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FOOT LOCKER INC.'S MOMENTUM CONTINUES IN Q4

Defying a tough holiday selling season, Foot Locker Inc. (NYSE: FL) continued its winning streak in the fourth quarter. Boosted by running and classic footwear styles, comps jumped 7.9 percent in the period on top of last year's 10.2 percent increase.

For 2015 overall, Foot Locker marked its sixth consecutive year with double-digit earnings per share increases and scored its highest annual sales and profit ever as an athletic company.

On the February 26 conference call with analysts, Foot Locker President and CEO Dick Johnson noted the company was able to surpass almost every financial and operational metric from 2014. Sales gains were achieved in all regions, channels and genders in the most banners and product categories.

"We made substantial progress improving the sales and productivity of all four legs of our product category stool: basketball, running and casual footwear along with apparel," Johnson said. "As the year unfolded, I believe it became increasingly clear that we have developed a leading position in more than just basketball sneakers."

In the quarter, net earnings advanced 8.2 percent to $158 million, or $1.14 a share. Excluding non-recurring items, adjusted earnings would have been $1.16 a share, topping Wall Street's consensus estimate of $1.12.

Revenues rose 5 percent to $2.01 billion from $1.91 billion. Excluding the effect of foreign currency fluctuations, total sales for the quarter increased 8.8 percent.

The quarter's comp gains were led by Asia Pacific, which delivered a mid-teens comp gain on top of a double-digit increase in the prior year, said Lauren Peters, executive vice president and CFO, on the call. Close behind were Europe, with an increase in the teens, and Canada, was up double-digits.

A disappointment overseas was Runners Point Group, the German running chain, which Foot Locker acquired in 2013. Both its Runners Point Group and Side Step banners were down mid-single digits. The company also took a trade-name asset

Photos courtesy Foot Locker

write-down on SP24.com, the clearance website that Runners Point Group was operating that Foot Locker decided to shut down.

The overall direct-to-customer (DTC) segment banged out a 9.6 percent comp gain. Domestic store banner.com businesses collectively increased sales more than 20 percent, with even faster growth outside the United States. Eastbay sales declined low-single digits. Peters said, "The true performance part of the athletic industry where Eastbay's assortments are strongest have slowed relative to casual. We also believe the strength of the U.S. dollar kept some Eastbay customers shopping locally in their home markets."

The company's domestic divisions all posted solid sales performances with Kids Foot Locker leading the way with a high-single-digit comp gain and a double-digit total increase, factoring in the addition of 13 net new Kids stores during the year. Foot Locker in the U.S., Champ Sports and Lady Foot Locker 602 were each up mid-single digits. Footaction was up low-single digits on top of a double-digit increase in Q4 last year.

By category, footwear once again drove sales gains, up double digits overall in the quarter. Men's footwear was up high-single digits while women's and kids were both up double-digits. By category running was up in the teens while basketball was up at the low end of mid-single digits. True apparel, meaning tops and bottoms, was up low-single digits while the smaller accessories business including socks and hats posted a high-single digit comp decline. Overall sales of apparel and accessories were down a few basis points.

As seen with other athletic brands and retailers, the early warm winter along the East Coast in the Midwest, helped spur both athletic footwear and apparel sales this holiday season.

Elaborating on some footwear categories, Johnson said running grew in the mid teens during the quarter with double-digit gains in every region. The gains were led by lifestyle silhouettes such as Roche, Huarache and Max Air from Nike and Zed X Flux from Adidas.

Despite a slowdown in sales of some key signature product, basketball still saw growth due to the strength in the Jordan brand, especially in North America; the rise of new marque stars such as Kyrie Irving for Nike and Steph Curry for Under Armour, and momentum in classic basketball styles such as Air Force One.

Johnson also said Foot Locker led the industry in sales of a wide variety of classic sneakers, led by a strong position in the Adidas Original styles such as Superstars and Stan Smiths as well as casual styles from New Balance, Puma and Asics. Its Timberland boot business "performed exceptionally well despite the relatively mild winter weather during much of the quarter," said Johnson. Athletic and outdoor boots gained fashion favor this holiday season, so while the winter weather wasn't quite there, the look was still in style.

By month, comps were up in the low end of mid singles in November and accelerated to growth in the teens in December. January early on was running stronger than December but snowstorms and slower distribution of income tax refund checks in the U.S. caused sales to tail off in the last two weeks.

Gross margins in the quarter improved to 32.9 percent from 33.6 percent. Merchandise margin improved 50 basis points due primarily to lower markdowns. The company also achieved leverage of 40 basis points on its relatively fixed buyer and occupancy expenses. These two factors were partially offset by 20 basis points of headwind related to foreign exchanges.

In the full year 2015, earnings rose 4 percent to $541 million, or $3.84 a share, on a reported basis and grew 16.1 percent to

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$606 million, or $4.29, on an adjusted basis. Sales increased 3.6 percent to $7.4 billion. Comps climbed 8.5 percent in 2015.

Regarding some key growth initiatives, Johnson said the core business "continued to perform very well" in the year and is benefiting from ongoing remodels. The company has remodeled approximately 30 percent of its domestic Foot Locker and Champs sports stores and just under 20 percent of its Footaction stores. It has also opened more than 40 shop-in-shops in partnership with its vendors, about half of which were House of Hoops.

Apparel was down slightly in the quarter and year although profits in the category were up significantly. Foot Locker continues to work with vendors on coming up with the right assortments. Johnson added, "Success has not and will not come overnight; however given how important apparel is to the vendors own growth objectives, we remain highly confident that together we will win with the customer for his or her apparel needs too."

Foot Locker's digital business continues to benefit from investments in mobile and desktop sites as well as apps to help create more personalized interactions for customers. The company's direct-to-customer sales reached 12.7 percent of total sales in 2015, up from 12.1 percent a year ago. Its domestic Footlocker.com and Ladyfootlocker.com businesses were both well above the company's 10 percent target.

In women's, footwear saw particular progress. The Lady Foot Locker 602 division delivered its seventh consecutive quarter of comp gains and women's footwear sales at the Foot Locker banner and Champs Sports increased double-digits for the year. Fifteen 602 stores were opened last year to bring the chain to 30 but the company will be slowing expansion this year to focus on brand awareness, resetting product assortments, relaunching the 602 website and creating 602 experiences inside its New York City flagship stores. Still, Johnson said 602's performance is below targets and management believes it overemphasized the performance aspect in apparel at the expanse of fashion.

