer than anticipated sales of firearms-related products, and the continuing impact of the drought in its major markets. The company also had said it faced challenges cycling against strong, prior-year soccer-related sales that were influenced by the men's World Cup in 2014.

Same-store sales in the latest quarter increased 0.1 percent for the period ended January 3. Previously, same store sales were expected to be in the low negative single-digit to low positive single-digit range.

Sales rose 9.9 percent to \$275 million. Merchandise margins increased approximately 20 basis points versus the same quarter a year ago.



"We are pleased with our fourth quarter performance and ability to generate positive sales and maintain merchandise margins in a highly competitive and promotional retail environment," said Steven Miller, chairman, president and CEO, in a statement. "While sales started off softly in October and November, sales were positive over the 'Black Friday' week and very strong for the weeks of Christmas and New Year's as we benefited from favorable winter weather conditions throughout most of our Western markets."

Same-store sales in the apparel category increased in the high-single-digit range and footwear sales increased in the low-single-digit range for the period due to strong sales of winter-related products. Hard-goods decreased in the mid-single-digit range for the period. Customer transactions decreased in the low-single-digit range and its average transaction size increased in the low single-digit range for the quarter.

The company managed its inventory position, ending the quarter with preliminary per-store inventories down 2.9 percent from the prior year, and reduced borrowings under our credit facility by 17.3 percent year-over-year to \$54.8 million at the end of fiscal 2015."

Miller continued, "Although we are only in the second week of the first quarter of fiscal 2016, we are very pleased with our start to the period, as sales continue to benefit from favorable weather conditions in many of our markets."

For the year, Big 5 expects earnings between 68 and 69 cents a share, including 8 cents in non-recurring charges. In 2014, it earned 67 cents a share with 7 cents in special charges. Sales in the year increased 10.5 percent to \$1.03 billion with same-store sales increased 1.3 percent.

The company expects to issue earnings results in early March. ■

SHOE CARNIVAL SEES STRENGTH IN CANVAS

At ICR Conference 2016, Cliff Sifford, president, CEO, and chief merchandising officer at Shoe Carnival (Nasdaq:SCVL), said canvas is "a very hot category" for the family shoe chain and is expected to continue to be a strong trend this spring.

Vans, Converse and Nike are among the retailer's best sellers, he said.

About half of Shoe Carnival's business is in athletics. Nike, by far the biggest athletic brand, introduced a new opening price point shoe that started delivering for fourth quarter and that will deliver completely through spring and then back-to-school. Said Sifford, "This shoe will retail at about \$60, promotable at \$49, and it looks as good as it can get. I mean, this is a great selling product."

Clogs are also expected to be another strong category for spring, supported by the chain's private label offerings at opening price points, White Mountain at the better positioning, and Birkenstock at best.

In sandals, gladiators and other upfront styles with bling or fringe and wedges are doing particularly well for Shoe Carnival.

A day before its presentation, Shoe Carnival reported same-store sales increased 2.9 percent for the first two months of the fourth quarter. The company also reiterated its sales and earnings outlook for its fiscal fourth quarter, ending January 31.

Sifford said Shoe Carnival saw a "tough November," primarily due to boots and the boot category becoming "much more promotional" in December. Boots saw double-digit increases in December and are now up mid-single digits for the first two months of the fiscal quarter. Athletic also continued to perform well, up mid-single digits for the first two months of the quarter.

The company continues to expect quarterly sales to be in the range of \$980 million to \$987 million, with comps ahead 3 percent. EPS is expected to be in the range of \$1.38 to \$1.43, representing a gain of 9 percent to 13 percent over year-ago results.

Other insights from the presentation:

- Shoe Carnival's loyalty program has 8.6 million members accounting for 54 percent of its total business. The average member spends 23 percent more than a non-loyal member. The goal is to have loyalty members account for at least 80 percent to 85 percent of sales;
- Shoe Carnival added ship-from-store capabilities in September 2014 and now ships from all its stores. The program helped the chain recently support a 99.7 percent complete rate of online orders within two days; and
- Shoe Carnival has 406 stores and sees room to have 1,200 stores in operation over the next decade with the chain having little presence in the Northeast or the West Coast. The growth will come from 345 larger stores and 405 smaller stores. Twenty to 25 stores will open this year. ■

ROX VOLLEYBALL INC. SETTLES TRADEMARK FIGHT WITH ROXY

Rox Volleyball Inc. of St. Augustine, FL has agreed to pay Quiksilver Inc. affiliate QS Wholesale Inc. monetary damages of \$204,151 and change its logo to settle a lawsuit alleging its use of the “Rox” name infringes on the Roxy trademark.

