SPORTS EXECUTIVE WEEKLY
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DECKERS BRANDS' HOLIDAY SALES COME UP SHORT

Deckers Brands (NYSE:DECK) reported earnings in its third quarter, ended December 31, came in slightly ahead of expectations but sales missed Wall Street's targets largely due to the warm weather's impact on Ugg's sales over the holiday selling season. The company further cut its overall outlook for its fiscal year due to higher-than-expected promotional efforts that will be required to work down inventories.

The parent of Ugg, Teva and Hoka One One also announced a brand management realignment and plans to close 20 of its stores. In addition, the company will also be relocating Sanuk's offices to its headquarters and is exploring strategic options for Ahnu.

In the quarter, net income was essentially flat at $156.9 million against $156.7 million a year ago, but improved on a per-share basis to $4.78 from $4.50 due to fewer shares outstanding in the latest period due to aggressive stock buybacks. Wall Street was expecting $4.75 per share on average. On a currency-neutral basis, EPS was $5.11, representing a gain of 13 percent.

Revenues grew 1.4 percent to $795.9 million, missing Wall Street's consensus target of $835.5 million. Sales gained 3.6 percent on a currency-neutral basis.

Ugg brand sales for the quarter increased 1 percent to $743.2 million and expanded 3.3 percent on a currency-neutral basis. The increase in net sales was primarily driven by an increase in global direct-to-consumer (DTC) sales and domestic wholesale sales, partially offset by a decrease in international wholesale and distributor sales.

"Sales [of Uggs] in December were soft, as temperatures across all of our regions reached record or near-record highs," said Dave Powers, president, on a conference call "In response to the sluggish start to the month, combined with the fact that we are introducing new Classics featuring improved traction, comfort, and water-resistant treatment in fall 2016, we decided to promote the Classic Tall, Short, and Mini."

Photo courtesy Deckers

This promotion drove higher sell-through. However, it wasn't enough to overcome the combination of a strong dollar, general retail sluggishness, and warm weather.

"We simply did not see the sales acceleration that normally occurs in the weeks leading up to Christmas," Powers said. "And we also experienced a higher-than-expected level of cancellations in December, and weaker-than-planned store comps."

Turning to the fourth quarter, the weakness experienced and the general softness across the retail sector is impacting its outlook. "While temperatures have been colder at times and snow finally fell in the Northeast, retailers are being cautious within season reorders, as they are working through excess inventories carried over into the new year," Powers said.

As of December 31, Ugg's inventories were up 31.8 percent.

Among other brands, Teva's sales increased 3.2 percent in the quarter to $14.1 million and climbed 4.1 percent on a currency-neutral basis. The gain was primarily driven by an increase in international distributor sales, partially offset by a decrease in domestic wholesale sales.

Sanuk's sales decreased 17 percent to $17 million due to a decrease in global wholesale and international distributor sales, partially offset by an increase in global DTC sales.

Combined net sales of the company's other brands (Ahnu, Hoka One One, And Koolaburra) increased 48.4 percent to $21.6 million. The increase was primarily attributable to a $6.7 million increase in net sales for Hoka One One.

By channel, wholesale and distributor sales for the quarter decreased 0.1 percent to $444.6 million while increasing 2 percent on a currency-neutral basis. The decrease in reported sales was driven by a decrease in international wholesale and distributor sales due to foreign currency fluctuations, partially offset by an increase in domestic wholesale sales.

DTC sales for the quarter increased 3.4 percent to $351.3 million and expanded 5.8 percent on a currency-neutral basis. DTC comparable sales decreased 0.9 percent, primarily driven by a decrease in tourist traffic in the U.S. as a result of the strengthening U.S. dollar. Excluding its five major tourist locations in the U.S., comps were up 1.6 percent.

The overall bottom line was hurt by a decline in gross margin to 49.1 percent from 52.9 percent for the same period last year.

"... WE ARE CONFIDENT THAT OUR ONGOING TRANSFORMATION, AS WELL AS THE ADDITIONAL ORGANIZATIONAL CHANGES..., WILL CONTINUE TO POSITION US WELL TO EXECUTE OUR STRATEGIC PRIORITIES AND PROFITABLY GROW OUR BUSINESS OVER THE LONG-TERM."

- ANGEL MARTINEZ, CHAIRMAN & CEO, DECKERS


Angel Martinez, Chairman & CEO, Deckers

(Con't Pg. 2)

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The margin decline was driven by greater than planned promotional activity and a 110 basis point impact from foreign exchange headwinds caused by the strengthening of the U.S. Dollar.

On a conference call with analysts, Deckers Chairman and CEO Angel Martinez called the period a "difficult quarter, especially from a topline perspective."

"It also appears that the steep discounting many retailers offered in early November led to an early start of the holiday season, which lessened the significance of the weeks leading up to Christmas," Martinez said.

Highlights of the quarter included a strong consumer response to Ugg's casual and fashion boot offerings, combined with a successful launch of Ugg's Classic Slim collection. Said Martinez, "In many places where temperatures were consistent with historical averages, such as on the West Coast, sell-through was strong."

Hoka also continues to gain traction in the run specialty channel in the U.S. and in Europe with sales are ahead 73 percent year-to-date. Said Martinez, "These points validate our strategy to diversify our business and remain important elements of our long-term success."

But Martinez announced several steps to accelerate its growth strategies and streamline its operating structure. First, the company is realigning its brands across two groups: Fashion Lifestyle and Performance Lifestyle.