"We are working hard with our vendors to elevate our product offerings through innovation, style, and scarcity based in many cases on celebrity designs or endorsements such as what we're seeing with Rhianna," Johnson said. "As in men's apparel this is not a one- or two-season fix and the vendors are highly committed to making this work."

For 2016, Foot Locker expects to generate a mid-single-digit comp gain and another double-digit percentage increase in EPS. The company will open approximately 90 stores while closing about 100. The store closures will once again be concentrated in Lady Foot Locker and Foot Locker in the U.S.

Peters said that although Foot Locker is planning a mid-single-digit comp gain in each quarter, "the profit flow through challenge may be greatest in Q1 in turn creating a challenge to achieving double-digit EPS growth" in the first quarter.

With the income tax refund shift and difficult comparisons against last year's NBA All-Star Game being in New York, February's comp is expected to be up low-single digits. A mid-single-digit comp is projected for the remainder of the quarter. ■

FITBIT INC.'S DISAPPOINTING OUTLOOK
OVERSHADOWS ROBUST Q4


Photos courtesy Fitbit

Fitbit Inc. (NYSE:FIT) posted fourth-quarter results that easily topped Wall Street's targets but a weak outlook for the first quarter spooked investors.

Following the Februaty 22 release, shares of Fitbit fell more than 20 percent. While being impacted by fellow active gadget brand GoPro's shortfalls as well as pressure on tech stocks overall, Fitbit's shares now trade well below its June 2015 IPO price of $20 after having reached a high of just over $50 in August.

On its conference call, Fitbit indicated it was leaning on the conservative side for its Q1 forecast as it spends on manufacturing and marketing for its recently-introduced Blaze and Alta wearables, which are expected to ship next month. Those new products are expected to jumpstart sales in the rest of the year as management kept its guidance overall for 2016 in line with Wall Street targets.

The share pressure came despite Fitbit again delivering a blowout fourth quarter despite the introduction of the Apple Watch in 2015 and a host of other big and small competitors in the fitness wearable space.

On a reported basis, net income in the quarter climbed 63.8 percent to $64.2 million, or 26 cents a share. Adjusted earnings jumped 99.5 percent to $87.4 million, or 35 cents, exceeding the consensus estimate of 25 cents. Adjusted earnings exclude non-recurring items related to IPO and related equity moves, its FitStar acquisition, and a 2014 recall.

Revenues surged 92.2 percent to $711.6 million, exceeding Wall Street's average target of $648 million. Fitbit sold 8.2 million devices in the period, up from 5.3 million a year ago.

By region, sales in the U.S. doubled to $532.4 million from $266.2 million.

On a conference call with analysts, James Park, Fitbit's chairman and CEO, said the U.S. region benefited from greater inventory availability in 2015 compared to 2014 with many retailers more than doubling Fitbit sales. Park added, "For 2016, we are comfortable with our U.S. store count and are working with our major retailers to expand shelf space for new products and accessories."

In other regions, EMEA revenues jumped more than threefold to $84.8 million from $29.2 million with the U.K. ranking as the most developed country. The APAC region only grew 5.9 percent to $56.6 million, impacted by the initial entry into several markets in Q414. Americas, excluding the U.S., surged 76.5 percent to $37.8 million.

"We are now in 62 countries beyond the U.S.," Park said. "In many of those countries, we are early in our ramp up."

Park also shared some encouraging stats around engagement, or consumers who are buying Fitbits and then actually wearing them, not tossing them into a drawer. Total "active" users grew over 150 percent to 16.9 million by the end of 2015, up from 6.7 million active users the year before. Of 18 million new Fitbit users in 2015, 72 percent were still considered "active" by the end of the year. With Fitbit having 29 million registered users at year-end, 58 percent were active at year-end.

Park attributed the improved activity rate to new products that are seeing improved engagement and retention. Newer products, including Charge, Charge HR and Surge, comprised 79 percent of revenue in the quarter.

Gross margins in the quarter were 48.8 percent, up 286 basis points year-over-year and 50 basis points sequentially from Q3. Adjusting for foreign currency fluctuations, the year-on-year increase in gross margins is due to the benefit of continued unit cost reductions on Charge, Charge HR, and Surge, which are maturing in terms of cost efficiencies.

Fitbit increased its R&D headcount to 624 at the close of the year, up from 226 at the close of 2014. Much of its innovation efforts will focus on more closely monitoring health and tracking diseases to further help people lead healthier lives and reduce healthcare costs. Said Park, "While it's still early in Fitbit's integration into the larger healthcare world, we believe the connected health and fitness market has great potential to help people take ownership of their health and deliver better health outcomes."

Regarding its two newest products, preorder volume for Alta and Blaze exceeded its internal forecast as did the accessory attach rate. The models feature on-screen workouts and a connected GPS. Further, even though the product hasn't yet shipped, as of last week, Blaze was the No. 2 best seller in Amazon.com's smart watch category over $100.

(Con't Pg. 4)

Even though [Blaze] hasn't shipped yet, as of last week, it was the No. 2 best seller in Amazon.com's smart watch category over $100.

Said Park, "While that early data has no guarantee of future sales, we believe these are all positive signs."

In the full-year, revenues jumped 149.2 percent to $1.89 billion. Reported earnings climbed 33.3 percent to $175.7 million, or 75 cents a share, while adjusted earnings vaulted 122.1 percent to $254.1 million, or $1.07. Its yearly unit sales nearly doubled, to 21.4 million units sold in 2015 from 11 million in 2014.

For the first quarter, sales are expected in the range of $420 million to $440 million, which is lower than Wall Street's average target of $485 million. Earnings are expected to range between zero to 2 cents, compared with the average analyst estimate of 23 cents.

The timing of shipments of the new products, particularly Alta, may result in the majority of reorders pushing into the second quarter of 2016, Fitbit officials said. The media campaign to promote Alta and Blaze will drive up marketing expenses in the quarter. Manufacturing costs also will rise to meet expected demand, which is anticipated to affect gross margins.

For the full-year, Fitbit expects 2016 revenue in the range of $2.4 to $2.5 billion and EPS in the range of $1.08 to $1.20. Prior to the earnings announcement, Wall Street on average expected $1.14 a share for the year on sales of $2.4 billion. ■

STURM RUGER
SALES REBOUND IN 2015

After a year of declining demand in 2014, sales rebounded for firearms brand Sturm, Ruger & Company Inc. (NYSE:RGR) in 2015, reflecting more typical seasonal patterns, officials said.

For the fourth quarter of 2015, the estimated sell-through of the company's products from the independent wholesale distributors to retailers increased 24 percent from the comparable prior-year period, officials said. During these same periods, National Instant Criminal Background Check System checks increased 18 percent.

