SGB EXECUTIVE WEEK IN REVIEW
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Photo courtesy Hibbett Sports

HIBBETT CUTS GUIDANCE ON WEATHER CONCERNS

Hibbett Sports Inc. (Nasdaq:HIBB) joined Dick's Sporting Goods in admitting that warm weather was crimping sales of seasonal apparel. However, while Dick's was able to raise its full-year guidance due to a robust third quarter, Hibbett delivered third-quarter results that fell short of Wall Street estimates and slightly lowered its guidance for the year.

"We are pleased with our back-to-school sales, and continue to see high-single-digit comps in footwear," said Jeff Rosenthal, CEO, on the November 18 conference call with analysts. "Sales softened in September and October as apparel sales became more challenging, primarily in our cold-winter categories."

In the quarter ended October 29, earnings slumped 21.8 percent to $14.6 million, or 66 cents a share, well below Wall Street's consensus estimate of 74 cents. Net sales increased 3.8 percent to $237 million. Comparable-store sales inched up 0.7 percent. By month, comp sales were up 4 percent in August, negative 1.5 percent in September and negative 2.9 percent in October.

Gross margins eroded to 35.4 percent compared with 36.1 percent. Product margin decreased 55 basis points due to a higher mix of footwear sales resulting from soft sales in seasonal apparel and markdowns taken to reduce inventory. SG&A expenses increased to 23.6 percent of sales from 21.1 percent, partially due to the low comp increase. Additionally, investments in its omni-channel initiative and higher expenses related to employee-benefit costs, credit card fees and store maintenance impacted the rate.

Apparel Weakness

Elaborating on the category performance, Jared Briskin, SVP and chief merchant, said the quarter delivered a "very mixed performance."

(Con't Pg. 2)

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The back-to-school footwear business was "fantastic and led to significant gains early in the quarter," he said. As BTS selling waned, however, comps were challenged by areas outside footwear and declines in seasonal categories. Said Briskin, "These difficulties prompted a more aggressive stance with markdowns and promotions to drive revenue and keep the inventory as clean as possible."

Apparel was down low single digits in the quarter. While updates to non-seasonal categories "had a very positive impact," performance product continued to struggle. Seasonal apparel saw "significant declines, as the challenging weather pattern is prompting our customers to wait as long as possible to buy seasonal apparel," Briskin said.

Men's apparel was up low single digits as investments in denim, athletic bottoms and polos sold well. Women's and kids were down high single digits due to weakness in performance and seasonal apparel. Accessories suffered a low-single-digit decline, as strength in backpacks due to back-to-school selling couldn't offset declines in socks. Licensed apparel was down double digits, with decreases in colleges broad-based across teams and categories. MLB licensed sales were helped significantly by the Cubs and Indians playoff run, but that was offset by weakness from last year's playoff runs of the Royals and Rangers and general weakness in Braves and Cardinals merchandise.

Team sports sales were down low single digits. Cleats were up low single digits, with football and soccer both positive. Equipment was soft across all categories, down mid single digits. Fitness continues to see the most significant declines, Briskin said.

Footwear Strength

The best category was footwear, up high single digits with all genders performing close to that level. Basketball was led by strong performances from Retro Jordan and the Curry 2.5 from Under Armour. Lifestyle "had a fantastic back to school," led by Nike's Huarache, Air Force One, Roshe and Juvenate.

A "significant" footwear increase was also seen with Adidas, led by its Superstar, ZX Flux and Nomad models. Running "improved with explosive results" from Adidas' Alpha Balance, strong performances from Under Armour Slingride and Bandit and strength from Nike's Free and Pegasus. Added Briskin, "We continue to be very encouraged by future growth opportunities in footwear."

Inventories increased 5.6 percent over last year, and were 2 percent higher on a per-store basis. "We are working diligently to identify opportunities to reduce inventory and improve productivity," Briskin said. He added that Hibbett expects its digital initiatives to have a significant impact on inventory productivity next year. Expectations for the end of the fourth quarter are for inventory levels to be flat to slightly elevated, but down on a per-store basis.

In other developments, Hibbett opened its first store in California in the quarter. Overall, it opened 13 in the period, expanded two and closed five, bringing its count to 1,067 in 34 states. The company also began the full rollout of a new POS system that's expected to help reach customers in stores and online. Said Rosenthal, "With our 6 million-plus loyalty members and our store base, we believe that we can drive additional business that we have not been able to capture both in store and digitally. We have made significant progress on our e-commerce initiative and will deliver next year."

Looking Ahead

Based on third-quarter results, Hibbett now expects EPS in to be in the range of $2.82 to $2.88, down from a previous range of $2.93 to $3.02. Merchandise margin is expected to be relatively flat compared to a previous expectation of flat to slightly positive versus the prior year.

The poor early start to cold-merchandise selling follows a mild winter in its markets that impacted fourth-quarter results the prior year. In the Q&A session, Rosenthal admitted that it "actually seems to be significantly worse than last year" from a weather standpoint.

Rosenthal added that the company decided to become more aggressive this year in marking down cold-weather merchandise earlier, following the prior season's fallout that led to high carryover inventories.

"We feel pretty confident that if the weather does come, we are in a good inventory position and we have opportunities to get more if we needed," Rosenthal said. "But the bigger risk we felt was to carry some of that inventory out of Q4 and into next year. We know we have opportunities from a productivity perspective and margin perspective that we would like to capitalize on." ■

Photo courtesy of Sportsman's Warehouse

SPORTSMAN'S WAREHOUSE SEES POST-ELECTION FIREARMS UPSIDE

Sportsman's Warehouse (Nasdaq:SPWH) CEO John Schaefer sees nothing but upside to the Republican victory in the recent U.S. elections, despite the irony that the previous eight years with a Democrat in the White House greatly improved firearm sales, a key part of the retailer's business.