The Fashion Lifestyle group will encompass Ugg and Koolaburra. A search for the president of the group has been completed and an announcement is expected soon.

The Performance Lifestyle group will house Teva, Sanuk and Hoka One One and is being led by Wendy Yang, who joined the company last spring as Teva's president.

Second, after recognizing the benefits of improved collaboration and greater operating efficiencies as a result of moving Hoka to its corporate headquarters, Deckers has decided to move Sanuk to Goleta and close the brand's office in Irvine, CA.

The company is also closing the Ahnu office outside of San Francisco and seeking strategic alternatives for Ahnu. Said Martinez, "While this is a small brand within the Deckers portfolio, it has a strong, loyal following, and we want to make sure that we optimize the brand's value."

The CEO added, "These decisions are consistent with the long-term strategic vision that we have established for the company. Collectively,

Photo courtesy UGG

Photo courtesy Hoka One One

these moves will allow us to better focus our time and commit additional resources to our largest growth opportunities."

Finally, Deckers has identified 20 stores it plans to close, representing about 15 percent of its store base. The closures are partly due to the "proliferation of digital commerce." A retail consultancy firm has also been hired to assist in assessing and implementing additional retail operational improvements.

In sum, the changes associated with the brand's realignment, office consolidation, and the closure of retail stores are expected to generate annualized SG&A savings of $35 million, of which Deckers plans to reinvest $10 million into the business.

Martinez concluded, "Looking further ahead, we are confident that our ongoing transformation, as well as the additional organizational changes we have announced today, will continue to position us well to execute our strategic priorities and profitably grow our business over the long-term."

For the current fiscal year ended March 31, Deckers now expects currency-neutral revenues of $1.91 billion, reflecting a 5 percent increase over the prior year. On a reported basis, revenues are expected to be $1.86 billion, an increase of 2.4 percent. Previously, the company expected currency-neutral revenues of $2.01 billion and reported sales of $1.96 billion.

Gross margins are now expected to be approximately 46 percent, down 230 basis points from fiscal 2015 as a result of a stronger U.S. dollar and higher than expected promotional activity, partially offset by lower sheepskin costs and favorable changes in the company's channel mix. The foreign exchange headwind on gross margin is expected to be approximately 140 basis points. Previously it expected gross margins to be down 30 basis points with a foreign currency impact of 120 to 130 basis points.

EPS is expected to reach $5.15 on a currency-neutral basis for its fiscal year, reflecting an increase of 10.5 percent year over year. On a reported basis, EPS is expected to be approximately $4.49, a decrease of 3.6 percent. Previously, Deckers expected currency-neutral EPS of $5.73 and reported EPS of $5.18.

For the current fourth quarter, Deckers expects currency-neutral revenues to be up approximately 7.9 percent and gain 7.2 percent on a reported basis. EPS is expected to reach 7 cents a share, which compares to 4 cents in the year-ago quarter. ■

BOOT BARN INC.
EARNINGS PERK UP DESPITE SAME-STORE SALES DROP

Boot Barn Inc. (NYSE:BOOT) reported earnings rose 13.3 percent for its fiscal third quarter, to $9.9 million, or 37 cents a share. Stronger merchandise margins offset a 2 percent decline in same-store sales.

On an adjusted basis, pro-forma income improved 14.3 percent to $12 million, or 45 cents a share, slightly better than its recently updated guidance.

On January 11, Boot Barn said it expected to earn 43 and 44 cents in the quarter on an adjusted basis, down from a previous forecast of 47 to 49 cents. The lowered outlook was 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.

At the time, Boot Barn also said same-store sales declined 2 percent in its quarter ended December 26. That compared with previous third-quarter guidance of positive low-single digits.

Sales in the quarter climbed 48.5 percent to $193.9 million due to contributions from the acquired Sheplers chain and 22 new stores opened between the beginning of the fourth quarter of fiscal 2015 and the end of the third quarter of fiscal 2016.

Gross margins eroded 260 basis points to 33.1 percent due to the addition of Sheplers, which historically has a lower margin than the core Boot Barn chain. There was a slight decline in merchandise margin of 10 basis points at core Boot Barn due to higher freight costs, partially offset by better markup. Declines in consolidated merchandise margin rate were partially offset by the leveraging of occupancy expenses of 70 basis points.

On a conference call with analysts, Jim Conroy, CEO, said overall comps on a consolidated basis are positive over the first five weeks of the current fiscal fourth quarter.

"We feel that some of the strategies we have put in place to combat macro headwinds are taking hold," he said. "Having said that, the ongoing pressure on the price of oil and other commodities, and its impact on local economies, makes visibility into sales forecasting a bit of a challenge."

Sales in North Dakota, Colorado, Wyoming, and Texas, economies dependent on oil and other commodities, continued to face headwinds in the quarter. Unseasonably warm weather also impacted results in some other markets. Said Conroy, "While many core markets without commodity exposure, including Nevada, California and Arizona, showed solid growth, we were not able to offset the macro pressures in other parts of the country."

At the core Boot Barn business, continued growth in work boots and men's Western apparel was offset by declines in work apparel, particularly flame resistant merchandise, outerwear, and cold weather accessories. The overall comp decline was primarily the result of a decline in average transactions per store.

Conroy said the company is pleased with the Sheplers acquisition. While the company had expected same-store sales at the 19 rebranded stores to turn negative initially and then to turn positive for the month of December, comps remained negative for the balance of the quarter due to store construction. The rebranded stores were also up against very aggressive promotions in the year-ago period.

