

# SPORTS EXECUTIVE WEEKLY

WEEK 1623

News • Analysis • Insight

JUNE 3, 2016

## UNDER ARMOUR NOT IMMUNE TO SPORTS AUTHORITY BANKRUPTCY

Under Armour said it expects to take a \$23 million impairment charge in the second quarter related to Sports Authority's liquidation while it also lowered its outlook for the year.

When Sports Authority filed its bankruptcy petition on March 2, court documents showed that Under Armour was owed \$23.2 million.

In its statement, Under Armour noted that during the first quarter it "did not believe that the exposure to its receivables from The Sports Authority was materially impacted and the company announced its intention to continue to support The Sports Authority as it proceeded through its restructuring, including support through continued sales in 2016."

However, with the bankruptcy court's approval of a liquidation plan for Sports Authority's business rather than a restructuring or sale of the ongoing business, Under Armour will now recognize a charge of approximately \$23 million in the second quarter, officials said. Unsecured claim holders are not expected to earn any recovery as part of the liquidation plan after more secured claims are paid off.

Under Armour also noted that due to the liquidation, it was only able to recognize \$43 million of the originally planned \$163 million in revenues with The Sports Authority for 2016.

As a result, 2016 revenues are now expected to reach \$4.93 billion, representing growth of 24 percent over 2015. Previously, it expected revenue of \$5 billion, representing growth of 26 percent.

Including the impact the impairment charge, operating income is now expected to climb between 7.7 percent to 8.9 percent to between \$440 million to \$445 million. Previously, it expected operating income in the range of \$503 million to \$507 million, representing growth of 23 percent to 24 percent over 2015.

For the second quarter, Under Armour continues to expect revenue growth to be in the high 20s percent range, consistent with previously issued guidance.

However, as a result of the impairment charge, operating income is now expected to range from \$17 million to \$19 million,

which would represent a decline between 40.4 percent and 46.7 percent from \$31.9 million a year ago. Previously, earnings were projected to expand to between \$40 million to \$42 million, representing 25 percent to 32 percent growth.

The company's tax rate for the second quarter is expected to be approximately 70 percent.

Under Armour's stock was trading down around 5 percent, below \$36 per share June 1, following the news.

Kevin Plank, chairman and CEO, stated, "While The Sports Authority's bankruptcy impacts our 2016 outlook, our brand's momentum is stronger than ever as we continue to see growth and increased demand across all categories and geographies. This one-time event will not impact our focus on making the best decisions for Under Armour through investments that protect and drive our growth."

In reporting first-quarter results on April 22, Under Armour officials said it's increasing channel and geographic diversification would help it offset the negative impact on sales of both the bankruptcies of Sports Authority and Sport Chalet.

On the call, Plank noted that overseas had grown to represent 13 percent. But he also pointed to continued expansion at Dick's Sporting Goods, helped by collaborations on premium footwear, as well as things as elevated golf shops and other in-store executions. Newer growth is coming from Champs Sports, including its five large-format The Armoury Concepts, and Foot Locker, which where the brand has more doubled its store placement base due to the popularity of Stephen Curry basketball shoes. At the department store level, Under Armour added 275 women's departments this year at chains such as Macy's, Bon-Ton and Bloomingdale's.

Overall, Plank stressed how the growth of more than 30 percent in the first quarter "continues to demonstrate the strength of the brand, and how strong our portfolio ultimately is," and pointed to Under Armour having more than half the distribution points of Nike as another sign of future expansion potential.

"Our growth is effectively coming from everywhere," said Plank. "And North America is something that we feel incredibly strong about."



Kevin Plank, CEO, Under Armour  
Photo courtesy Under Armour

As reported, on May 16, a group of liquidators won the right to conduct going-out-of-business sales at a bankruptcy auction for the assets of Sports Authority. Going-out-of-business sales began last Thursday, May 26, and are expected to continue through August.

Under Armour is the first major vendor to lower its full-year outlook due to the liquidation of Sports Authority.

In early May, Asics America Corp. said it saw operating income decline 64 percent mainly due an increase in cost of sales ratio and a recording of allowance for doubtful receivables, presumably tied to the bankruptcies of Sports Authority and Sport Chalet. Asics was left with an unsecured claim of \$23.3 million, according to the bankruptcy filing.