That boost in sales was largely credited to the fear of greater gun-control laws, a fear now reduced with Republicans gaining control of the White House, Senate and House. That has some predicting a decline in gun sales ahead.

But Schaefer told investors November 17 he's confident the firearm market will remain healthy.

"With the election uncertainty behind us now, we believe a Republican White House and Congress is a positive for both our company and for the shooting sports industry, as gun legislation fears should be alleviated, setting the stage for continued steady growth in firearms," he said on the company's quarterly conference call.

Schaefer said any surge in gun sales tends to come before the election, which it did about a week before. Furthermore, looking beyond fear, he claimed the boost in gun sales over the past years has gotten more people involved in shooting sports.

"All those people that joined became first-time purchasers in 2012 and into 2013 … it is clear that those people are really now buying their second, third and fourth firearm, as they get comfortable with techniques of shooting both a handgun and a long rifle, and become interested in the different types of calibers of rifles, the different types of make-ups of rifles, whether it be a bolt-action rifle or a modern sporting rifle," Schaefer said. "So they're starting to act like longer-term buyers in the shooting sports. And I think that bodes really well for the industry on a go-forward basis, just from an organic growth standpoint."

Merging Competition

Schaefer also addressed the pending merger between two of Sportsman's Warehouse's biggest competitors, Cabela's and Bass Pro Shops, saying it will be an opportunity for his business due to the likelihood of little store growth coming from the other two.

"Given the approximately 40-percent store overlap in a 50-mile radius that these companies have, we believe the near-term focus will be elimination or repurposing of owned real estate, which can be highly distracting and a significant impediment to new incremental store growth," Schaefer said. Sportsman's Warehouse, in the meantime, added 11 stores in 2016 for a total of 75 in 20 states, with an additional three new stores announced for early 2017.

Schaefer added: "Lastly, the resulting size of the combined entity, and its position as a highly leveraged private company, we believe will cause caution in the vendor community and increase the appetite for vendors to expand merchandising efforts with other players, such as ourselves, to offset this increased risk."

Steady Earnings

On the financial front, Sportsman's Warehouse reported earnings for the latest third quarter within its guidance. Same-store sales grew 2.1 percent on total sales growth of 13 percent to $217.2 million. Firearm sales were up 21.1 percent, outpacing NICS data (national background check figures) of up 17 percent.

Both clothing and apparel sales turned positive on the same-store basis with gains of 5.2 percent and 2.4 percent, respectively, during the third quarter. And also from a same-store sales comparison, average ticket order and customer conversation rates were up. Accessory, optics and camping sales were the callout weaknesses during the quarter.

Despite the overall favorable figures, gross margin as a percentage of sales slipped 40 basis points to 34.2 percent, largely on the growth of firearms and ammunition sales, whose margins are smaller than clothing and footwear, officials said. SG&A expenses remained flat at 24.7 percent. Net income for the quarter came in at $10.5 million, or 25 cents per diluted share, versus a net income of $9.5 million, or 23 cents per diluted share, a year ago.

As of October 29, 2016, the end of its fiscal third quarter, ending inventory was $304 million, as compared to $253.9 million at the same date a year ago. Most of that increase is from new stores as, on a per-store basis, inventory increased by only 2.2 percent.

Future Initiatives And Forecast

Company officials said the business remains committed to its store-growth plan, with an annual square-footage growth rate of 10 percent for the next few years. Its three newly announced stores include locations in Yuma, AZ, Eureka, CA and Henderson, NV.

And while it's focused on driving consumers to its physical stores (the company claims 30 percent of its merchandise either cannot be found or is very hard to find elsewhere online from competitors), it will also make e-commerce investments. One recent change online that drove traffic was the posting of its gun assortment online. Buyers can browse on the site but must still purchase in store due to federal regulations.

Looking ahead, Sportsman's Warehouse officials narrowed the company's revenue and earnings ranges without any significant moves up or down. Fourth-quarter sales are now projected between $230 million and $235 million, with same-store sales coming in between a 1 percent gain and a 1 percent loss. Fourth-quarter earnings per diluted share are slated between 27 cents and 30 cents.

For the full year, sales are expected between $789 million and $794 million, with same-store sales projected between flat and up 2 percent. ■

FOOT LOCKER RIDES STRENGTH IN LIFESTYLE

Continuing its long streak of robust performances, Foot Locker Inc. (NYSE:FL) reported third-quarter adjusted earnings rose double digits on 4.7-percent same-store gain, again topping analyst estimates.

The quarter marked its 27th consecutive period of "meaningful sales and non-GAAP profit growth," stated Dick Johnson, chairman and CEO, on a conference call with analysts. Johnson attributed the gains to the company being able to successfully navigate shifting trends this year from basketball to more athletic lifestyle offerings. It's also benefitting from a resurgence at Adidas and Puma, largely in their more casual styles.

Overall, the CEO said a "crucial element" to the company's consistent success has been its ability to remain at the "epicenter of sneaker culture." Johnson also attributed the success to Foot Locker's ability to work with vendors to remain on-trend, as well as its efforts to further differentiate each banner over the years to reach a unique customer base.

Said Johnson, "It is our own passion for sneakers and our understanding of these subtle differences that are key to our ability to maintain critical points of differentiation between our banners and from the competition."