Fourth-quarter sales rose 24 percent to $152.4 million and fully diluted earnings swung to a gain of 88 cents per share versus a loss of 77 cents per share a year ago.

"Ruger had a strong presence in the 2015 Black Friday advertisements with some national chain accounts reporting significant increases of sales in the company's products to consumers year-over-year," CEO Michael O. Fifer told investors on the company's February 24 conference call. "In the fourth quarter of 2015, we observed stronger demand for those firearm products that would typically be used for self-defense, such as centerfire pistols."

For the full-year 2015 net sales inched up 1.2 percent to $551.1 million with fully diluted earnings rising to $3.21 per share, compared to $1.95 per share a year ago.

"Inventory of Ruger products declined in the fourth quarter at both the company and at the independent distributors, supporting our assessment of improving demand," Fifer said. He added that customers were being drawn by new products, which represented $115.4 million or 31 percent of firearm sales in 2015, compared to 16 percent in 2014.

Cash generated from operations during 2015 was $113 million. On December 31, 2015, the company's cash totaled $69 million with no debt.

In 2015, the company returned $24 million to its shareholders through the payment of $21 million of dividends, and the repurchase of 82,100 shares of common stock in the open market at an average price of $34.57 per share, for a total of $3 million. ■

ESCALADE INC.
Q4 EARNINGS SLIDE

Escalade Inc. (Nasdaq:ESCA) reported earnings declined in the fourth quarter due to weakness in its archery category and acquisition costs.

Net earnings sunk 29.1 percent to $2.9 million, or 20 cents a share. On a continuing basis, earnings were down 35.6 percent to $2.9 million, or 20 cents.

Revenues expanded 7.6 percent to $43.7 million due to organic growth and acquisitions. Recent acquisitions include Triumph Sports USA in January 2016, Goalsetter Systems in October 2015, Onix Sports in July 2015; and Cue & Case Sales in October 2014.

Gross margins eroded to 22.9 percent from 26.7 percent due to decreased sales and margins in archery. The archery market is expected to remain challenging through at least the first half of 2016. Net income was also impacted by foreign currency exchange rates associated with its 50 percent ownership of Stiga, based in Sweden.

For the full-year 2015, net profits dipped 1.8 percent to $11.6 million, or 82 cents. Net income from continuing operations were down 13 percent to $11.6 million, or 82 cents. Sales climbed 12.7 percent to $155.5 million

Dave Fetherman, president and CEO, said earnings in the year were impacted by a soft archery category, costs associated with two acquisitions and continued investments in product development.

"We anticipate the acquisitions made in the second half of 2015, the Goalsetter premium brand basketball goals and Onix pickleball equipment and accessories, to be accretive in 2016," Fetherman said. "In January 2016, we entered into new categories with our line of BearX crossbows and GoTek portable basketball goals, both should have a positive impact on the second half of 2016. We also acquired Triumph Sports USA, Inc., a brand known for its innovative indoor and outdoor games, which we also expect to be accretive in 2016."

Escalade's brands include Bear Archery and Trophy Ridge archery accessories; STIGA and Ping-Pong table tennis; Accudart and Unicorn darting; Onix Sports and Pickleball Now pickleball equipment; Goalrilla, Goaliath and Silverback residential in-ground basketball systems; STEP fitness products; Woodplay and Childlife playsets; and Cue and Case Sales billiard products. ■

GILDAN ACTIVEWEAR
RETURNS TO PROFITABILITY IN Q4

Boosted by a sales turnaround and lower expenses, Gildan Activewear (NYSE:GIL) earned $67.6 million or 28 cents per share, in the fourth quarter, bouncing back from a loss of $41.2 million or 17 cents, in the same quarter last year.

Before restructuring and acquisition-related costs in both years, adjusted net earnings reached $68.9 million, or 28 cents, against a loss of $37.6 million, or 15 cents. Revenues reached $543.8 million, up 39.2 percent.

Results came in line with the company's projections provided in November calling for adjusted earnings in the range of 28 to 30 cents a share. Higher-than-anticipated printwear sales offset by product-mix erosion due to a lower proportion of fleece sales, and a weak holiday season that impacted the sales of higher-valued products in national chains, department stores and sports specialty channels.

"We delivered a strong quarter of top-line growth, despite the impact of unseasonably warm weather in the quarter and a weak holiday period in retail," said CFO Rod Harries on a conference call with analysts.

The company forecast modestly higher sales and earnings for 2016 and raised its quarterly dividend by 20 percent.

In its printwear segment, sales in the quarter jumped 77.7 percent to $284.9 million. Excluding the impact of the prior-year distributor-inventory-devaluation discount, printwear sales expanded 37 percent. The increase was mainly due to strong unit sales volume growth in the U.S. and Canada, the acquisition of Comfort Colors and higher shipments in international markets, partially offset by unfavorable product-mix due to a lower proportion of fleece sales and currency headwinds.


Photo courtesy Gildan

Unit sales volume growth in the U.S. in printwear continued to reflect the benefit of the pricing actions taken in December 2014 and further penetration in the fashion basics and performance segments, including strong unit sales of Comfort Colors. Operating income in the printwear segment was $62.8 million compared to a loss of $21 million a year ago.

In the company's branded apparel segment, sales expanded 12.4 percent to $258.9 million due to gains in all product categories. Underwear was up by more than 20 percent as Gildan branded underwear doubled its door count to 18,000 at the end of the year. Gildan branded programs overall vaulted 85 percent, reflecting the impact of the conversion of private label programs. Licensed brands also saw strong sales. Gildan has the U.S. sock license for Under Armour, and licenses for Mossy Oak and New Balance.

Those gains offset lower sales of private label and Gold Toe branded products. While Gold Toe socks maintained its leading position within the department store and national chains channel, lower unit volumes of Gold Toe reflected the impact of the weak and highly promotional holiday period in the retail channel.

Operating income in the branded apparel segment more than tripled to $31 million from $8.3 million, mainly due to lower manufacturing and cotton costs that offset a lower proportion of higher-valued product sales due to weakness in the department store and national chains channel.

In the year, companywide earnings rose 25.1 percent to $346.1 million or $1.42 a share. Adjusted earnings rose 26.4 percent to $355.4 million, or $1.46. Revenues reached $2.57 billion, up 11.7 percent, reflecting an increase of 12.1 percent in printwear sales and sales growth of 11.1 percent in branded apparel.