The largest unsecured trade creditor was Nike Inc., which was owed \$47.9 million according to the bankruptcy filing. The remaining top-ten list included Implus Footcare LLC, with an unsecured claim for \$9.4 million, Agron Inc. (an Adidas licensee), \$9.2 million MJ Soffe LLC, \$5.3 million, Easton Baseball/Softball Inc., \$4.6 million, Wilson Team Sports, \$4.5 million, Thorlo Inc., \$4.5 million, and Golden Viking Sports LLC, \$4.4 million. ■

# SPORTS EXECUTIVE WEEKLY

News • Analysis • Insight

**Group Publisher & Creative Director**  
Teresa Hartford  
teresa@SportsOneSource.com  
303.997.7302

**Editorial Director**  
David Clucas  
clucas@SportsOneSource.com  
303.578.7007

**Associate Editor | Sports & Fitness Editor**  
Jahla Seppanen  
jahla@SportsOneSource.com  
303.578.7008

**Senior Business Editor**  
Tom Ryan  
tryan@SportsOneSource.com  
917.375.4699

**Media Sales**  
Buz Keenan  
buz@SportsOneSource.com  
201.887.5112

**Senior Business Editor**  
Charlie Lunan  
clunan@SportsOneSource.com  
704.996.4463

**Circulation & Subscriptions**  
admin@SportsOneSource.com  
303.997.7302

**Art Director**  
Chris Loving-Campos  
chrislc@SportsOneSource.com

## SGB Media

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

**SSIData**  
SSIData.com

**Career Services**  
SGBJobs.com

Sports Executive Weekly is published 50 weeks per year and delivered via e-mail the first day of each business week. Articles and subscription info can also be accessed daily at SportsOneSource.com

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

Powered by

**SPORTSONESOURCE**

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



## SPORTS AUTHORITY SETS LEASE AUCTION FOR JUNE



Sports Authority has hired A&G Realty Partners to take bids at a June auction for the retailer's remaining 320 leases.

On May 16, a group of liquidators won the right to conduct going-out-of-business sales at a bankruptcy auction

for the assets of Sports Authority. Going-out-of-business sales began on May 26, and are expected to continue through August.

Bids for leases are due June 23rd with an auction set for June 29th in Wilmington, DE.

A&G Realty said the 320 leases are for stores ranging from 10,000 to 80,000 square feet with many major retail markets, including NYC, Chicago, Los Angeles, Dallas, and Miami. (Click here for full store list.)

"The company has done a great job with its real estate and their locations are well positioned in key retail street and power center locations. By taking assignment of leases, retailers have the opportunity to enter new markets and gain access to projects they may have previously been unable to penetrate," said Emilio Amendola, A&G co-president, in a statement.

Sports Authority is also planning to hold an auction for the Sports Authority's brand name, the intellectual property for its proprietary brands, and customer data lists.

The retailer will also seek to sell its sponsorship agreement with the Denver Broncos. The sponsorship, in place since 2011, gave the retailer naming rights to the Denver Broncos' stadium as well as the right to advertise in the stadium and use the Broncos name and logo in ads in store and online.

According to a filing in U.S. Bankruptcy Court in Delaware, The Denver Broncos are seeking the first right of refusal if Sports Authority tries to sell the naming rights. It also claimed Sports Authority had breached its contract by missing two quarterly payments.

Bloomberg News, citing unnamed sources, said the company's term-loan lenders were among those claiming to have collateral rights over Sports Authority's intellectual property and contracts, including the naming-rights agreement. ■

# SGB JOBS

THE INTERSECTION OF YOUR  
ACTIVE LIFESTYLE AND CAREER

THE RIGHT TALENT IS EASY TO FIND IF  
YOU LOOK IN THE RIGHT PLACE

SportsJobSource reaches the most  
connected, best informed, and highest caliber  
professionals in the active lifestyle market.

For more information call 303.997.7302 or  
email SportsJobs@SportsOneSource.com

SGBJobs.com

Powered By

**SPORTSONESOURCE**

SportsOneSource.com | 303.997.7302



## G-III APPAREL FIRST QUARTER STYMIED BY WARM WINTER

While coming in better than management's low expectations, G-III Apparel Group Ltd. (Nasdaq:GIII) reported net income for the fiscal first quarter fell 58.8 percent.