In the quarter, earnings excluding non-recurring items rose 13 percent to $1.13 a share from $1 a year ago. Results exceeded Wall Street's consensus estimate of $1.11. Net earnings rose to $157 million, or $1.17 a share, from $80 million, or 57 cents, benefiting from a reduction in tax expense by $10 million, or 7 cents a share, due to higher goodwill value assessed to its European business. The tax break was partly offset by a pre-tax impairment charge of $6 million, or 3 cents a share, tied to its struggling Runners Point and Sidestep businesses. The year-ago period included a $100 million pension litigation charge.

Total sales increased 5.1 percent, to $1.89 billion. Excluding the impact of currency fluctuations, total sales increased 5.5 percent. The 4.7-percent comp gain was in line with guidance calling for a mid-single-digit comp increase and came on top of last year's 8.7-percent comp gain. Comps increased mid single digits in each month of the quarter.

Footwear Shines

Lauren Peters, EVP and CFO, said many of the trends seen earlier this year continued in the period. Footwear and apparel comps were both up mid single digits in the quarter, while accessories posted a low-single-digit decline. Women's footwear jumped double digits on a comp basis, with the Adidas Superstar line "especially popular" with women across banners and geographies. Children's footwear again performed well, up mid single digits, while men's footwear comps finished up low single digits.

Across the footwear category, running and casual were both up in the high-single-digit range, while basketball was down slightly. Lifestyle running, led by Nike and Adidas, continued to be "very strong" while Stan Smith from Adidas, Vans Classics and Puma Suede Classics stood out in casual footwear. Within basketball, strength in court classic styles such as Adidas Superstars largely offset declines in performance shoes. Average selling prices in footwear were up at the low end of mid single digits, while units were also up low single digits. Store traffic in the U.S. was up, and comps in the store segment were up mid single digits.

By banners, the strongest comp performance was from 602, up "well into double digits," said Peters. The women's banners' gains were driven by footwear with strong gains in Puma, Adidas and Nike. Foot Locker Canada also continued its recent momentum with a double-digit increase.

Among its male banners in the U.S., Champ Sports led the way with a double-digit gain driven by a mid-teens increase in apparel and a high-single-digit gain in footwear. The Foot Locker division in the U.S., which now includes its remaining Lady Foot Locker stores, was up mid single digits. Kids Foot Locker grew at the low end of mid single digits, while Footaction was up low single digits. Internationally, Foot Locker Asia Pacific comped up low single digits. Foot Locker Europe was down low single digits due to traffic declines, especially in Italy, France and Spain. Its Runners Point and Sidestep banners were down double digits.

Direct-to-customer (DTC) sales delivered an 8.9-percent comp gain. The company's collective store-banner dot.com sales continued their momentum, with comps up slightly more than 20 percent. Eastbay declined high single digits.

Strengths And Weaknesses

Adjusted earnings were helped by an improvement in gross margin rate to 33.9 percent of sales from 33.8 percent a year ago. The uptick was driven by merchandise margin, which also improved by 10 basis points due to lower markdowns in stores. SG&A expenses improved 20 basis points to 19.4 percent of sales despite higher marketing costs to support DTC.

Inventory was up 1.9 percent from a year ago and ahead 2.2 percent on a currency-neutral basis. Said Peters, "Our inventory remains fresh and exciting and we are well positioned for the important upcoming holiday season starting this weekend with this year's addition of the week."

Discussing some of the weaker parts of the business, Johnson said the poor performance by Runners Point and Sidestep partly reflected a challenging retail climate in Germany. However, a banner segmentation strategy set in place after the businesses were acquired in 2013 made incorrect assumptions about each banner's customers. For instance, Runners Point's mix shifted toward performance-oriented products and misjudged how many customers were coming to the banner for casual sneakers. Said Johnson, "We remain committed to the Runners Point and Sidestep businesses and believe we can get their performance back to the previous levels of profitability, which is the starting point for the ultimate goal of expanding those banners outside Germany."

Eastbay, which focuses on the high school athlete, is being hurt by the shift in style preferences away from performance toward lifestyle assortment and is making adjustments to meet more of their target customer's causal needs.

On the positive side, Johnson noted that a number of trends continue to work in Foot Locker's favor. These include the rebound in Adidas, evident in strength with both NMD and Superstars on the Originals side and with Pure Boost and Ultra Boost in performance. Puma is seeing renewed momentum, particularly in women's. While limited to certain banners and geographies, Vans, Reebok, Asics and New Balance are all seeing "encouraging momentum."

Nike, by far its largest vendor, is seeing "significant sales" in the lifestyle running categories with styles such as Roshe, Huarache, Presto and Air Max across regions. The Jordan brand "continues to build popularity around the world and there was also strength in seasonal boots from Nike."

Overall, the boot business, led by Timberland, has "gotten off to a somewhat slower start" this year. In basketball, while signature basketball remains soft, healthy sales are coming from Nike's Kyrie Irving model as well as the Curry 2.0 and 2.5 product from Under Armour.

Apparel is making progress at most of its banners with margins "close to catching up to the already strong footwear margins." Average selling prices are up double digits due to a focus on premium assortments.

Looking ahead, Foot Locker for the fourth quarter continues to expect a mid-single-digit comp gain, slight improvements in both gross margin and the SG&A rate and a double-digit EPS. The company remains on track to achieve the annual guidance calling for mid-single-digit comps and a double-digit gain in EPS. ■

Photo courtesy Sierra Trading Post

SIERRA TRADING POST SHIFTS ONLINE PROMOTIONAL STRATEGY

Outdoor consumers who have grown accustomed to Sierra Trading Post's (STP) website touting consistent 60-, 70- and 80-percent off deals have begun hearing a different tune from the discount outdoor retailer.