For 2016, the company is projecting adjusted EPS of $1.50 to $1.60, which is up from $1.46 a year ago. Revenues are expected exceed $2.6 billion, slightly above $2.57 billion in 2015.

The profit gain reflects projected unit sales volume growth in both operating segments, manufacturing cost savings from capital investments, and lower cotton costs.

These positive factors are projected to be offset by plans in 2016 to continue to lower printwear net selling prices to further compete in the basic and fashion channels. Printwear sales in 2016 are projected to be in excess of $1.6 billion, which compares to $1.63 billion in 2015.

Branded apparel sales are projected to reach in excess of U.S. $1 billion, up from $934.2 million despite the loss of $65 million in sales due to the exit of certain private label programs. The remaining branded apparel core sales base is projected to increase in the mid-teens range due to the annualized impact of new programs obtained in 2015 and increased shelf space gains and new retail programs. ■

WOLVERINE WORLDWIDE
SEES 2016 CHALLENGED BY INVENTORY HANGOVER

Wolverine Worldwide (NYSE:WWW) reported earnings adjusted to exclude non-recurring items and currency fluctuations rose 33.3 percent in the fourth quarter, in line with expectations. But revenues declined in the period and management gave a cautious outlook for the current year, partly due to heavy inventories clogging the retail marketplace.

For 2016, Wolverine expects earnings on a currency-neutral basis in the range of $1.48 to $1.58, which would be flat to down from $1.58 just reported for 2015. Excluding the impact of foreign exchange, store closures, and the exit of Patagonia footwear and Cushe, revenues are expected to decline 0.5 percent to 4.3 percent.

On a conference call with analysts, Blake Krueger, chairman, CEO and president, highlighted the growth prospects for its three biggest brands, Merrell, Sperry and Saucony, while also noting success the company is having to rightsize the Stride Rite retail operation as well as building its apparel and accessories platforms and omni-channel platform overall.

But Krueger admitted to being "a little cautious about the year ahead as the visibility into 2016 is less clear than normal."

Domestically, Krueger said he's heard retail inventory overall is at a 19-month high compared to sales due to the warm weather's impact on holiday sales. While a cold spurt in January and February helped reduce some cold-weather merchandise, he expects it will take until the third quarter for inventories to return to a normal level.

Krueger added, "Most of the retail community recoiled a bit from a very tough holiday season and so orders have been very hard to get - stingy future orders, in general."

Other factors challenging domestic growth is the consumer migrating to online channels and both consumers and retailers buying closer to need. Globally, currency issues, a slowdown in China and geopolitical volatility are expected to impact results.

Krueger said the company expects strong earnings and revenue growth in the second half as inventories lessen and Merrell, Sperry and Saucony launch new collections.

In the fourth quarter, net earnings rose 6.3 percent to $11.9 million, or 12 cents a share. Adjusted to exclude restructuring and impairment, acquisition-related integration costs and debt extinguishment costs, earnings were 33 cents a share, up from 30 cents a year ago. On a currency-neutral basis, earnings grew 33.3 percent, to 40 cents a share.

Net sales in the quarter slumped 7.1 percent to $751.2 million. Underlying revenue declined 2.9 percent versus the prior year. Underlying revenue is adjusted for the impact of foreign exchange, retail store closures, and the exit of Patagonia footwear and Cushe.

Also on the call, Mike Stornant, CFO, said that while Wolverine entered the fourth quarter anticipating macroeconomic pressures for its key international markets, a pervasive warm weather in certain regions of the U.S. and other international markets presented an additional challenge for Merrell, Cat and its flagship Wolverine brand.

Among its segments, sales in the Performance Group for the quarter inched up 0.7 percent to $275.5 million and grew 3.5 percent on a currency-neutral basis. Chaco continues to see strong momentum with gains in the low-teens. Merrell was down low-single digits on a currency-neutral basis, due mostly to softness in the cold-weather, performance-boot category offset by improvements in its active lifestyle models.

Underlying sales for the year in the Performance Group grew 6.3 percent. The full-year gains were led by growth of more than 50 percent by Chaco. Saucony was up in the mid-teens while Merrell advanced in the low-single digits.

In the Lifestyle Group, sales in the quarter were down 6.7 percent to $257.8 million and dropped 7.7 percent on a currency-neutral basis. Sperry exceeded expectations for the quarter, down low-single digits against strong high-single-digit growth last year. Sperry benefited from triple-digit growth in boots, offsetting lower boat shoe sales. The Stride Rite wholesale business grew strong double-digits and benefited from the new Surprise by Stride Rite program introduced at Target.

Underlying revenue for the Lifestyle Group for the year was down less than 1 percent, with Sperry growing low-single digits, and Keds up mid-single digits. Stride Rite was down low-single digits, driven primarily from planned store closures. Hush Puppies saw an underlying revenue decline in the low teens.

Heritage Group's sales reached $187.1 million, down 15.5 percent on a reported basis and 13.8 percent on a currency-neutral basis. For the year, underlying sales were flat with growth at Cat and Harley Davidson offset by declines at Bates and Hytest.

Adjusted gross margin on a constant currency basis was 37.8 percent in the quarter, an increase of 70 basis points versus the prior year. Reported gross margin was 36.2 percent, compared to 37.1 percent.

Adjusted operating margin on a constant currency basis was 7.2 percent, up 60 basis points. Reported operating margin was 1.9 percent, down from 3.7 percent in the prior year.

For the full-year, earnings slid 7.7 percent to $122.8 million, or $1.20 a share. On a currency-neutral basis, adjusted EPS was $1.58, compared to $1.62 per share in the prior year. When reporting third-quarter results, Wolverine said it expected adjusted EPS to arrive in the range of $1.57 to $1.60.

Reported revenue was $2.69 billion, down 2.5 percent on a reported basis but ahead 2.1 percent on an underlying one.

Looking ahead, officials said growth for Merrell this year is expected to be driven by expanded product line and strategic distribution segmentation for the All Out and Moab franchises. Moab is expected to exceed 1 million pairs this year. Merrell is also expected to benefit from Arctic Grip, which Wolverine has an exclusive on from Vibram for this fall for Merrell, Saucony, Sperry, Cat and Hush Puppies. The anti-slip technology that works on icy surfaces will be launched this fall with an "extensive point of sale presence," Krueger stated. Merrell will also begin its presenting sponsorship of Tough Mother in late March with over with over 50 events scheduled for the rest of year.

Sperry, its second largest brand, will be challenged in the first half by continued softness in boat shoes due to last year's shift towards more athletic-inspired styles. But the brand is benefiting from its expanded non-boat offerings, which grew nearly 20 percent in 2015 and now account for nearly half of the total business.