The warm winter weather impacted sales of the company's sizeable outerwear segment while its specialty businesses, including the Wilsons Leather and G.H. Bass & Co. chain, continued to struggle.

Morris Goldfarb, G-III's chairman, CEO and president, said the rest of the company's wholesale business, which includes its fan apparel business, "transcended the tough environment in the first quarter and is gaining momentum."

Earnings in the quarter reached \$2.8 million, or 6 cents a share, exceeding guidance on March 22 forecasting earnings in the range of break even to 5 cents a share.

Revenues grew 5.6 percent to \$457.4 million.

Net sales of its wholesale operation segment increased 8.5 percent to \$382 million, primarily as a result of increased sales of Calvin Klein licensed product, with the largest increases occurring in women's suits, women's outerwear and handbags, as well as increased sales of Ivanka Trump product.

The increase was also the result of net sales of its new Karl Lagerfeld license products and its Tommy Hilfiger dress line.

Goldfarb said the strength of G-III's overall wholesale line is evident at Macy's, where the company saw a 13 percent gain and retail sell through continued at a strong double-digit rate. He said, "We are seeing this kind of outperformance broadly in department stores because, simply, our product represents good value for consumers."

Goldfarb said the Team Sports order book "is filling out well, led by the NFL again this year." He said the company is "especially excited about the growth prospects" of Hands High by Jimmy Fallon, which places a team's logo under the wearer's armpit. Said Goldfarb, "We are launching the product in over 40 universities this fall holiday season following our launch of product for professional sports leagues last fall."

Team Sports represents its fan apparel business that features G-III Sports by Carl Banks, including Starter jackets, as well as Touch by Alyssa Milano.

Goldfarb said the company continues to see double-digit gains overall in its non-outerwear wholesale businesses for the year,

which is expected to offset a planned decline in the mid-single digits in outerwear for the upcoming fall/winter season.

Net sales of the retail operation segment decreased 6.9 percent to \$95 million, primarily due to decreases of 13.6 percent in Wilson same-store sales and a decrease of 5.1 percent in GH Bass same-store sales.

Gross margins increased to 36.2 percent compared to 35.7 percent in the prior year period. Wholesale gross margins increased to 32.5 percent from 30.4 percent in last year's quarter, mainly the result of an increase in gross profit of its Calvin Klein licensed products, primarily women's dresses and sportswear, as well as improved margins at the Jessica Howard and Eliza J dress business. Gross margins in its retail operation segment eroded to 43.5 percent compared to 46.2 percent, driven by offering deeper discounts in order to sell excess inventory.

Total SG&A expenses increased to 33.4 percent from 31.6 percent a year ago.

The company reiterated its prior guidance for the year ending January 31, 2017 with earnings expected to bounce back in the back half of the year. Earnings are expected to land at \$2.46 per share, slightly up from \$2.44 on an adjusted basis a year ago. Sales are expected to reach \$2.56 billion, up from \$2.34 billion.

For its second fiscal quarter, earnings are expected to decline in the range of 15 to 19 cents a share, down from 27 cents a year ago. Sales are expected to climb to \$485 million from \$473.9 million a year ago. ■



## XINGQUAN SWINGS TO Q3 LOSS ON PLUMMETING SALES



China's Xingquan International Sports Holdings Limited swung to a loss before taxes in the fiscal third quarter ended March 31 as sales of its shoes, shoe soles, apparel and accessories plummeted.

The company, which derives all its income from China, reported revenues plummeted 67.1 percent to RMB106.9 million (\$16 million) compared with the year earlier quarter, resulting in a loss before taxes of RMB14.3 million (-\$2 million), compared with a profit of RMB56.3 million. Excluding the impact of currency exchange, the company earned a profit before taxes of RMB6.3 million (\$1 million).

Xingquan is among dozens of Chinese companies that began moving up the value chain in recent years by launching its own domestic brands. It launched the Addnice footwear brand in 2003 and founded Gertop as an outdoor sportswear brand in 2010. It has since re-positioned Gertop as an outdoor casual wear brand and opened a chain of more than 100 retail outlets in a bid to raise average sales prices and margins.