Details of the settlement surfaced January 11 when the U.S. Bankruptcy Court overseeing the Chapter 11 reorganization of Quiksilver's nine U.S. affiliates approved it.

The settlement includes a permanent injunction enjoining Rox Volleyball and their affiliates, directors, officers, employees and agents from further infringing on the Roxy trademark, but does not include an admission of guilt by Rox Volleyball.

“We continue to disagree with Quiksilver's allegations,” Rox Volleyball told Sports Executive Weekly January 13, in a statement released by an attorney who represented it in the lawsuit. “However, this is a favorable settlement for Rox Volleyball, and it allows us to put this litigation behind us and move forward with our business.”

QS Wholesale, which owns the rights to the Roxy brand in the United States, first notified Rox Volleyball in 2009 that its use of the “Rox” name and “VROX” logo infringed on the Roxy trademark. In a May, 2009 response, Rox Volleyball assured Quiksilver that they had no intention to use the name ‘rox’ on its own with-

out ‘volleyball’ and would be mindful of Quiksilver's rights, according to Quiksilver's original complaint. In March 2013, after Rox Volleyball continued to use the logo and launched a new line of swimwear, beachwear and casualwear lines that competed directly with the \$200 million-a-year Roxy brand, Quiksilver sued the company for damages and a permanent injunction.

To comply with the settlement, Rox Volleyball has ordered employees to replace all company collateral, including promotional items, email signatures and web sites, using a revamped logo in which “Rox” and “Volleyball” use the same font size.

“When conducting any personal or business related acts, “Rox Volleyball” should always be referenced rather than “Rox” alone,” reads instructions the company sent its employees. “Until further notice, the only instance where “Rox” can be used alone is on the logo of our indoor volleyball uniforms (jersey, spandex, and matching warm-ups).”

Under the settlement, which had to be approved by the bankruptcy court following Quiksilver's September 2015 Chapter 11 petition, Rox Volleyball's insurer Travelers Indemnity Company will pay agreed to pay QS Wholesale \$475,000, including the settlement amount, to limit its liability. ■



Rox Volleyball changed its logo to settle a lawsuit alleging its use of the “Rox” name infringes on the Roxy trademark.

PLANET FITNESS PLANS TO ADD 500 LOCATIONS OVER NEXT THREE YEARS

Existing Planet Fitness (Nasdaq:PLNT) franchisees are committed to adding 500 new locations within the next three years and up to 1,000 over the next seven years, which would double the budget fitness gym's current presence, CEO Chris Rondeau told investors January 11 at the 2016 ICR Conference.

“With \$10-a-month memberships and ‘no-intimidation zones,’ we’re catering to the 80 percent of the population that does not already belong gym ... so there’s much more runway

prices and better warranty terms for its franchises. It has its locations update that equipment every 4-to-7 years and it automatically spends 2 percent of monthly membership dues on national advertising and 5-to-7 percent on local advertising, which “drives those membership sales every single day and we hope we’re getting people off the couch for the first time,” Rondeau said.

Membership is diverse across income levels, he added, with one-third of its



for growth.” Rondeau said. In the long run, the company sees the potential for 4,000 Planet Fitness locations in the U.S. alone.

Planet Fitness, which went public in August, closed the year with 7.1 million members and 1,040 locations, 95 percent of which are franchisee owned.

Rondeau credited a strong business model where the concept saves money by focusing solely on efficient fitness-equipment gyms rather than large athletic centers with basketballs courts, swimming pools and aerobic floors.

The atmosphere is as important as the affordability, he added. “People can come in as they are and receive free training.”

Growth has also allowed the business to gain further discounts on bulk fitness equipment orders with lower

members making less than \$50,000 a year, one-third making between \$50,000 and \$100,000, and one-third making more than \$100,000. Fifty-five percent of membership is female.

Looking ahead to 2016 and beyond, Planet Fitness CFO Dorvin Lively said royalty income will increase, not only from new locations, but also as historical accounts come up for renewal, which will now pay the current higher rate of 5 percent. The average royalty rate paid today sits at 3.65 percent, he said.