The Saltwater Duck boot collection saw "fantastic success" in Q4 and Sperry is seeing "an incredible early response" from retailers around a broader boot program. A new Paul Sperry collection will be introduced this year aimed at younger consumers and the overall athleisure trend.

Saucony, its third largest brand, is expected to benefit from the expansion of Ever-Run with the first three styles featuring the cushioning technology winning the Editor's Choice award

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from Runner's World. The brand's Iso-Fit technology introduced in late 2014 also continues to expand while the Life On The Run collection will be ramped up to address the growth opportunity in the athletic leisure category. Saucony's Original business was a standout last year, growing over 60 percent.

In other areas, Krueger noted that the company's omni-channel investments helped drive e-commerce growth up nearly 20 percent year-over-year in 2015 and almost 25 percent in Q4.

The company's overall strategic realignment plan is proceeding as planned. As part of that effort, Stride Rite accelerated store closures last year and efforts to sharpen the focus at its go-forward stores resulted in strong improvement in comps in the fourth quarter. The company centralized all of its brand apparel and accessory teams under a new seasoned leader to capitalize on the potential of many of its brands to expand beyond footwear. Wolverine is also more than doubling its personnel and resources in consumer investments to drive innovation across brands. Finally, since early September, Wolverine has made several important leadership and organizational changes, including reorganizing its brand operating groups, to support growth opportunities.

Externally, Wolverine will continue to pursue potential acquisitions. The company has reduced its debt by nearly $550 million since its last acquisition. Krueger added, "We evaluate all opportunities and are not operating against any internal timeline to execute the next acquisition." ■

HEELYS, AND1 AND AVIA DRIVE SEQUENTIAL BRANDS GROUP INC.'S 2015 GROWTH

Heelys, AND1 and Avia delivered robust performances for Sequential Brands Group Inc. (Nasdaq:SQBG) in 2015.

On a conference call with analysts, Yehuda Shmidman, CEO at Sequential Brands, said Heelys, which are sneakers that feature one or more removable wheels embedded in each sole, similar to inline skates, saw double-digit increases in sales and royalties in 2015, The gains were driven primarily by international expansion. Added Shmidman, "For 2016, growth from the brand domestically remains a priority, and we see material upside there."

AND1 and Avia were up nearly 15 percent last year, driven primarily by core category growth at Walmart. Shmidman said the brands continue to benefit from new category introductions and delivering "shocking value"' to the Walmart customer with a combination of quality product and brand name at a strong price point.

Said Shmidman, "As an example, of this strategy, just this past month. Walmart launched the high-quality AND1 basketball at the low retail price of $4.88 representing a substantial savings over comparable balls sold at higher tier sporting goods stores."

Sequential Brands acquired Heelys in 2013 and Avia and AND1 in 2014.

Among other brands in the athletics space, Revo, a maker of sunglasses and ski goggles for outdoor enthusiasts, debuted a new capsule collection of sunglasses in collaboration with U2 lead singer and activist Bono as part of the 'By Vision, Give Sight' campaign to prevent vision impairment and blindness. Said Shmidman, "The partnership with Bono has raised awareness for the brand around the world and has had a positive impact with the brands existing and perspective account."

Sequential Brands' other major brands include William Rast, Martha Stewart, Jessica Simpson and Joe's Jeans. Less-developed brands include Emeril Lagasse, Caribbean Joe, DVS, Ellen Tracy and The Franklin Mint.

Companywide, Sequential Brands widened its loss in 2015 to $2.9 million, or 7 cents a share, from $1.1 million, or 4 cents, a year ago. The greater loss reflected higher interest expense due to the acquisition of Jessica Simpson, Joe's Jeans, Emeril Lagasse and Martha Stewart in the last year. Adjusted EBITDA for the year was $53.4 million, compared to $24 million. Revenues, largely royalties, more than doubled to $88.3 million from $41.8 million.

For the fourth quarter, its losses grew to $5.7 million, or 12 cents, from $3.8 million, or 10 cents, a year ago while adjusted EBITDA improved to $17.3 million from $11.1 million. Revenues climbed 69.2 percent to $31.4 million.

For 2016, Sequential Brands reiterated its guidance calling for $145 to $150 million in revenue and $83 to $87 million in adjusted EBITDA. ■

AISLE TALK

Adidas and **Wanderlust**, a producer of large-scale lifestyle festival events focusing on yoga, music and wellness, formed a multi-year partnership to reach millennial athletic enthusiasts.

Adidas sourced 43 percent of all its cotton in 2015 as **Better Cotton**, exceeding its goal of 40 percent and marking the highest volume used in company history.

BlackRapid, a Seattle-based camera accessory company, hired **Marc Gottula** as Director of Sales.

Burton, which hired a new CEO and President in early February, promoted several veteran employees into new marketing and product positions.

Fjällräven promoted **Nathan Dopp** as President and General Manager for North America. He succeeds **John Walbrecht**, who departed to take on the President's role at **Mountain Hardwear**.

Foot Locker Inc. promoted **Stephen D. (Jake) Jacobs** to the position of EVP and CEO North America, and **Lewis P. Kimble** to the position of EVP and CEO International.

Iconix Brand Group Inc. appointed **John N. Haugh**, formerly at Luxottica, as President and as a member of its Board of Directors. Haugh will become CEO of Iconix effective April 1.

Kit and Ace, the high-end athleisure chain launched by Lululemon's founder **Chip Wilson**, laid off 10 percent of its workforce at its Vancouver headquarters.

Phil Knight, Nike Chairman and Co-founder, pledged **$400 million** to **Stanford University** in an effort to recruit graduate students to the California institution to tackle the world's biggest social and environmental challenges.

Pacific Market International hired former Sales Manager at The North Face, **Dan Miller**, as the **Stanley** brand's Eastern Regional Sales Manager.

Rip Curl has been accused of making apparel made in **North Korea**, where factory workers endure slave-like conditions. Rip Curl blamed a sub-contractor.

Skechers USA Inc. was named Brand of the Year for the second year in a row at the **2016 Footwear Industry Awards**. Skechers was also awarded Ladies Brand of the Year.

Sports Authority could file for **Chapter 11 bankruptcy protection** as early as March, according to a report from Reuters. Moody's Investors Service lowered Sports Authority to Ca-PD/LD, which means the chain is at least in limited default. The limited default designation will remain until the company resolves its missed payment.

Under Armour signed UCLA linebacker and top 2016 prospect **Myles Jack** to a multi-year partnership.