Xingquan's revenues of RMB556.4 billion (\$85 million) and a profit before taxes of RMB300 (\$13 million) for the nine months ended March 31, represented declines of 46.1 percent and 72.4 percent respectively. Revenues and operating income declined 7.1 percent and 56.4 percent at its shoe soles segment, 61.3 percent and 55.2 percent at its casual outerwear segment, and 37.6 percent and 54 percent at its apparel and accessories segment that includes Gertop.

While acknowledging uncertainty over the direction of China's economy that may impact spending by Chinese consumers, Xingquan said "prospects for its financial year ending June 30, 2016 should remain positive due to the success of the Gertop brand" and its shoe sole business. "We will continue to be wary of the changes in the economic conditions." ■

## HANESBRANDS RAISES 2016 VIEW TO REFLECT PENDING BUYOUTS

Hanesbrands raised its earnings and sales guidance for 2016 based on expectations of increased synergies from two pending acquisitions – Pacific Brands and Champion Europe – as well as debt refinancing.

The acquisition of Champion Europe is expected to close in late June, and Pacific Brands Limited in July.

Hanes now expects 2016 net sales of approximately \$6.15 billion to \$6.25 billion, up from the previous guidance range of \$5.8 billion to \$5.9 billion.

On a GAAP basis, earnings per share (EPS) is expected in the range of \$1.51-\$1.57, compared with previous guidance of \$1.63-\$1.73 as a result of acquisition-related charges, and GAAP operating profit is expected to be in the range of \$780 million to \$815 million, compared with previous guidance of \$835 million to \$865 million as a result of acquisition-related charges.

On a non-GAAP basis adjusted to exclude acquisition-related actions, EPS is expected to be in the range of \$1.89-\$1.95, up from previous guidance of \$1.85-\$1.91, and operating profit is expected to be in the range of \$940 - \$975 million, up from previous guidance of \$920-\$950 million.



Photo courtesy Champion

On an annualized basis, the acquisitions of Champion Europe and Pacific Brands are expected to contribute approximately \$800 million in net sales and approximately \$70 million in operating profit before synergies. Annualized interest expense to fund the acquisitions are expected to be \$40 million. Due to the timing of the closings and the seasonality of the businesses, Hanes expects to benefit from approximately one-third of annualized profitability in 2016 while incurring approximately three-fourths of annualized interest expense.

The guidance also reflects debt refinancing and the tax-rate effect of the new FASB Accounting Standards Update related to accounting for stock compensation and excludes Pacific Brands' Tontine pillow and Dunlop Flooring businesses that are being divested. Guidance for adjusted operating profit and adjusted EPS accounts for an estimated \$160 million of pretax charges related to debt refinancing and the acquisitions and integrations of Hanes Europe Innerwear, Knights Apparel, Champion Japan, Champion Europe and Pacific Brands.

"Our Sell More, Spend Less and Make Acquisitions strategy continues to create value," said Hanes Chief Operating Officer Gerald W. Evans Jr. "The acquisitions of Champion Europe and Pacific Brands will make meaningful contributions to our ongoing success and growth, and we are looking forward to adding these operations and their strong management teams to our worldwide portfolio."

The company updated its guidance due to an appearance at an investor meeting last week. The company's brands include Hanes, Champion, Playtex, DIM, Bali, Maidenform, JMS/Just My Size, Leggs, Wonderbra, Nur Die/ Nur Der, Lovable and Gear for Sports. ■

## VESTIS TO PAY FOR GOODS RECEIVED 20 DAYS PRIOR TO BANKRUPTCY



Vestis Retail Group LLC expects to pay claims totaling \$8-\$10 million for goods Sport Chalet, Eastern Mountain Sports (EMS) and Bob's Stores received in the 20 days preceding its Chapter 11 bankruptcy under a revised order approved June 1 by the judge overseeing the case.

To be paid, vendors must have filed a Code 503 (b) (9) claim with the bankruptcy court for goods Vestis received on or after March 29.

Vestis also anticipates paying other pre-petition claims from a pool of funds that includes \$3 million in cash, 75 percent of net proceeds from its sales of leasehold interests and recoveries on commercial tort claims. The sum of those funds is not yet known and no determination had been made as of Thursday on how they will be distributed to the three retailers unsecured creditors.

The details were part of a revised agreement U.S. Bankruptcy Court Judge Laurie Silverstein approved Wednesday that clears the way for EMS and Bob's Stores to emerge from bankruptcy court largely intact, under the same management and ownership group and ahead of the back-to-school season.