"We are pleased, however, that quarter to date, these stores are showing positive same-store sales growth, and merchandise margins have shown healthy improvement compared to the prior year," added Conroy.

Overall, the CEO noted that the company significantly increased its revenue in the quarter, achieved double-digit growth in e-commerce sales, and adhered to its pricing strategy, "resulting in inventory that was well-positioned for the current quarter."

The Sheplers integration was also completed to augment its e-commerce capability and helped its competitive position in Western states.

"As we work to drive continued improvement in the near term, I remain confident in our ability to continue to execute on our long-term growth strategies, further expand our store footprint and improve merchandise margins, while further solidifying our position as the largest omni-channel Western and work retailer in the U.S.," Conroy said. ■

SPORTS AUTHORITY INC.
CONSIDERS BANKRUPTCY REORGANIZATION

Sports Authority Inc. is preparing to file for bankruptcy as it faces a default on its debt, sources told Bloomberg. At the same time, the retailer is also working on a deal with bondholders to avoid the filing.

According to the *Bloomberg* report, Sports Authority is in talks with lenders to reorganize in Chapter 11 bankruptcy proceedings. The potential restructuring would entail the closing of as many as 200 of its more than 450 stores in reorganization, sources said.

The lenders include TPG Capital Management LP, which reportedly provided TSA with $70 million of a $95 million asset-backed loan late last year to help shore up its credit during the holiday season.

The *Bloomberg* article also indicated Sports Authority is negotiating with bondholders around a debt exchange to stave off a bankruptcy filing.

As reported, the approximately $21 million subordinated notes interest payment was due Jan. 15. Per the terms of the note agreement, Sports Authority had a thirty-day grace period to make the missed interest payment before it triggers an event of default.

Representatives for Sports Authority and TPG declined to comment on the Bloomberg article.

The Wall Street Journal earlier reported that Sports Authority laid off 100 employees, mostly from its corporate headquarters, in a cost-cutting move.

Sports Authority hired Rothschild & Co. late last year as its financial adviser to handle lender discussions and to improve its overall liquidity.

The company was taken private in a $1.3 billion management-led buyout by Leonard Green & Partners LP 10 years ago. ■

Ken Kocher, long-time President of Lids Sports Group, and Senior VP of Genesco Inc., resigned his post February 2

LIDS PRESIDENT RESIGNS

Ken Kocher, long-time president of Lids Sports Group, and senior vice president of Genesco Inc., resigned his post February 2. Kocher is expected to remain employed by the company in a consulting capacity for up to six months.

A search has begun for Kocher's successor, officials said. In the interim, Genesco Chairman, President and CEO Robert Dennis will act as Lids Sports Group's president.

Kocher joined Hat World Corp., the former name of Lids Sports Group, in 1997 as CFO. He became president of Lids Sports Group in October 2005 following Genesco's acquisition of Hat World in 2004.

Kocher helped expand Lids Sports Group from 641 locations at the close of 2005 to more than 1,360. Sales have grown from $297.3 million at the close of 2005 to $902.7 million at the close of 2014.

While most of that growth came from expanding core headwear stores under the Lids banner across malls across America, Lids Sports Group in recent years accelerated its growth by opening Lids Locker Room locations, a larger concept that features a broader array of fan apparel, headwear and accessories. Lids Locker Room also operates Clubhouse stores that operate single-team fan shops for professional and college teams. Two years ago, Lids Sports Group reached a deal to open leased fan apparel departments inside Macy's. In 2009, the segment launched Lids Team Sports, seeking to consolidate the team dealer channel.

But Lids Sports Group experienced growing pains with its diversification efforts, which have also included a rapid expansion into e-commerce and omni-channel initiatives, including shipping online orders from stores. In mid-January, Genesco sold Lids Team Sports to BSN Sports after that part of the business struggled to achieve profitability.

Lids Sports Group's operating profits declined to $49 million in 2015 from $63.7 million in 2014 and $82.9 million in 2013, largely due to heightened promotional activity. In the first nine months of 2015, operating earnings at the segment tumbled 72.6 percent to $6.9 million due to accelerated markdowns to rationalize inventories.

"Ken Kocher has led this business through an exciting and dynamic phase of its development, and we thank him for his contributions and wish him the best in his future endeavors," said Dennis, who had also joined Genesco as part of the Hat World acquisition.

"I am confident that the renewed focus and discipline that we have brought to the business over the past year have laid the groundwork for us to realize the tremendous potential of the retail and omni-channel concepts within the group, starting with the new fiscal year we begin this week," he added.

"We are launching a comprehensive, nationwide search, in addition to evaluating qualified internal candidates, to identify the right person to lead the highly talented Lids Sports team as they build on that foundation and work to realize that potential."

Genesco's other banners include Journeys, Journeys Kidz, Shi by Journeys, Schuh, Schuh Kids, Little Burgundy and Johnston & Murphy. ■

MIZUNO AMERICAS
SEES ROBUST Q3 GROWTH

Mizuno Corp. expanded sales in its Americas region by 12.5 percent in its fiscal third quarter, ended December 31, to ¥8.1 billion ($69.2 million) despite challenges in Brazil.

The figures were calculated by extrapolating second-quarter figures from the company's third-quarter results that came out last week.