Executives at parent company TJX Cos. (NYSE:TJX) told investors on the company's November 15 conference call that it is significantly shifting STP's online strategy from one of heavy promotions to everyday value.

"We've been going through some learnings in terms of remodeling the business because the website was much more promotional than, as you can imagine, we would want it to be," TJX Cos. President and CEO Ernie Herrman said on the call. "We have recently (a month ago) taken a big chunk of that and gone to everyday value."

That matches more closely what STP is doing in stores, Herrman said. "We put in some new merchants there to help with the website business, which in the store end of the STP business we've actually been very happy with," he said, adding that officials would provide more color to the changes at the end of the year.

For its fiscal 2017 third quarter ended October 29, 2016, TJX Cos. reported same-store sales at its retailers, which also include TJ Maxx, Marshalls and HomeGoods, rose 5 percent, compared to the same increase a year ago, largely thanks to increased traffic. The company reported its fiscal third-quarter net sales up 7 percent to $8.3 billion, with its net income slipping to $549.7 million, or 83 cents per diluted share, versus a net income of $587.3 million, or 86 cents per diluted share, during the same period a year ago. Officials said EPS was pressured by higher wages (up 3 percent), and would have been higher at 91 cents per diluted share excluding the negative impact of debt extinguishment and and a pension settlement charge.

At its Marmaxx division, which includes T.J. Maxx, Marshalls and Sierra Trading Post, net sales were up 6.6 percent to $5.3 billion. Same-store sales for the division rose 5 percent, but exclude STP and e-commerce sales. In the third quarter, the company added two STP stores, bringing its total up to 11 locations with about 300,000 square feet.

For its full fiscal 2017 year, TJX rose its EPS expectations to between $3.46 and $3.48 versus previous guidance of $3.39 to $3.43, albeit it expects its fourth-quarter EPS will come in slightly short of a year ago, between 96 cents and 98 cents, versus last year's fourth-quarter EPS of 99 cents. ■

PERRY ELLIS GOLF BOOSTED BY WARM WEATHER IN Q3

Perry Ellis International Inc.'s (Nasdaq:PERY) golf apparel business delivered healthy gains in the third quarter, in part due to the unseasonable weather seen in many parts of the U.S. so far this fall.

"The warm weather in the third quarter was very beneficial to our success, and innovation continues to drive retail sales," said Oscar Feldenkreis, Perry Ellis International's CEO and president of the golf apparel segment, on a conference call with analysts.

Among its golf brands, PGA Tour saw sales up mid- to low-double-digits year over year. Ben Hogan, which has a licensing agreement with Walmart, also experienced a double-digit increase in retail sales for the quarter. "At Callaway we are quite pleased with the results of our efforts in building the country-club green-grass channel as well as the corporate channel," said Feldenkreis. "We attributed this strength to our compelling product coupled with the great performance of Callaway hard goods and equipment." He added that Callaway golf apparel has also done well on the international front from the opening of new markets.

Perry Ellis' Nike Swim brand faced its smallest quarter in the period, but Feldenkreis said he was "thrilled to see sales at retail gain at a double-digit pace." Nike Swim's initial fall test in Europe was "well received" by both its retail partners and consumers, as were initial sales in Latin America. Perry Ellis' arrangement with Nike in the swim category was expanded last year. Feldenkreis added, "With Q4 representing the initial kickoff of the spring 2017 season, we are very optimistic and excited that Nike Swim will perform great at retail based on our tests and experience to date."

Companywide, Perry Ellis International's earnings came in ahead of guidance, with a strong performance from its flagship Perry Ellis label. Other core brands include Rafaella, Laundry by Shelli Segal and Original Penguin.

The company reported a net loss of $5.2 million, or 34 cents a share, after a charge of $8.3 million associated with the termination of a pension plan against net income of $2.3 million, or 15 cents, a year ago. Excluding non-recurring charges, earnings would have been 23 cents a share against 16 cents a year ago. Officials had expected adjusted EPS for the quarter to be approximately even with the prior year.

Sales slid 5.7 percent to $185.3 million, reflecting the exit of non-core brands and negative currency exchange rates. Since 2013, the company has exited more than 30 brands, which accounted for approximately $100 million in lower margin revenues, and refocused its portfolio toward core, high-margin brands. Smaller owned brands such as Pro Player were licensed to other firms. Sales were below guidance, calling for revenues in the range of $192 million to $195 million. A 3.5-percent revenue gain was seen in its core global brands.

The bottom line was helped by tight expense controls and an improvement in gross margins by 100 basis points to 36.7 percent due to the solid retail performance across its core brands in both the company's wholesale and direct-to-consumer channels.

Despite the better-than-expected EPS performance, the company kept its guidance of revenues for the full year in a range of $885 million to $890 million, with adjusted earnings in a range of $1.95 to $2. Said Feldenkreis, "We feel that with the elections over, consumer confidence continues to increase and we expect to see increased consumer spending during the holiday season." ■

Photo courtesy Remington Arms

REMINGTON OUTDOOR Q3 BOOSTED BY MSR STRENGTH

Helped by strong demand for modern sporting rifles (MSRs) and a rebound in ammunition sales, Remington Outdoor Co. reported revenues advanced 11.4 percent in the third quarter ended September 25, to $221.7 million.

The company, which is privately held but still issues quarterly reports, is parent to Remington, Bushmaster Firearms, DPMS/Panther Arms, Marlin, H&R, The Parker Gun, Advanced Armament Corp., Dakota Arms, Para USA and Barnes Bullets.