Silverstein authorized Vestis to move forward with a revised "Stalking Horse Asset Purchase Agreement" with BSI Funding II LLC, an affiliate of Vestis' current parent

company Versa Capital Management. In doing so, she canceled an auction of Vestis' assets that had been tentatively scheduled for later this month.

In her order, the judge wrote that the terms of the deal were "reasonable and appropriate" and would yield better results for the company and the creditors than selling Vestis assets at auction.

An attorney representing creditors estimated the value of BSI Funding's bid at \$96 million. The sum includes \$35 million Vestis owed Versa prior to filing bankruptcy, any outstanding balance on the \$125 Wells Fargo loan Vestis arranged to finance its operations during bankruptcy, assumption of other liabilities and \$1.5 million in cash.

Assuming creditors don't raise any objections to the revised asset purchase agreement by a June 15 deadline, the judge could approve the sale at June 20 hearing. That would put Vestis on track to exit bankruptcy in July after liquidating all 47 Sport Chalet, eight EMS stores and one Bob's store.

When it filed its Chapter 11 petition April 18, Vestis said it planned to emerge from bankruptcy with 34 Bob's Stores and 61 EMS stores, and annual sales of approximately \$400 million. ■



## ZUMIEZ Q1 COMP SALES FALL 7.5 PERCENT AS IT INVESTS IN OMNI-CHANNEL FUTURE

Zumiez (Nasdaq:ZUMZ) reported fiscal first-quarter sales down 2.6 percent to \$173 million and its same-store sales dropped 7.5 percent as the action-sports apparel retailer works to update its omni-channel strategies while admittedly facing a tough retail environment.

Despite adding 47 stores since the first-quarter 2015, Zumiez could not offset reduced mall traffic and the lack of a fresh fashion driver to get customers into its stores during the usually slower first half of the year, Zumiez CEO Rick Brooks told investors on the company's June 2 conference call.

The company swung to a net loss of \$2.1 million, or a loss of 8 cents per diluted share, for the fiscal first quarter, ended April 30, compared to a net profit of \$2.8 million, or 9 cents per diluted share a year ago.

While the bottom-line performance was better than expected when officials gave their last update a month ago, they were nonetheless "not the results we would like to see," Brooks said. The negative performance is forcing the company to reduce its planned new-store additions for 2016 — now planning to open 22 new stores in North America versus a previous projection of 27, which represents 40 percent of new-store growth in 2015.

"While we still believe there's a long-term opportunity for expanding our global store footprint, we must acknowledge near-term head winds, particularly as it relates to our North American business," Brooks said. Zumiez held steady on its plan to open six stores in Canada and seven in Europe.

Looking ahead, Zumiez officials gave cautionary notes for the second quarter, but were more optimistic long term.

"As we head into the second quarter, we see many of these negative top-line trends persisting," Brooks said. "Net sales for the four weeks ended May 28, 2016, came in at \$50 million, down from \$51.5 million during the four weeks ended May 30, 2015. May same-store sales comps came in at a negative 7.6 percent, and were negatively impacted by the Memorial Day shift."

Officials expect the company's fiscal second-quarter sales to come in the range of \$172-\$176 million with a net loss between 9-13 cents per diluted share. Comp sales are expected to fall between 6-8 percent. Part of those expected declines are also related to increased discount activity from several



competitors in bankruptcy officials acknowledged — eg. PacSun, Sports Authority, Sports Chalet — and minimum wage increases, officials said.

While it faces short-term losses, Zumiez continues to invest in expanding its long-term omni-channel efforts, Brooks said. Gross margins are expected to continue to decline in the second quarter by 200-250 basis points and SG&A expenses are projected to climb 300-350 basis points.

"While the full implementation of this interface won't be complete until 2017, we're excited about this investment will allow us to better serve our customers," he said. "The investments we're making in our omni-channel infrastructure will give us further power and flexibility to address localized trends in a unique and authentic manner through micro-level assortment planning; optimize each touch point with the consumer to enhance in-store telecommunications infrastructure, a faster and more stable web platform, and robust omni-channel functionality; develop and enhance an enduring relationship with our customers through our Stash loyalty program; and enable our best-in-class sales teams to serve their local customers with nearly 100-percent localized in-store fulfillment of online orders."