Globally, sales in the quarter improved 7.1 percent to ¥46.8 billion ($400.2 million). In other regions, sales in its home country of Japan were up 3.5 percent to ¥29.3 billion ($250.6 million). In the EMEA region sales were flat at ¥3.4 billion ($29.1 million). In the Asia/Oceania region, sales rose 18.4 percent to ¥5.8 billion ($49.6 million).

Operating profit more than doubled to ¥1.1 billion ($9.4 million) from ¥500 million. Net income improved slightly to ¥800 million ($6.8 million) from ¥700 million.

The profit marks a bounce back from declines seen earlier in the year. In the nine months, operating profit declined 22.7 percent to ¥2.5 billion ($21.4 million) and net income was down 5.8 percent to ¥2.3 billion ($19.7 million).

Gross margins in the nine months slightly eroded to 39.4 percent from 40.8 percent while SG&A expenses expanded to 54.2 percent from 51.4 percent.

Revenues in the nine months grew 7.4 percent to ¥143.7 billion ($1.23 billion). By region, Japan's sales improved 3.6 percent to ¥90.1 billion ($770.4 milion). In the Americas, sales rose 13 percent to ¥24.4 billion ($298.6 million). Sales increased 7.2 percent to ¥11.9 billion ($101.7 million) in the EMEA region and gained 22.9 percent to ¥17.2 billion ($147.1 million) in the Asia/Oceania region.

Looking ahead, Mizuno cut its forecast for the current fiscal year due partly to pressure on its footwear business in Brazil due to that country's economic slump. Mizuno was also impacted by sluggish sales of apparel in East Asia, including Japan, due to an abnormally warm winter.

Sales are now expected to hit ¥197 billion for the year, down from ¥200 billion previously. Operating profit is expected to now reach ¥3 billion, down from ¥6 billion previously. Net income is now targeted at ¥2.5 billion versus ¥3.7 billion under the prior forecast. ■

INTERNATIONAL TRADE COMMISSION DELAYS RULING
IN CHUCK TAYLOR KNOCK-OFF CASE

The International Trade Commission (ITC) is taking more time to review an administrative law judge's (ALJ) findings in a complaint Converse Inc. is pressing to halt the importation of shoes by Skechers USA Inc., Wal-mart Stores Inc., Highline United LLC/dba Ashe Footwear USA and New Balance Athletic Shoe Inc.

In a so-called "Section 337 Complaint," Converse alleges the companies are importing and selling shoes that infringe on its Chuck Taylors midsole common law and registered trademarks.

On January 28, the ITC extended the deadline for determining whether to review the ALJ's Final Initial Determination (ID) by six days to February 3, 2016 due in part to adverse weather in Washington D.C. It also extended the target date for completion of the investigation to April 4, 2016.

In his Nov. 17 Final ID in the case, the ALJ found that some of the products Converse cited in its complaint violated section 337 of the Tariff Act of 1930, but also rejected claims that Skecher's Twinkle Toes and BOBS product line infringed on Converse's trademarks. Section 337 enables companies to petition the government to block imports of goods that threaten domestic industry through unfair trade practices, including infringement of U.S. trademarks.

Specifically, the ALJ found:

- Converse's 4,398,753 ('753) trademark is not invalid;
- Certain accused products of each active respondent, and all accused products of each defaulting respondent, infringe the '753 trademark;
- That certain accused products of defaulting respondent Shenzhen Foreversun Industrial Co., Ltd. (a/k/a Shenzhen Foreversun Shoes Co., Ltd.) of Shenzhen, China infringe both the '103 and '96O trademarks; and
- No dilution of the "753 trademark.

The ALJ recommended a general exclusion order of footwear that infringe the asserted trademarks, and recommended cease and desist orders directed against each respondent found to infringe. ■

KOHL'S CORP.
LOWERS FISCAL 2015 GUIDANCE AFTER DISAPPOINTING Q4

Kohl's Corporation (NYSE:KSS) lowered its earnings guidance for the year ended December 31 by 10 to 13 percent Thursday due to disappointing fourth quarter results.

The retailer, which has been expanding its selection of products from athletic and outdoor brands in a bid to drive traffic, reported total sales grew just 0.8 percent on a 0.4 percent increase in same-store sales during the period.

Online sales grew 30 percent. Footwear and Home were the strongest categories while Accessories was the weakest. On a regional basis, the West region was the strongest while the Mid-Atlantic and South Central regions were the most difficult. Kohl's operated 1,165 department stores during the quarter.

The most up-to-date government reports estimate U.S. department store sales declined 2.1 percent in December, 2.8 percent in November compared with the same months in 2014.

Kohl's Chairman, CEO and President Kevin Mansell said sales were very volatile and came in below expectations.

"Very strong results from the week of Thanksgiving through Christmas were offset by a very slow start to the quarter in early November and a weaker-than-expected January as soft demand for cold-weather goods led to lower store traffic in these more discretionary shopping periods." Mansell said.

Kohl's said timing of sales in addition to the competitive promotional environment resulted in higher than expected markdowns and lower than expected gross margins on both year-round and seasonal merchandise.

As a result, KSS lowered its earnings guidance for fiscal 2015. It now expects diluted earnings per share, excluding certain items, to be $3.95 to $4.00, down from its previous range of $4.40 to $4.60. The company plans to release its audited financial results for the fourth quarter February 25.