In the firearms segment, sales rose 14.8 percent, to $110.2 million. Sales of shotguns, centerfire rifles and handguns increased by $8.3 million, $8.1 million and $6.8 million, respectively. Increases in the firearms segment categories were partially offset by decreased sales of rimfire ammunition and other ammunition products of $1.6 million and $3.8 million, respectively. Remington said demand for MSRs continues be strong, especially in the opening-price-point segments. Handgun demand is particularly being seen in the polymer pistol, subcompact and micro pistol categories.

Ammunition sales increased 13.6 percent to $93.2 million. Sales of centerfire ammunition and shotshell ammunition increased $12 million and $4.6 million, respectively. These increases were partially offset by decreased sales of rimfire ammunition and other ammunition products of $1.6 million and $3.8 million, respectively. Remington said the ammunition segment's rebound followed softness experienced in recent quarters. Customers continue to shift toward value target and range ammunition.

In the consumer segment, sales increased 15.1 percent, to $18.3 million. The increase was primarily due to higher sales of after-market parts of $6.1 million, partially offset by lower accessories sales of $3.7 million. The segment includes accessories, silencers, other gun-related products, licensed products and lifestyle products, including apparel and pet accessories.

Earnings reached $9.5 million for the quarter, rebounding from a loss of $11 million a year ago. The bottom line benefited from an improvement in gross margins to 27.3 percent, from 22.9 percent a year ago. Beyond the greater sales volumes, the improvement was attributed to process improvements and fewer disruptions at its plants, as well as favorable pricing in its firearm segment. SG&A expenses were slashed to 14 percent of sales from 20.7 percent, due to efforts to reduce spending, restructuring and fewer non-recurring items. The latest quarter included a charge of $2.3 million related to the closing of its Mayfield, KY firearms production facility. Production at this facility will be consolidated into the company's Huntsville, AL facility.

Remington Outdoor's report also noted that on October 14, it sold substantially all of the assets of its subsidiary, Remington UK, for $3.4 million. ■

AISLE TALK

Bear & Son Cutlery acquired Gatco Sharpeners, including its slogan, "We sharpen the world."

Cascade Lacrosse and **Maverik Lacrosse** unveiled three new NCAA partnerships with **The United States Air Force Academy, Jacksonville University** and the **University of Richmond**.

Dick's Sporting Goods' Team Sports HQ became the recommended technology provider to Little League's 2.4 million participants, more than 1 million coaches, local league officials and district administrators.

Foot Locker Inc. elected **Ulice Payne Jr.** and **Kimberly K. Underhill** to its board as directors of the company, effective December 1.

Fox River Mills has been sold to Dallas-based private equity firm **LongWater Opportunities**.

Fox Sports hired **Terri Hines**, former VP of Global Communications for **Converse**, as EVP of Communications.

Greats Brand Inc. hired **Rachael Ulman** as President and COO.

Hoka One One hired **Chris Cohen** as its new Director of Sales.

Implus Corp. and **Berkshire Partners** named **Sally McCoy** and **Chris L. Shimojima** to its board of directors.

Jonas Fitness appointed longtime employee **Rick Jones** to Chief Product Owner.

K2 Sports licensed **Vertical Brands** for worldwide distribution of K2-branded ski and snowboard outerwear and apparel starting fall 2017.

K-Swiss named **Patrick Buchanan** as its new Director of Global Marketing.

Mountain Khakis hired **Steve Carpenter** to manage the brand's flagship retail store in Denver.

Nike signed supermodel **Bella Hadid** as a brand endorser.

OrthoLite added **Dan Legor** as Director of Marketing, **Andy Downes** as Sales Manager for Key Accounts and **Matt Hennessy** as Sales Manager for Performance East.

Osprey Packs named former **CamelBak** President **Layne Rigney** as its new President, along with **Jason Dunlap** as VP of Finance. **Scott Pfotenhauer** was also promoted from a director to Chairman of the Board.

Sherpa Adventure Gear partnered with **Locally** to provide its new website with an online-to-offline shopping platform.

Tantris, a new yoga brand and L.A. studio, was introduced by founder **Russell Simmons**.

The U.S. House of Representatives passed the Outdoor REC Act.

Vail Resorts sold **The Inn at Keystone** to Dallas-based **Realty Capital Partners**.

WSS agreed to a minority private equity investment with **Riata Capital Group**.

Photo courtesy Dick's Sporting Goods

DICK'S OUTPERFORMS, BUT GIVES CAUTION TO Q4

Dick's Sporting Goods (NYSE:DKS) delivered a strong third quarter that caused it to lift its overall guidance for the year. But citing concerns over warmer weather, the country's leading sporting goods retailer gave a conservative outlook for the fourth quarter that was below Wall Street's targets.

On a conference call with analysts, Ed Stack, chairman and CEO, said unseasonal weather was already impacting the chain's cold-weather apparel categories in the third quarter. The impact is more meaningful because cold-weather merchandise carries higher margins on average. Said Stack, "We were hoping it would have gotten colder than it has already."

The warning comes as the industry faced a mild winter across the populous East Coast in 2015 that impacted holiday sales across retail and led to cautious buying patterns for the 2016 fall/winter season.

In mid-day trading on November 15, shares of Dick's were down about 9 percent.

Outside the weather concerns, Dick's delivered an impressive third quarter that showed the company was taking advantage of the exit of Sports Authority, Golfsmith, Sport Chalet and others from the marketplace.