WEST MARINE INC.
WATERLIFE STRATEGY FUELS STEEP COMPS GROWTH

West Marine Inc. (Nasdaq:WMAR) continued expansion into apparel, footwear and “waterlife” accessories enabling the retailer to grow same-store sales 9.4 percent during the holiday season.

The retailer said sales of apparel, footwear, paddling gear and electronics and other accessories for fishing grew 25 percent between Thanksgiving and Christmas.

West Marine reported total sales reached $130.2 million in the 13-week period ended January 2, up just 0.6 percent compared to the 14 weeks ended January 3, 2015. Same-store sales, however, surged 8 percent compared with the year earlier quarter and 6 percent compared with fiscal 2014 as the company funneled more customers and sales through fewer stores.

West Marine ended the year with 263 stores, or 16 fewer than a year earlier. Retail square footage declined 3.5 percent to 2.6 million square feet.

Sales of expansion product lines, which include footwear, apparel, clothing accessories, fishing products and paddle sports equipment, increased 16.4 percent compared with the fiscal year, while sales of core marine supply products rose a mere 2.8 percent.

For the fourth quarter, transactions were up 6.3 percent and average orders were up 1.7 percent. E-commerce sales grew 55 percent in the quarter and 32 percent during the fiscal year. For the full-year, e-commerce and expansion category sales grew to 9.5 and 45.7 percent of total sales from 7.7 and 41 percent in 2014, putting West Marine on pace to hit its goal of 15/50 by 2018.

“Reflecting back on the year, it’s clear that our strategies are working,” said Hyde, who left a senior position at the specialty outdoor retailers Recreational Equipment Inc. to become West Marine’s CEO in 2012. “They have resulted in growing our active customer base by 6 percent during the past year and these increases include more women and younger customers.”

Sales reached record levels at the company’s Port Supply wholesale business, which Hyde said reflected boat owners’ growing tendency to hire contractors to make boat repairs and other work they had been performing themselves.

Growing sales of accessories, fishing equipment and electronics boosted gross margin 20 basis points. The company’s omni-channel initiatives were largely a wash. West Marine’s ship-from-store initiative resulted in higher labor and shipping costs, but those were largely offset by savings from in-store pickups, which rose to 24 percent of online sales.

While exceeding its revenue targets for the year, West Marine fell short of profit goals by reporting a net loss of $11.1 million, or 45 per share. That was up from a net loss of $10.3 million, or 42 per share, in the fourth quarter of 2014. The increase was driven by higher variable compensation expense and $1.2 million in severance costs incurred cutting about 15 corporate positions.

West Marine expects to reduce its retail square footage another 1.8 percent this year by opening open five new locations and closing 15 stores. While that is expected to drag down sales growth by a full percentage point, West Marine is forecasting same-store sales will grow 1 to 4 percent as it culls low-performing stores. A significantly updated apparel and footwear assortment, including several new apparel brands, should contribute to that this spring.

Combined with continued expense control, including flat capital spending, officials forecast the company’s pre-tax profit margin will grow 50 percent in 2016. ■

Photo courtesy West Marine

DESPITE A FEW HEADWINDS, NAUTILUS BULLISH ON RETAIL FOR 2016

Nautilus, Inc. reiterated its January 19 preliminary results with its complete fourth-quarter results on February 22 echoing a 15 percent rise in sales with a dip in profit.

The sales increase to $109.1 million for the quarter was driven by higher sales in both the fitness manufacturers direct and retail segments. For the full-year 2015, net sales were $335.8 million, an increase of 22.3 percent over last year.

Nautilus CEO Bruce Cazenave said company officials were "very pleased" with the results given tough comps versus a year ago (when its direct sales rose 35 percent) and with several "unusual items" denting profit.

Those items included transaction expenses related to the company's December 31, 2015 acquisition of Octane Fitness, the settlement of a previously disclosed arbitration proceeding, the write-off of inventory related to its discontinued nutrition business and unrecorded royalty revenue related to a licensing dispute. Nautilus officials also said they began setting aside a reserve for "a potentially uncollectible accounts receivable balance with a large national sporting goods retailer." While officials declined to identify the latter, it's widely believed to be Sports Authority, which has missed recent debt payments and is negotiating with lenders.

"Let's just say it's been a customer that we've been doing business with," said Nautilus CFO Sid Nayar. "And right now, until some decisions are made, we suspended shipments into that customer. We hope that there will still be some business with that customer as the year progresses, maybe some rationalization, some other things, but that remains to be seen."

Minus the items, gross margins in the direct business increased by 170 basis points over the prior year. With the negative items, it decreased 410 basis points to 60.5 percent. Retail gross margins, not affected by the above items, improved 240 basis points to 27.6 percent, reflecting favorable product and channel mix including growth in international along with supply chain efficiencies.


Photo courtesy Octane Fitness

"Improving retail gross margin is an important goal, and we believe that we are now better positioned for modest but steady margin improvement in coming quarters," Cazenave said. The company's newly acquired Octane Fitness brand, which is specifically geared toward the specialty retail market, should be a significant contributor in that channel for Nautilus. On an overall basis, total company gross margins for the fourth quarter 2015 declined 300 basis points to 48.1 percent versus the same period prior year.

Fourth-quarter 2015 net sales in the direct business totaled $67 million, up 15.5 percent from the same quarter a year ago. Direct segment sales benefited from continued strong demand for Nautilus' cardio products primarily driven by sales of the Max Trainer product line.

Fourth-quarter net sales in the retail segment rose 20.7 percent to $41.8 million, thanks to increased cardio product orders along with growth in SelectTech dumbbells.

Inventories for Nautilus came in at $42.7 million as of December 31, 2015 compared to $24.9 million at December 31, 2014. The increase reflected the Octane acquisition, higher revenues, new product introductions and the addition of a new distribution center.

During the February 22 conference call with investors, Cazenave did provide some details on the outlook for 2016, saying the company maintains it's long-term goal of hitting high single-digit to low double-digit growth in its retail and direct segments.

"I think that direct — because of the significant comps that we have going into even the first quarter — that you will see maybe a little bit less growth there than you might see on the retail side pending some of the things, the headwinds that we might have there, but when you combine it, we should still be in that high-single-digit, low-double-digit range in terms of revenue growth." ■

Photo courtesy Vista Outdoor Inc.

VISTA OUTDOOR INC.
ACQUIRES BRG SPORTS' CYCLING AND SNOW BRANDS

Vista Outdoor Inc. emerged as a major contender in the global cycling and snow sports market February 25 by announcing a definitive agreement to acquire BRG Sports Inc.'s entire Action Sports Division, which comprises the Bell, Giro, C-Preme and Blackburn brands.