Kohl's expanded it selection of Nike, Adidas, Fila and Gaiam fitness products in fall 2014. Last spring it expanded its selection of Columbia apparel and footwear and began carrying Coleman camping gear at all its stores in a bid to attract more families. Gaiam Inc. reported its launch at more than 1,000 Kohl's and Bed Bath & Beyond department stores which enabled it to grow 140 percent faster in the third quarter ended September 30 than it would have otherwise. ■

AISLE TALK

Adidas premiered a new film series *"I'm Here to Create,"* kicking off the brand's Sport16 initiative.

Brooks Running unveiled a new global brand campaign entitled "Live the way you run. Run happy." communicating the positive impact running has on a person's life.

CCM Hockey signed a five-year extension to continue as exclusive supplier of sticks, helmets, gloves, pants and jerseys, to American Hockey League (AHL) players.

Easton Baseball/Softball unveiled its first product offering for Japan. The company also expanded its exclusive partnership with **Little League** through the 2022 season.

Fila will become the Official Athletic Apparel and Footwear partner of **Tennis Canada** in a multi-year deal.

GoPro, Inc., the PGA Tour, and **SkratchTV** announced a global relationship to deliver new perspectives and episodic video content to golf fans around the world.

KFit, a mobile fitness-sharing platform to discover and reserve fitness activities based in Asia Pacific's, announced a U.S. $12 million Series A investment round led by **Venturra Capital**.

Lynx Fitness, maker of the Lynx Board fitness device, promoted COO **Marc Yahr** to the new position of President.

Nike Inc. Co-Founder and Chairman, Phil Knight, will release a memoir to be called *'Shoe Dog'* on April 26, published by Simon & Schuster.

NOCSAE introduced the world's first performance standard for chest protectors for commotio cordis and moved it to proposed status at its standards meeting on January 29.

NFL Commissioner Roger Goodell made an address at the **"Women's Summit"** at Super Bowl 50, establishing a new **"Rooney Rule"** to promote more women in executive roles.

Seven Bucks Productions, Co-founded by Dwayne Johnson and Dany Garcia, made an agreement with Mr. Olympia, LLC, a division of AMI, on a long-term production and promotional partnership.

Spalding began its #TrueBelievers campaign, leveraging social media, digital content, video storytelling and events to engage millennial athletes.

Stable 26, a PTX Performance Products brand, named its expanded ambassador roster with the signing of **Meryl Davis**, American Ice Dancer and 2014 Olympic Champion.

The LA84 Foundation, a legacy of the 1984 Olympic Games and supporter of youth sports, has awarded $1.3 million in grants for the first quarter of 2016.

The Levi's Brand announced an expansion of its **NFL Collection** to include all 32 NFL teams come Fall 2016.

Under Armour CEO, Kevin Plank, announced a donation of $5 million for a new East Baltimore community center through his **Cupid Foundation**.

Vert, maker of wearable athletic tech, announced its first NBA client is the **Miami Heat**.

Zobha, couture-inspired activewear for women, sealed a partnership with **DJ Lindsay Luv** to enliven a limited edition capsule for 2016.

CALLAWAY GOLF'S RECOVERY
CONTINUES IIN Q4

Callaway Golf Inc. (NYSE:ELY) narrowed its loss in the fourth quarter to $30.5 million, or 33 cents a share, from $41.5 million, or 54 cents a year ago.

Sales improved 13.9 percent to $153.3 million. The gains came despite unfavorable changes in foreign currency exchange rates and softer market conditions in Asia. Revenues grew 19 percent on a currency-neutral basis.

Gross margins improved by 590 basis points to 33.3 percent due to more favorable product pricing, less closeouts, less promotional activity as well as improved operational efficiencies. On a currency-neutral basis, gross margin improved by 800 basis points.

By region, sales in the U.S. grew 37.7 percent in the quarter, to $68.9 million. Europe sales gained 11 percent to $21.5 million and gained 20 percent on a currency-neutral basis. Sales in Japan were down 9.8 percent to $34.8 million and off 5 percent on a currency-neutral basis. Sales in the rest of Asia were up 14.1 percent to $17.8 million and gained 29 percent on a currency-neutral basis.

By product category, woods revenue fell 4.6 percent to $34.9 million; irons rose 10.2 percent to $42.3 million; and putters jumped 51.9 percent to $13.7 million. Gear and accessories sales increased 7.6 percent to $32.5 million and golf ball revenues climbed 46.4 percent to $30 million.

For the full-year, sales slid 4.9 percent to $843.8 million or 1 percent on a currency-neutral basis. The constant currency sales growth was tempered by a strategic decision on launch timing, which negatively impacted revenues in the first quarter of 2015, and softer than expected market conditions in Asia.

Net earnings for the year were down 9 percent to $14.6 million, or 17 cents a share. The profit dip was due to unfavorable changes in foreign currency exchange rates, which adversely affected 2015 full-year earnings per share by 45 cents a share. Full-year results also exceeded both its full-year net sales estimate of $835 to $840 million and its full-year EPS estimate of 12 to15 cents a share.

On a conference call with analysts, Chip Brewer, president and CEO, said highlights for the year included significant improvements in market share along with further strengthening of its financial position including marked improvements in gross margins and the elimination of all long-term debt. He added, "Most importantly, the company has recaptured key leadership positions in our club business and developed a profitable and growing ball business."

In the U.S., revenues grew nearly 6 percent in the year and its hardgoods dollar market share was 21.1 percent, up 260 basis points or 14 percent year-over-year. That marked Callaway's highest market share since 2003 and represents a 52 percent improvement over the last three years.