In the quarter, earnings rose 3.6 percent to $48.9 million, or 44 cents per share. The latest quarter included charges of $7.6 million pre-tax, or 40 cents per share, including professional fees, to begin converting former Sports Authority stores to the Dick's banner. Excluding nonrecurring items, adjusted earnings were up 3.3 percent to $53.6 million, or 48 cents. Results handily exceeded guidance calling for earnings in the range of 39 cents to 42 cents a share.

Sales for the quarter advanced 10.2 percent to $1.8 billion. Consolidated same-store sales increased 5.2 percent, again well above the company's guidance of a 2 to 3 percent increase and beating last year's 0.4-percent increase during the same period. Same-store sales for the flagship Dick's Sporting Goods chain expanded 5.5 percent, reflecting a 1.3-percent increase in average ticket and a 4.2-percent increase in foot traffic. Golf Galaxy saw its same-store sales fall 3.3 percent. E-commerce sales increased 33 percent and grew to 9.6 percent of sales compared to 8 percent in the same quarter last year.

Outdoor And Golf See Gains

Among the categories, Stack noted that both outdoor and golf comped positively at the Dick's Sporting Goods chain. Outdoor gains were driven by strength in areas such as camping, paddling and watersports more so than hunting.

Apparel's growth was led by licensing, which was helped by favorable teams in the MLB playoffs. Said Stack, "We reopened stores when the Cubs and the Indians clinched the pennant and both cities responded." The licensing growth helped offset declines in some cold-weather categories, although apparel was still up excluding licensed sales.

Footwear was described as "strong," supported by the rollout of the retailer's full-service footwear decks, which now number 182 with another two arriving for the holiday season.

Regarding Field & Stream, Stack said the company remains "pleased with the performance" of the concept, with profitability improving year over year. But he did note that the chain is a "bit weather sensitive" with categories such as boots and base-layer products.

Private-Label Push

Stack said the company was "very pleased" with the performance of key private-label brands such as Calia and Field & Stream that are an increasing part of its differentiation efforts. Calia in 2017 will receive more square footage in a number of stores to test a broader assortment.

Stack said private label remains on track to reach annual sales of more than $1 billion in the next few years, with multiple new launches planned for 2017. Its other private-label brands include Adidas (baseball), DBX, Fitness Gear, Lady Hagen, Maxfli, Nishiki, Primed, Quest, Reebok (performance apparel), Slazenger (golf and rackets), Top-Flite, Umbro (performance soccer equipment, footwear and apparel) and Walter Hagen.

(Con't Pg. 9)

Among its branded partners, Stack called out Adidas as a brand that will be receiving more square footage in stores next year.

Gross margins in the quarter increased 81 basis points to 30.54 percent. Merchandise margin expansion and occupancy leverage offset greater shipping costs associated with e-commerce growth. On an adjusted basis, SG&A expenses increased 147 basis points to 25.04 percent. The higher expense reflects increased administrative headcount to support e-commerce, investments in the Olympic marketing campaign and payroll investments to support in-store service levels, including the rollout of full-service footwear decks. The bottom line also benefited from a $2.9 million sales tax refund.

Total inventory increased 4.8 percent at the quarter's close, well below its 10.2-percent sales growth in the quarter. Said Lee Belitsky, CFO, on the call, "We are very comfortable with our inventory levels in the quality of our merchandise as we transition into the holiday selling season."

Customer Outreach

Updating some growth strategies, Stack said Dick's extended its Team USA partnership and in-store employment program for the 2018 Winter games in South Korea following "great success" with the program around the Rio Summer Olympics. The program garnered over 600 million media impressions and generated "significant brand awareness," he said.

Stack added that the company is also "making progress" in working through the customer information acquired in the Sports Authority bankruptcy case and will be directly marketing to those customers during the holiday season. Stated Stack, "There's an awful lot of new names."

The CEO also highlighted the acquisition in early November of Golfsmith's "strongest assets," including intellectual property and leased designation rights. "This marks a terrific opportunity for us as we continue to build our position as America's number one golf retailer and focus on capturing a significant amount of market share as the industry consolidates," Stack said. The acquisition is expected to be accretive to earnings in 2017.

Significant digital investments continue, and the relaunch of Dicks.com under its own platform is on track to occur in the first quarter of 2017. E-commerce sales will end up being just less than $1 billion this year "and we believe there is meaningful opportunity for future growth," Stack said.

Stack also announced that Dick's has reached an agreement to become the official technology provider for Little League baseball and its affiliated organizations. With over 2.1 million athletes, coaches and administrators, Little League will gain access to Dick's Team Sports HQ platform.

Expanding Presence

Regarding expansion, 27 new Dick's Sporting Goods stores opened in the quarter, along with seven new Field & Stream stores and two Golf Galaxy locations. One Field & Stream location closed. Sixteen Dick's stores opened in new markets, including 10 in Houston, where it had no locations. Featuring the largest stores in the company's history, two of the Houston locations include a Dick's, Field & Stream and Golf Galaxy all housed under the same roof.

Dick's officials indicated they will keep 22 of the 31 Sports Authority leases it had retained the right to acquire from the former competitor's bankruptcy proceedings. The leases are primarily located in California and South Florida. Three stores are re-opening this weekend, with the majority expected to reopen during the first quarter of 2017.

In the Golfsmith buy, Dick's plans to evaluate approximately 40 leases with similar flexibility to retain or reject. It is operating 30 Golfsmith locations in which it also acquired the store inventory, and plans to convert them to the Golf Galaxy brand by the end of the fourth quarter.