The acquisition adds helmets for cycling, snow sports, and power sports, as well as goggles, footwear and a variety of cycling accessories. Just as importantly, it adds the Action Sports Division's more than 600 employees and research and product development capabilities in Scotts Valley, CA.

If completed, the deal will enable Vista, which is based in Utah, to deliver on a pledge it made prior to its 2014 initial public offering to balance revenues between its volatile Shooting Sports segment and its Outdoor Products segments. It will also leave BRG Sports with just one brand, Riddell, which is at the heart of a raging debate and litigation over the causes and long-term health effects of football-related concussions.

"The Action Sports acquisition, combined with our strong CamelBak and Bollé brands, positions Vista Outdoor as a leading company in cycling and snow sports equipment in both North America and Europe," said Vista Outdoor Chairman and Chief Executive Officer Mark DeYoung. "Adding these innovative and well-known consumer brands to our portfolio creates a channel leadership position, enabling us to sell a broad suite of Vista Outdoor products to specialty outdoor shops, wholesalers and leading outdoor product retailers."

The deal calls for Vista Outdoor to pay a purchase price of $400 million plus a contingent payment if incremental profitability growth milestones within the Powersports product lines are achieved. Vista Outdoor expects calendar year 2016 net sales for the Action Sports division of approximately $350 million. The purchase price represents a resulting effective multiple of approximately 10-times the expected calendar year 2016 EBITDA for the acquired brands. The purchase price is subject to a customary working capital adjustment.

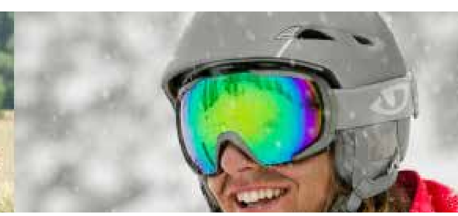
Vista Outdoor intends to finance the acquisition through a combination of cash on hand, drawings on its revolving credit facility and increased Term Loan A borrowings of approximately $300 million. Absent transaction and transition costs, Vista Outdoor expects the acquisition to be accretive to FY17 earnings per share. Vista Outdoor anticipates closing the transaction within 90 days subject to regulatory approvals and customary closing conditions.

"Vista Outdoor is a perfect new home for the Action Sports division as they join an expanding outdoor sports and recreation company comprised of market-leading brands," said BRG Sports Executive Chairman and CEO Terry Lee. "Under Vista Outdoor ownership, we are confident Bell, Giro, C-Preme and Blackburn will continue to drive product innovation and lead the industry. We know they will continue to foster the strong people and product culture that makes these brands great."

BRG Sports will now focus on Riddell, which is defending its market leading position from historic rivals such as Schutt as well as upstarts lured into the market by research grants aimed at improving the diagnosis, treatment and prevention of concussions. Seattle-based startup Vicis, which closed an $8 million funding round in early January from a group of investors that included former NFL players and neurosurgeons, is expected to launch its Zero1 football helmet into the market this spring. It expects NFL and NCAA football players to begin competing with the helmets this fall.

Riddell is also contending with lawsuits filed by players, their families and youth leagues claiming the company misrepresented the efficacy of concussion safety features in its football helmets. More ominously, some have questioned whether growing concern over the long-term health effects of concussions will curtail youth participation in football. The NFL and some Division I NCAA teams have recently begun restricting full-contact practices in a bid to mitigate concussions and other injury risks in a move that could prolong the lifecycle of helmets and impinge on team dealer and helmet makers' refurbishment business.

Rawlings, which was one of Riddell's best financed rivals, pulled out of the football business last summer after settling a patent dispute with Riddell. At the time, Rawlings said it wanted to focus on its diamond sports, but acknowledged that health concerns over concussions factored into the decision-making process. ■



AUSTRALIA'S RCG CORPORATION
TO ACCELERATE RETAIL EXPANSION

RCG Corporation disclosed Wednesday that it plans to accelerate the opening of Skechers and The Athlete's Foot stores in Australia and New Zealand over the next 18 months following a breakout fiscal first-half.

The Australian company said it expected to close on a AUS$50 million ($36 million) private placement by March 3 that would allow it to open 35 to 40 stores over the next 18 months and repay an unsecured AUS$28 million vendor note used to finance the acquisition of rapidly growing footwear retailer Accent Group Ltd.

RCG paid AUS$200 million, or about six times fiscal 2015 EBITDA, to acquire Accent in May in a deal that gave it exclusive distribution rights to Vans, Skechers, Dr. Martens, Timberland, K-Swiss, Stance and Palladium brands in Australia and New Zealand. The deal also expanded RCG's retail fleet by a third to about 300 locations.

RCG CEO Hilton Brett said the private placement also provides RCG with increased flexibility to take advantage of acquisition opportunities should they arise and increase its dividend.

Fiscal Year Earnings Outlook Upgraded

RCG disclosed the plans February 24 when it reported sales and net profits after tax reached AUS$220 million ($159 million) and AUS$16.2 million ($12 million) respectively in the first-half ended December 27, 2015, up 348.2 and 189.1 percent respectively from the comparable period a year earlier. The results prompted RCG to upgrade its guidance for fiscal year 2016, which now calls for underlying EPS to increase by 40 to 45 percent, up from 25 to 30 percent forecast in November.

At Accent, retail revenues soared 70 percent to AUS$120 million in the first-half ended December 27, 2015, as it rolled out 18 new stores to grow its retail fleet to 127 locations and grew same-store sales 25 percent. Wholesale revenues grew 7.9 percent to AUS$45.3 million.

Same-store sales continued to grow at the 25-percent pace through mid-February.

Accent, which owned and operated 127 stores at the end of the period, plans to roll-out out an additional 35 to 40 stores over the next 18 months, including 10 that will open before the end of the financial year. The company's fleet currently includes 69 Platypus Shoes sneaker stores, 41 Skechers stores, 13 Vans stores, three Timberland stores and one online store.

"The ongoing performance of the Accent business is unprecedented in the current retail climate, with over 25 percent like-for-like growth over the last 12 months and double-digit like-for-like growth in each of the two years before that," Brett said. "We are providing all the necessary support to the Accent team to enable it to continue to outperform the market and maintain its current momentum."

Big Plans For Skechers

For instance, RCG plans to accelerate its investment in the Skechers brand under a new distribution agreement that extends its rights to distribute the brand to 2017. Plans call for opening 80 to 100 additional Skechers stores over the next five years to reach a total of 120 to 140 locations.