Callaway finished the year in the U.S. as the number one selling brand at retail and green grass sell-through combined in fair woods, hybrids, irons, putters and total clubs and as the number two brand in golf ball and drivers.

Looking ahead, sales in 2016 are expected to range between $845 to $870 million, flat to slightly up from the $844 million reported in 2015. On a currency-neutral basis, sales are expected to grow 1.5 to 4.5 percent.

Net earnings are expected to range between 15 to 25 cents a share, compared to 17 cents just reported and again impacted by foreign currency headwinds. On a currency-neutral basis, earnings are expected to land between 22 and 32 cents a share.

"As we enter 2016, the company is on solid footing from multiple perspectives: the balance sheet has been significantly strengthened through the elimination of the convertible debt, our product pipeline is robust and Callaway is once again a leader in the industry," Brewer said. "Furthermore, we continue to be encouraged by what we see in the golf industry. Participation in the game has stabilized, PGA Tour viewership and excitement are on the rise, and average selling prices appear to be increasing in key markets."

He added, "Thanks to our improved market share and brand momentum we feel we are positioned to capitalize on any future improvements in industry conditions or foreign currency exchange rates."

The company also announced that its Tokyo-based Japanese subsidiary, Callaway Golf K.K., plans to form a joint venture with its long-time licensee, TSI Groove & Sports Co, Ltd., a premier apparel manufacturer in Japan. The planned venture will be named Callaway Apparel K.K. and will include the design, manufacture, retail and distribution of Callaway branded apparel, footwear and headwear in Japan. Callaway Apparel K.K.'s operations are planned to begin in the second half of 2016. ■

AMER SPORTS OUTDOOR BRANDS DELIVERED IN Q4

Amer Sports Outdoor Brands grew sales, gross margins, earnings and cash flow and reduced its debt levels significantly in 2015 after its Outdoor brands posted strong fourth quarter results despite the late arrival of winter in both Europe and North America.

The Finnish company, which owns Salomon, Arc'teryx, Atomic and five other global sporting goods brands including Wilson and Precor, reported net sales reached €783.7 million ($858 million) in the fourth quarter, up 11 percent from the fourth quarter of 2014, or 6 percent in currency-neutral terms. Excluding acquisitions, net sales increased by 5 percent in local currencies.

Gross margin improved 80 basis points to 43.8 percent, while EBIT nearly doubled to €84 million as the company comped against €34.1 million in restructuring charges incurred a year earlier - primarily at its Ball Sports/Wilson business. Earnings per share rose 12.2 percent to €0.46.

In currency-neutral terms, sales grew 10 percent at Ball Sports (Wilson, Louisville Slugger), 8 percent at Outdoor (Salomon, Arc'teryx, Atomic, Suunto, Mavic) and declined 6 percent at Fitness (Precor). On a geographic basis, growth was led by EMEA and the Asia Pacific, where sales grew by €19.9 million (6 percent c-n), and €15.4 million (9 percent c-n), respectively. In the Americas, fourth-quarter sales grew by €43.1 million (5 percent c-n) to €313.2 million ($375 million), led by Ball Sports and Outdoor, where sales grew €26 million (13 percent c-n) and €15.4 million (9 percent c-n) respectively.

Outdoor Fires On Four Of Five Cylinders

At the Outdoor segment, net sales increased 10 percent (8 percent c-n) to €501.9 million, driven by Apparel (+€13.9 million, 12 percent c-n), Winter Sports Equipment (+€13.8 mm, 5 percent c-n), Footwear (+€9.5 mm, 8 percent c-n) and Sports Instruments (+€8.8 mm, 18 percent c-n). Winter Sports Equipment increased mainly due to a shift in deliveries from the third to the fourth quarter. Cycling sales, which come primarily from the components brand Mavic, declined 4 percent to €35.2 million. In the Americas, sales rose 15 percent (9 percent c-n) to €119.1 million ($130 million).

Arc'teryx apparel sales remained strong, while expanded distribution contributed to the outsized growth in Sports Instruments sales, which come primarily from Suunto sport watches. Segment EBIT increased €10.6 million, or 19.3 percent to €65.6 million, or 13.1 percent of sales, up from 12 percent a year earlier.

Ball Sports Profits Slide

In the Americas, Ball Sports sales grew 27 percent (13 percent c-n) as the addition of Louisville Slugger accelerated growth of Team Sports products. Global sales at the segment, which derives 93 percent of its sales from the Americas, grew 34 percent (19 percent c-n).

Excluding Louisville Slugger, which generated revenues of $75 million in 2014, net sales at the segment's Team Sports business increased 2 percent c-n. That easily offset slower growth at the less U.S.-centric Individual Ball Sports unit, where Wilson's golf and tennis sales grew 7 percent (-1 percent c-n).

Ball Sports EBIT sank more than a third to €8.2 million as a €12 million increase in operating expenses and €1 million decline in gross margin more than offset higher sales (€8 million c-n) and a €2 million lift from currency exchange rates and other items.

Fitness Lags

At the Fitness segment, net sales in the Americas grew 2 percent to €71.9 million ($79 million), but declined 10 percent in currency-neutral terms compared with the fourth quarter of 2014. Globally, the segment boosted EBIT by 5.4 percent to €15.7 million. EBIT excluding NRI rose to 13.5 percent of sales compared with 13.3 percent a year earlier as currency gains more than offset lower sales and other negative items.