Asked why the company acquired Golfsmith given slower sales in the overall golf category, Stack said the company retained the "30 very best stores" of Golfsmith with rights to reject leases. A "very modest investment" is also planned with the changeover, largely including new POS terminals, changing banners to Golf Galaxy and improving real estate deals.

Regarding the impact of the closing of Sports Authority and Golfsmith, Stack noted that Dick's stores that had competed with one of the chains are doing better than stores that weren't geographically affected by any closings. The company is also having conversations with vendor partners about bigger merchandise opportunities due to the closings. Said Stack, "The partnership and the communication and the collaboration with the brands has been very helpful."

Regionally, Stack noted that Dick's is most focused on increasing penetration in Florida, California and the Pacific Northwest. Category-wise, Stack feels Dick's is particularly capturing share in team sports with the Sports Authority exit, since there's less competition from other stores when compared to the footwear and apparel categories.

Raised Guidance

Looking ahead, Dick's raised its full-year guidance for earnings on an adjusted basis to a range between $2.99 and $3.11 a share, up from its prior range of $2.90 and $3.05. That compares with $2.87 in 2015.

Consolidated same-store sales are projected to increase between 3 and 4 percent versus a previous projection of between 2 and 3 percent. Same-store sales rose 0.2 percent in 2015.

As under previous guidance, operating margins are expected to decline year over year as higher SG&A expenses offset improvements in gross profits.

For the fourth quarter, earnings on an adjusted basis are expected in the range of $1.19 to $1.31, above year-ago earnings of $1.13 but short of Wall Street's consensus estimate of $1.32 a share. Comps are expected to increase approximately 3 to 6 percent in the period, as compared to a 2.5-percent decrease in the fourth quarter of 2015.

Warm-Weather Woes

In the Q&A session, Stack stressed that the conservative Q4 stance was solely tied to weather and not due to any concerns around the promotional climate, especially given the company's lean inventory position. The lower end of its guidance assumes the unseasonal weather continues, while the upper end assumes the arrival of more seasonable weather in December and January.

"Where it had gotten cold here in there a little bit in the Northeast a couple weeks ago, a couple weekends ago, business was terrific," Stack said. "It was great. We're not sure how sustainable this is going to be."

Despite the lean inventory levels, Stack said Dick's has what he described as "partnership orders" with its key vendors to receive product if the weather gets colder while also avoiding the inventory exposure if it stays warm. Said Stack, "Obviously it would be better if it's cold, but if it's warm, we don't think we've got any significant exposure. Our team has done a great job planning for that and having contingencies associated with the weather pattern."

Asked about the overall competitive landscape, Stack remained bullish on Dick's prospects to gain market share as the industry consolidates. He added, "We're the ones with the balance sheet to be able to take advantage of those opportunities. We can move quickly, and I really like the position that we're in right now." ■

FINISH LINE WRITES OFF JACKRABBIT, CONFIRMS SALE PROCESS

Finish Line Inc. said it will take a goodwill impairment charge in its third quarter of approximately $44 million to write off JackRabbit, confirming reports earlier in the month that it would try to sell the specialty running business that has fallen short of its expectations.

On November 14, Finish Line said it had hired Peter J. Solomon Company LLC as its financial advisor to help explore a sale. "After a comprehensive review, the company believes its long-term growth strategy and profitability improvement plans align with simplifying the business to focus on the Finish Line brand and has decided to evaluate possible alternatives for JackRabbit, including a potential sale," officials said in a statement.

Finish Line said there's no definitive timeline or assurance that the process would result in a sale transaction, adding that the company does not intend to provide any further updates until the board approves a final decision.

The for-sale confirmation comes as the JackRabbit business is improving but still underperforming since it was launched about four years ago with a bold ambition to consolidate the run specialty channel. On its second-quarter conference call held on September 23, Finish Line's officials indicated that it planned to make a decision on whether to continue investing in JackRabbit or divest the chain by the end of its fiscal year. The $44 million charge represents all of the goodwill allotted to JackRabbit on Finish Line's balance sheet that stemmed from JackRabbit's many acquisitions.

Finish Line formed the Running Specialty Group (RSG), the predecessor name to JackRabbit, in 2011 after purchasing an 18-store chain for $8.5 million operating under The Running Company banner. It subsequently acquired multiple run specialty stores across the country to create the second-largest run specialty group in the U.S. It had 70 stores in operation at the close of its second quarter.

In March 2015, Finish Line put the brakes on any further expansion of the specialty business while it focused on improving the segment's profitability. In September 2015, Finish Line decided to gradually rebrand all of the segment's multiple banners to JackRabbit Sports, and that process continues. The segment's banners include JackRabbit, The Running Company, Run On!, Blue Mile, Boulder Running Company, Roncker's Running Spot, Running Fit, VA Runner, Capital RunWalk, Richmond RoadRunner, Garry Gribble's Running Sports, Run Colorado, Raleigh Running Outfitters, Striders and Indiana Running Company.

Possible suitors could include a private-equity firm, which could help finish the turnaround with the ultimate goal of leading the consolidation of the run-specialty channel. Dick's Sporting Goods, which has been testing a True Runner specialty concept with three locations over the last few years, might also show interest.

As reported, the sales talks and part of JackRabbit's struggles arrive amid a softening observed in the run specialty channel. Sales for the channel are generally seen as flat over the last two years following double-digit gains for several years. The previous strong years led to over-saturation of stores in some markets, but also led to much of the key running product, previously largely confined to the run specialty channel, to be available in many other places, including online. Other contributing factors to the slowdown include a fashion shift away from running styles, the end of the minimalist trend and declining participation in marathons and half-marathons in favor of mud runs, color runs and other shorter, experiential events.