In addition, RCG is in the process of finalizing a new agreement with VF Corp. that would


Photo courtesy RCG and Skechers

extend its rights to distribute Vans through 2018. VF Hong Kong Limited has the right to terminate its existing agreement with RCG with 12 months notice beginning December 31, 2017.

"VF has indicated to RCG that it is committed to a long term, mutually beneficial relationship with RCG, particularly in light of the importance of the Accent retail business to the Vans brand in this market," Brett said.

Vans is expected to contribute net profit after taxes of approximately AUS$1.5 to $2 million in FY16 but losing the business would have negligible effect going forward because of the projected growth of the Skechers and Platypus businesses, Brett said.

While Accent accounted for much of RCG's growth in the first half, sales and earnings also grew at the company RCG Brands and The Athlete's Foot (TAF) segments.

The Athlete's Foot To Open New Concept Stores

At The Athlete's Foot, sales grew 3.5 percent to AUS$98.1 million, same-store sales grew 4.3 percent and EBITDA grew 1 percent to AUS$5.6 million in the period. Same-store sales growth has since accelerated, resulting in year-to-date growth of 4.9 percent through the middle of February.

RCG expects to begin opening new The Athlete's Foot concept stores in the coming months that will help sustain its growth rate through the end of the fiscal year and set the foundation for growth for years to come.

Saucony Also Showing Strength

At RCG Brands (RCGB), which distributes Sperry, Merrell, Saucony and three other brands, wholesale revenues grew 7.6 percent to AUS$19.1 million compared with the first half of fiscal 2014, while retail sales grew 15 percent to AUS$14.6 million, with same-store sales growth of 6.9 percent. Year-to-date same-store sales accelerated to 8.3 percent through mid-February. EBITDA grew 8.5 percent to AUS$4.3 million for the half-year.

"We are particularly pleased with the performance of CAT and Saucony with both brands experiencing growth both through existing and new channels," Brett said. "We expect to be able to maintain the positive momentum and deliver mid-to-high single-digit sales growth for the full financial year." ■

BILLABONG INTERNATIONAL
SLUMPS BACK INTO THE RED ON AMERICAS WEAKNESS

Billabong International posted a net loss of AUS$1.6 million (-$1.4 million) in its first half ended December 31, after posting losses in North America and weaker than expected profits in the Asia-Pacific region.

Billabong had delivered a net profit of AUS$25.7 million in the year-ago period - including one-off gains from asset sales of AUS$13.5 million - its first profit in three years.

For continuing businesses, EBITDA excluding significant items in the first half of the current year was AUS$37.2 million ($26.5 million), down 13.1 percent from AUS$42.8 million for the year-ago period.

Sales were AUS$561.9 million ($400.3 million) in the latest half, up 7.6 percent compared the prior year, but down 0.8 percent on a currency-neutral basis.

Billabong's chief executive Neil Fiske warned in November that sales had deteriorated since the end of 2015 and earnings would come under pressure in the short term.

In the Americas, EBITDA before pre-global allocation of expenses skidded 63 percent in the half to AUS$4.1 million ($2.9 million). EBITDA post-global allocation of expenses was a loss of AUS$1.9 million ($1.4 million), against a profit of AUS$5 million a year ago. Sales were up 11.7 percent to AUS$219.9 million ($156.7 million) but off 4.8 percent on a currency-neutral basis.

Approximately half of the reduction was attributable to a decline in comparable gross margins of 2.3 percent for the period due to pressures from excess inventory. Part of this excess followed the West Coast port strike, which reduced selling time on the floor during the region's spring and summer seasons. Additionally with supply chain disruption seen a year ago, fall and holiday inventory were bought ahead of visibility to changing market conditions. Billabong expects inventory levels to be largely back to target levels by the fiscal year end.

"As we get inventories back in line, we believe margins will recover," Fiske said.

In North America external wholesale revenue was down 1.6 percent on a comp basis, with an increase in the specialty channel offset by softness in the big action sports retailers.

Among its big brands on a wholesale equivalent basis (including owned retail), sales were up 1.6 percent for Billabong, 5.5 percent for Element, and 15.3 percent for RVCA.

Wholesale revenues in the U.S. were up for Element and RVCA and, following strong growth last year, flat for Billabong. Sector 9, which specializes in the long board skate sector, declined substantially and was AUS$2.5 million ($1.8 million) below the corresponding period in EBITDA.

Photo courtesy Billabong

Retail revenue was down 13.6 percent in North America largely due to the closure of the company's Times Square store. Comps declined 5.1 percent, reflecting weakness in the broader sector and tourist-related retail.

Europe continued its turnaround with EBITDA before global allocations improving 32.7 percent to AUS$10.4 million ($7.4 million). Overall sales for Europe were up 11.5 percent to AUS$98.1 million ($69.9 million) and added 4 percent on a currency-neutral basis. Comps were up 6 percent.

In the Asia Pacific region, EBITDA before global allocations was down 6.7 percent to AUS$36.2 million ($25.8 million) due to currency headwinds. Asia Pacific sales inched up 2.8 percent to AUS$243.9 million ($173.7 million) and gained 1.2 percent on a currency-neutral basis. Comps were down 1 percent, largely due to tougher retail conditions in Japan. A slight increase in comps were seen in Australia.

Globally, all three of the company's biggest brands saw growth. On a wholesale equivalent basis, which includes sales to own retail, Billabong grew 2.6 percent globally on a currency-neutral basis, Element advanced 9.1 percent and RVCA added 20.6 percent. All three brands showed growth in the three major regions.

Looking ahead, EBITDA for January and February combined is expected to be ahead of year-ago levels. The remaining four months will be especially influenced by the major sales month of June in North America. Overall, the company expects the second half to benefit from the implementation of key initiatives and a less pronounced bias of the company's earnings to the first half than the last financial year.

Fiske said the company continues to push ahead with its transformation efforts. Around omni-channel initiatives, new e-commerce platforms for Billabong, Element, RVCA and Surf Dive & Ski will be introduced this year. Endless aisle shopping, click and collect, loyalty order fulfillment from any channel will also be initiated.

Other major efforts include the consolidation of its sourcing network that's expected to lead to $20 million in annualized savings by 2018. Billabong, Element and RVCA have also now begun implementing moves to reduce product lead times by up to 30 percent in order to improve margins and reduce mark-downs.

"Our philosophy is to build it once, build it right and standardize our operating platforms for scale, efficiency and enhanced capability," Fiske said. Implementation is underway, but we have a lot of work still ahead of us." ■