Cash Slated For Dividend, Retail Expansion

Amer Sports' free cash flow from operations grew by €26.6 million, or 20 percent, to €159.4 million ($174 million) during the quarter, prompting its board of directors to recommend increasing the company's annual dividend to €0.55 per share, or 22.2 percent. If approved by shareholders, that would amount to a pay out of €65.2 million.

Amer Sports expects sales and EBIT margin excluding nonrecurring items to grow again this year as the restructuring at Wilson and investments in direct-to-consumer (DTC) operations and "connect fitness" begin to bear fruit.

The company invested approximately €35 million expanding its DTC business in 2015, when such sales reached nearly $200 million, or approximately 7 percent of total sales. It ended the year with 293 branded retail locations equally distributed between EMEA, the Americas and Asia Pacific, up 43 from the end of 2014. Nearly 6-in-10, or 57 percent, of those were operated by local independent partners. Amer Sports also added 11 online stores, bringing its total to 71.

Executives also have big expectations for Precor, which spent much of last year revamping its business model to take advantage of the growing popularity of fitness apps and functional training systems. On Wednesday, Precor launched its first line of indoor spinning bikes under an exclusive multi-year global licensing agreement with Mad Dogg Athletics Inc., which created the popular Spinning indoor cycling program. ■

HANESBRANDS Q4
HIT BY WARM WEATHER WOES

While delivering its third consecutive year of double-digit growth in both operating profit and EPS, HanesBrands ended the year on a sour note as fourth-quarter results were impacted by warm weather.

The company's brands include Hanes, Champion, Playtex, DIM, Bali, Maidenform, Flexees, JMS/Just My Size, Wonderbra, Nur Die/Nur Der, Lovable and Gear for Sports.

In the fourth quarter, sales declined 7.4 percent to $1.41 billion, well short of Wall Street's average target of $1.53 billion. Core sales in constant currency fell 5 percent. Core sales are stated in constant currency and exclude revenue from acquisitions before their anniversary, Target's exit from Canada, and the effect of the 53rd week in 2014.

Adjusted EPS excluding actions increased 22 percent in the fourth quarter to 44 cents a share, but were short of the Street's consensus target of 46 cents a share. On a GAAP basis, operating profit increased 20 percent for the fourth quarter, and EPS increased 36 percent for the quarter to 30 cents a share.

By segment, innerwear sales were down 5.9 percent in the quarter to $658.4 million. Operating profits in the segment grew 6 percent to $157.9 million. Activewear sales were down 1.3 percent to $368.1 million and operating income increased 21.8 percent to $60.6 million.

In the direct-to-consumer segment, sales were down 8.9 percent to $98.6 million while operating profit tumbled 56.4 percent to $4.9 million. In the international segment, sales fell 16.8 percent to $284.4 million while operating income was down 17.7 percent to $30.1 million.

On a conference call with analysts, Gerald Evans, COO, said retail traffic declined at high single-digit rates in November and the first three weeks of December, driven by one of the warmest holidays on record.

"The prolonged traffic decline weighed on point-of-sale trends, even in our innerwear products, as there were fewer people in the stores," said Evans. "This caused retailers to pull back on their orders, which, in turn, impacted our shipments for the quarter. The impact was across all channels, and, relative to our expectations, it was split between our innerwear and activewear segments." As a result, innerwear core sales in the quarter decreased 2 percent, while activewear core sales decreased 12 percent.

"As retail traffic improved in the last two weeks of December and into January, so did our point-of-sale trends," added Evans. "In January, its basics POS was up low-single digits month-to-date, while Champion in the sporting goods, mid-tier and department-store channels was up low-double digits."

For the year, sales increased 8 percent to $5.73 billion while 2015 core sales in constant currency were essentially flat to the prior year. Adjusted operating profit excluding actions for the year increased 13 percent to $861 million in the year. Adjusted EPS excluding actions for the year increased 17 percent to $1.66.

HanesBrands' officials noted the Champion brand grew mid-single digits in the sports-specialty and mid-tier department-store channels for the year.

"For the year, it was running well above that through Q3, and then it fell off as the weather-related pressures hit our replenishment in that business," said Rick Moss, the company's CFO. "But as we look forward in our bookings and so forth into spring, we are very optimistic about where that business is going."

For the current year, Champion is expected to see growth greater than 10 percent with some recovery in the mass channel, where it sells the C9 by Champion brand at Target.

HanesBrands also noted that it recently reacquired the rights to the Champion brand in Japan and now has the brands' rights throughout America and Asia. Champion is a $30 million business in Japan.

Overall for 2016, Hanes expects another year of double-digit earnings growth. Guidance for adjusted EPS is $1.85 to $1.91, or expected growth of 11 percent to 15 percent. Net sales are expected to be $5.8 billion to $5.9 billion, up 1 percent to 3 percent. Adjusted operating profit is expected to expand between 7 abd10 percent to about $920 to $950 million. ■

LUXOTTICA GROUP FOUNDER TAKES BACK REINS

Luxottica Group (NYSE:LUX) said its Founder is taking back the reins for global market operations following a currency-neutral decline in fourth-quarter sales in North America.

The Italian company, which owns the Oakley and Ray Ban sunglasses brands as well as the Sunglass Hut retail chain, said preliminary data show that North American adjusted net sales grew 10.7 percent in euro terms to €1.23 billion in the fourth quarter ended December 31, 2015, but declined 1.7 percent in currency-neutral terms.