Company officials did not update any financial figures during the presentation. On November 15, it estimated full-year revenue to come in between \$318 million and \$321 million with system-wide (corporate and franchise) comp growth between 7 and 7.5 percent. ■

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G-III

EYES MORE ACQUISITIONS TO FURTHER DIVERSIFY

G-III (Nasdaq:GIII), which sees 25 percent of its business from sportswear, including selling NFL-licensed apparel to retailers such as Dick's Sporting Goods, is eyeing more acquisitions to further diversify the company, officials said at the ICR Conference, January 12.

"We're out looking size-wise anywhere from \$100 million to \$1 billion in size," G-III CFO Neal Nackman told investors. "We prefer a women's brand and we prefer domestic. That is really what our strength has been. We can still borrow in the hundreds of millions of dollars at still very, very good rates."

A decade ago, 95 percent of G-III's business was in outerwear, and it's benefited greatly from diversifying into sportswear, dresses and accessories, COO Wayne Miller said. While the company didn't release any new financial figures or updated guidance, it did review the health of its sectors, including sportswear and within that, team sports.

"With team sports, we do a little bit over \$100 million (25 percent of that women's), wrapping up great growth this year and we expect good growth as we move forward," Miller said.

"One of the key areas that we ship into the specialty stores is that team sports business," Miller said. "So we have big business with Dick's. We also ship HSN in a big way with that team sports business."

G-III's sportswear and performance business also "had a very good year," led by Calvin Klein sportswear, which did about \$160 million and Calvin Klein Performance with technical fabrics, which brought in more than \$100 million. G-III recently launched G.H. Bass women's sportswear, which just did OK, Miller said, and it also launched Karl Lagerfeld sportswear and a sportswear line for Ivanka Trump as well.

The diversification will particularly benefit the company in 2016 as the its heritage outerwear business was "a challenge this season" due to the warm weather.

"We're working closely with our retailers to work their inventories down and they are in much better shape than they were 60 days ago," Miller said. The business typically grows in the low-single digits for G-III. "But even if this is not a grower for us next year, we still feel confident with our non-coat businesses that we could have strong double-digit growth." ■

BOOT BARN HOLDINGS INC. CUTS QUARTERLY GUIDANCE

Boot Barn Holdings Inc. (NYSE: BOOT) slightly lowered its third-quarter guidance due to the softening of local economies dependent on oil and other commodities, as well as a challenging retail environment as a result of unseasonably warm weather in many markets.

Earnings are now expected to range between 43 and 44 cents versus a previous forecast of 47 to 49 cents. Consolidated same store sales, which include e-commerce and sales from the recently-acquired Sheplers chain, declined approximately 2 percent. Boot Barn and Sheplers performed similarly. That compared with previous third-quarter guidance of positive low-single digits.

The company now estimates net sales increased 49 percent to \$194 million in the quarter ended December 26, with the gain largely reflecting the June 2015 acquisition of Sheplers. The company opened five stores and completed the rebranding of 19 Sheplers stores in the period.

At ICR Conference 2016, Boot Barn CEO Jim Conroy said the quarter ended December 26 was hurt by the softening of local economies dependent on oil and other commodities. Stores in North Dakota, Colorado, Wyoming and Texas all suffered negative comps in the period.

The company also faced a challenging retail environment due to unseasonably warm

weather in many of its markets, and continued to face disruptions integrating its newly acquired Sheplers business.

The Sheplers e-commerce business achieved solid growth for the quarter. The nineteen Sheplers stores rebranded to Boot Barn saw negative comps for the quarter as a result of disruption from remodeling construction, and cycling out-sized promotional activity in the prior-year period. The stores turned positive post-Christmas but later than anticipated.

On a consolidated basis, comps declined in October and November before improving to nearly flat in December. Inventories remain in a clean position at the quarter's end and sales are "off to a strong start in the first two weeks."

Boot Barn also delivered double-digit growth in e-commerce, and Boot Barn continues to experience strong same-store sales in many core markets without significant exposure to commodity prices, including California, Arizona and Nevada, officials said.

Added Conroy, "We have continued to execute on our growth strategies, further expanding our store footprint, improving the merchandise margin at both Boot Barn and Sheplers stores and increasing our private brand penetration, while further solidifying our position as the largest omni-channel western and work wear retailer in the U.S." ■



Photo courtesy Boot Barn



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