The latter is an area where Brooks believes Zumiez is ahead of much of the industry, as it closed its centralized distribution center in favor of using its retail outlets as defacto fulfillment

centers to largely speed up delivery of product — something of large importance to the millennial generation.

"I can tell you that we have achieved that objective," Brooks said. "We have significantly improved the speed to our customer through localized fulfillment. There is then hopefully a benefit over the long term of increased margin, by being able to harvest slow-moving product in certain locations or regions as we fully optimize this model. Through three months, we feel good about the changes we made at the end of 2015."

Brooks concluded with some general retail observations, saying there are still many changes ahead for the marketplace.

"We are going through, as a retail industry, a very painful process over the last five and six years," he said. "I think in each niche there's going to be a dominant player that emerges a winner, a winning player in each niche of retail. I think in lifestyle retail, where we're playing, I think the winning model in my opinion is a global lifestyle footprint where you are doing something in a highly differentiated perspective, again working with young brands and helping young brands grow their business across a global platform. As a global retail partner for them, you're providing a very distinctive in-store experience as part of a community. Then you're leveraging all that on a domestic and global basis, with an incredibly strong integrated channel-less, omni-channel effort." ■

## LULULEMON FOUNDER CRITICIZES COMPANY, CALLS FOR BOARD CHANGES

A little more than a year after resigning as a director, Lululemon Athletica Inc.'s founder Chip Wilson is back in the grill of Lululemon's board.

In an open letter to the company's board of directors, Wilson, who remains the largest shareholder in the yoga-themed retailer with a 14.2 percent stake, criticized Lululemon's share and financial performance over the last few years in comparison with its competitors. He charged that the company had "lost its way" and fallen behind competitors Under Armour and Nike.

While noting that Lululemon had "created the global athleisure market," he vexed that the company's current management was failing to take advantage of "the most significant change in the way people dress in the history of the world."

Wilson also called for Lululemon's board to be declassified to make it more effective and not staggered. Currently, only three of 12 seats are up for re-election at every annual meeting. Becoming declassified means the entire board would stand for re-election each year.

He wrote that he penned the letter only after being denied a request to speak at Lululemon's annual shareholder meeting, which was held on Thursday. Showing his commitment to his effort to become more involved with Lululemon, Wilson also set up a website, [www.elevatelululemon.com](http://www.elevatelululemon.com), which included the letter and some of his core points.

In a statement that came out last Wednesday after Wilson's letter arrived, Lululemon said, "As evidenced by our strong operational performance, we have the right board of directors and leadership team in place with the broad and deep expertise necessary to support the execution of our strategic five year plan. This



Photo courtesy Chip Wilson

solid foundation gives us the tools to innovate and create as we deliver long-term sustainable growth for all stakeholders."

In his letter, Wilson criticized the company's long-term stock performance. Lululemon shares had dropped more than 8 percent since December 2013 when Laurent Potdevin was appointed CEO while Under Armour has increased 79 percent, Nike is up 45 percent and the S&P 500 is up 16 percent.

"Under Armour has taken our leadership role, and the market recognizes this with a

premium valuation," wrote Wilson. "Under Armour trades at double our EBITDA and P/E multiples. If Lululemon were rewarded with the same multiple as Under Armour's, our stock would be almost 90 percent or approximately \$8 billion higher today, or another \$60 higher per share."

But Wilson claimed the "most frustrating thing" was Lululemon's "dismal financial performance." He noted that since the new management was brought on, Lululemon has grown revenues by half a billion, but earnings

have declined. In 2015, the company's earnings reached \$1.89, down from \$1.91 in 2013.

"Management competence is uninspiring at best," wrote Wilson. "I am not convinced we have the right leadership in place to catalyze the change necessary to win in the current global, multi-channel and dynamic environment."

He said he had two questions for the board. The first was: "Do you plan to get back to our original leadership position compared to our competitors, in a market we invented and built? If yes, by when, and what are the exact signs, metrics and signals we should be looking for to indicate your plan is working?"

The second was whether they would declassify its board by the 2017 board meeting and effectively make it easier for shareholders to vote out board members if they choose. He said the board as currently composed might result in "entrenched directors and management."

Wilson wrote, "If the board that is currently in place cannot implement the changes that are required to increase shareholder value, then shareholders deserve the right to vote on all of the Board members and, if they so choose, make a change."