The results reflected a 14.6 percent increase (+2.8 percent currency neutral) in wholesale revenues and a 9.9 percent increase (-2.7 percent currency neutral) in retail revenues. Since Sunglass Hut's comparable-store sales grew 4.7 percent in North America during the fourth quarter, it appears the decline occurred at the company's LensCrafter prescription eyewear chain or at optical stores the company operates inside department stores such as Macy's.

While Luxottica expects to report earnings and sales reached record levels again in 2015, the company's board of directors announced that it was terminating Adil Kahn, who it had hired as co-CEO for markets a year ago, and assigning his duties to the company's founder, chairman and largest shareholder, Leonardo Del Vecchio.

Khan's counterpart, Massimo Vian, will now serve as Luxottica Group's lone CEO and retain responsibility for product and operations.

To expedite the change, Luxottica's board approved a new severance package for Kahn that will pay him more than $7 million in exchange for waiving all claims against the company. Only 15 months ago, the board approved more than $4 million in payments as part of a similar agreement to expedite the departure of Kahn's predecessor Enrico Cavatorta. Cavatorta had only been named to the co-CEO position a month earlier after CEO Andrea Guerra was pushed out for reasons that remain unclear.

"My decision to take on executive responsibilities and more actively contribute to Luxottica's management comes from the awareness that a renewed entrepreneurial spirit is critical today to properly face this new market scenario and to fast-track the evolution in the Markets area," Del Vecchio said January 29. "This is to guarantee that growth, efficiency and investments remain our long-term priorities."

Khan praised Vian as a talented manager and Del Vecchio as an extraordinary and visionary man in a statement accompanying the company's January 29 announcement.

"I have a great admiration and affection for him and what he has accomplished," Khan said of Del Vecchio, who founded Luxottica in 1961 to manufacture parts for eyewear manufacturers and then built it into the world's largest designer and manufacturer of eyewear.

Del Vecchio said Luxottica expects earnings to again grow faster than sales in 2016 as a full year of savings from the integration of Oakley into Luxottica's global infrastructure, investments in a new license with Michael Kors, and Sunglass Hut's global expansion bear fruit. On February 3, Michael Kors Holdings Limited reported strong results from the new partnership as the second biggest contributor after jewelry to an 8.4 percent increase in licensing revenue in the fiscal third quarter ended December 26, 2015.

Luxottica is scheduled to release fully audited results, including earnings, for the fourth quarter and full year, in April. ■

FANATICS INC. AMPS EUROPEAN PUSH WITH KITBAG ACQUISITION

Bolstering its expansion into Europe and the soccer category, Fanatics Inc. last week acquired Kitbag, a UK-based sports e-commerce company. The purchase price was $17 million in cash.

A subsidiary of Findel, Kitbag owns the exclusive rights to operate the official online stores for top soccer clubs, including Manchester United, Chelsea, Real Madrid, Barcelona, Celtic, Everton, Sunderland, Manchester City and Borussia Dortmund. Overall, it works with more than 25 partners across European soccer, motorsports, rugby, tennis and golf, including the Leicester Tigers rugby club, the French Open at Roland Garros, Wimbledon and Formula 1.

Kitbag also operates the e-commerce platforms for the NFL, NBA and NHL in Europe, which is synergistic with Fanatics' partnerships with all major North America sports leagues. Finally, Kitbag brings expertise in managing fan shops within sports venues, including at Manchester City and Everton as well as events such as the Ryder Cup and the Solheim Cup.

Kitbag, with a staff of 500, will become the international arm of Fanatics. The business does around $100 million a year compared to Fanatic's sales estimated to be north of $1 billion.

Fanatics operates more than 300 online and brick-and-mortar stores for all major U.S. professional sports leagues, soccer, NASCAR and golf. It also has partnerships with brands such as NBC Sports, CBS Sports and FOX Sports. It recently partnered to open the NBA flagship store in New York City.

"We could not be more excited to work with the Kitbag team to build upon their multi-channel capabilities, expertise in soccer and strong portfolio of partners to accelerate both our U.S. and international growth," said Doug Mack, CEO of Fanatics. "Fanatics and Kitbag are a nearly perfect complement, creating a complete platform for sports fans, leagues, teams and manufacturers globally, which will grow the licensed sports industry."

From an operational standpoint, Fanatics cited five primary synergies and benefits in the merger:

- Global fulfillment and fan service infrastructure;
- The broadest joint assortment of licensed sports merchandise globally;
- Leveraging web, mobile and technology best practices across all sites and partners;
- In-venue and event retail innovation; and
- Unique ability to serve the rising popularity of both North American sports and European soccer with fans around the world.

The seller, Findel, which also owns Express Gifts and Findel Education, announced last September that it had received an approach for the acquisition of its sports subsidiary.

Fanatics, a division of privately held Kynetic LLC, also operates Fanatics.com and Fansedge.com websites as well as Fanaticsauthentic.com for sports memorabilia. Kynetic is run by Michael Rubin, who kept Fanatics when he sold GSI Commerce to eBay in 2011 for $2.4 billion. Fanatics has since raised about $620 million from private-equity firm Silver Lake, Insight Venture Partners and Alibaba Group Holding Ltd., among others, reportedly giving it a $3.1 billion valuation.

Mack last week told the Wall Street Journal that Fanatics has no immediate plans to raise additional funds or to seek an initial public offering.

The deal was seen as a blow to Sports Direct, the U.K.'s largest sporting goods seller which acquired a 19 percent stake in Findel last September. ■