Under Potdevin, who is a former president of Toms Shoes and a former CEO of Burton Snowboards, Lululemon has worked to improve quality and fix supply-chain problems while accelerating plans to support international growth. Offerings have also been expanded to include more seasonal and fashionable items to be worn outside the gym. Earlier this year, Lululemon streamlined its men's and women's divisions into one management unit in a move aimed at unifying the company's branding for both product lines.

Also this year, Lululemon set a goal of reaching \$4 billion in sales by 2020, up from

(Con't Pg. 7)



## AISLE TALK

\$2.1 billion for 2015. However, Lululemon also issued a soft earnings forecast for the current quarter as the retailer continues to clear inventory and improve its supply chain. The retailer is expected to report earnings on June 8.

For the first quarter, Lululemon has said it expects earnings to land in the range of 28 to 30 cents, which compares to 34 cents in the year-ago quarter. For the full year, EPS is expected to be in the range of \$2.05 to \$2.15 for the full year, which would represent a gain of 8.5 to 13.8 percent.

Wilson founded Lululemon in 1998 and was CEO until 2005 just before the company's highly-successful IPO in 2007. He withdrew from day-to-day management in early 2012, and stepped down as chairman in December 2013. He eventually left the board in February 2015 after clashes with the board.

He also faced harsh criticism for various public snafus. The biggest one came in 2013 after the board asked him to return to help Lululemon manage a crisis over see-through yoga pants that led several executives to leave the firm. In an interview with Bloomberg, social media uproar occurred after Wilson asserted "some women's bodies just actually don't work for" Lululemon's tights.

In 2014, Wilson launched his first open fight with the board, voting against the election of two members and also pushing to declassify the board. The squabble was settled after Wilson sold half of his stake to private-equity firm Advent International, which was granted two board seats at the company.

Wilson stepped down from the board after another dispute over Wilson's wife and son in 2014 launching Kit and Ace, a higher-end version of Lululemon that includes some dressier items but also fitness offerings.

Wilson indicated he had no plans to launch a proxy war and supported the three directors set for election this week. Those include Kathryn Henry, Jon McNeil, and Robert Bensoussan.

But Wilson, whom Forbes estimates who has a net worth of \$2.3 billion, appears determined to continue to seek out ways to push Lululemon to articulate its plans for regaining its leadership status.

"I have not heard a strategy nor seen actions that lead me to believe we will regain our competitive position and secure long-term returns," wrote Wilson in his letter. "This is unacceptable and the board needs to understand that I – indeed all shareholders – will be watching closely." ■

**Beachbody**, a provider of in-home and gym-based fitness programs including P90X and Insanity, appointed **Global Brand Partners Pte. Ltd.** as its global licensee for footwear and apparel.

**Dick's Sporting Goods** set grand opening celebrations for stores in Quincy, IL and Gainesville, FL.

**Game Ready**, which specializes in active compression and cold therapy, hired **Matt Bouza** as its new senior vice president.

**Levi Strauss & Co.** launched its Collaboratory, an annual fellowship program for environmentally conscious entrepreneurs who are working to create a more sustainable apparel industry.

**Newell Brands Inc.**, which recently acquired Jarden Corp., hired **Fiona Laird** as executive vice president and chief human resources and communications officer.

**Nike Inc.** filed a lawsuit against **Boris Berian**, a top contender for the U.S. Olympic Team in the 800 meters, to prevent him from wearing New Balance merchandise at upcoming high-profile events.

**North American Shoe Co.**, a distributor of men's, women's and children's footwear, has been acquired by **Succession Capital**, a subsidiary of Lynx Equity.

A recent study from **North Carolina State University** exposed the "emotional labor" required of collegiate student-athletes can leave them feeling powerless, frustrated and nervous.


**Peak**, the Chinese athletic footwear brand, signed **Matthew Dellavedova**, the back-up point guard of the Cleveland Cavaliers, to a three-year endorsement deal.

**Rawlings Sporting Goods Company, Inc.**, a subsidiary of Newell Brands, signed on as the Official Softball of NCAA Championships effective through 2021.

# SSI | DATA

## Actionable Weekly Sales Trend Reporting for the Active Lifestyle Market

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



Powered By

**SPORTS ONE SOURCE**

[SportsOneSource.com](http://SportsOneSource.com) | 303.997.7302