Any buyer of JackRabbit would likely continue to face any challenges Finish Line already experienced in its attempts to operate a chain of run specialty stores from a national level. Local ownership in particular is seen as key in supporting local run communities and motivating store staff. ■

BY THE NUMBERS

$44 MILLION

Goodwill impairment charge that will be taken by Finish Line Inc. to write off its JackRabbit retail brand. Finish Line has been exploring efforts to sell the specialty running business, which has fallen short of expectations. Finish Line formed the Running Specialty Group (RSG), the predecessor name to JackRabbit, in 2011 after purchasing an 18-store chain for $8.5 million operating under The Running Company banner.

30 BRANDS

Exited by Perry Ellis since 2013, accounting for approximately $100 million in lower margin revenues and a refocusing of its portfolio toward core, high-margin brands. In the third quarter 2016, the company's golf apparel brands, including PGA Tour and Ben Hogan saw sales up double digits year over year with positive performance from Callaway Golf Apparel, as well. However, the company reported an overall net loss of $5.2 million, or 34 cents a share, compared to year-ago numbers in the same quarter.

$215 MILLION

In liabilities listed in American Apparel's bankruptcy filing. The company had $497 million in net sales in 2015. Canada-based Gildan Activewear will attempt to acquire the intellectual property rights related to American Apparel, along with some assets that are part of the brand's Los Angeles production and distribution operations and inventory, for $66 million in cash, excluding its retail stores.

14.8 PERCENT

Rise to $110.2 million in Remington Outdoor Co.'s firearms segment for the third quarter 2016. Sales of shotguns, centerfire rifles and handguns increased by $8.3 million, $8.1 million and $6.8 million, respectively. Increases in the firearms segment categories were partially offset by decreased sales of rimfire ammunition and other ammunition products of $1.6 million and $3.8 million, respectively.

$1 BILLION

In annual sales for Dick's Sporting Goods' private-label brands is reportedly on track, and expected by the company to come to fruition within the next few years. Key private-label brands include Calia and Field & Stream, along with Adidas (baseball), DBX, Fitness Gear, Lady Hagen, Maxfli, Nishiki, Primed, Quest, Reebok (performance apparel), Slazenger (golf and rackets), Top-Flite, Umbro (performance soccer equipment, footwear and apparel) and Walter Hagen.


Photo courtesy American Apparel

GILDAN MAKES A PLAY FOR FASHION WITH AMERICAN APPAREL BID

Gildan Activewear, best known for its basic socks and t-shirts, is preparing to delve deeper into the fashion business after reaching an agreement to acquire the sometimes controversial American Apparel brand out of bankruptcy.

Under the deal released November 14, Canada-based Gildan will acquire the intellectual property rights related to American Apparel, along with "certain assets," including some of its Los Angeles production and distribution operations and inventory, for $66 million in cash, officials said. With no plan to acquire any of American Apparel's retail operations, Gildan will explore repositioning American Apparel as a wholesale brand.

Investors cheered the proposed deal, sending Gildan's stock (NYSE:GIL) up nearly 5 percent following the news.

The move comes as American Apparel filed for bankruptcy protection for the second time in a little more than a year. Gildan's offer could be topped in the upcoming bankruptcy auction. According to court papers filed in the U.S. Bankruptcy Court in Delaware, Gildan's offer was the "highest, best and only viable bid" received in a three-month search.

Another possible acquirer in the active space is said to be Sequential Brands, which owns Avia, And1 and Heelys, as well as recently acquiring Gaiam's yoga and fitness side of the business. Also said to be interested is Authentic Brands, which owns sports brands including Prince, Spyder, Tapout and Tretorn as well as fashion brands such as Juicy Couture and Judith Lieber.

Gildan said that barring a better bid emerging in bankruptcy proceedings, the closing of the transaction is expected to occur during the first quarter of 2017. As is customary, Gildan will receive a break-up fee and certain expense reimbursements if it does not prevail as the successful bidder at any auction.

Famed for trumpeting its made-in-the-USA business model and its sexually provocative advertisements, American Apparel offers more-fashionable items such as dresses, coats, jeans and knitwear but also carries a wide range of basic t-shirts and activewear.

"The American Apparel brand would represent a strong complementary addition to the company's portfolio of brands," Gildan officials in a statement. "The acquisition will create revenue-growth opportunities by leveraging Gildan's extensive distribution network in North American and international printwear markets to further increase the brand's penetration in the faster-growing fashion basics segments of these markets. In addition, with American Apparel's strong heritage as a consumer brand, the company will evaluate potential wholesale opportunities for leveraging the brand within its Branded Apparel business."

The acquisition would follow Gildan's acquisitions of Peds Legwear in August 2016, Alstyle Apparel in May 2016 and Comfort Colors in March 2015. The company's other owned brands include its namesake Gildan, Gold Toe, Anvil, Secret, Silks, Kushyfoot, Secret Silky, MediPeds and Therapy Plus. It also owns the U.S. sock license for Under Armour.

The move would also enable Gildan to double down on U.S. manufacturing. In a letter to Gildan employees obtained by Forbes, Gildan said a key component in the deal is retaining American Apparel's manufacturing base, which is based primarily in Los Angeles. Gildan further noted that it has maintained operations in southern California that it acquired with the Alstyle Apparel acquisition.

American Apparel's bankruptcy filing listed liabilities of about $215 million. The company had $497 million in net sales in 2015.

The filing was expected, as American Apparel missed the first of two payments to unsecured creditors as required under its previous Chapter 11 plan approved in January 2016. The company also recently moved to close about 83 international stores. American Apparel has lined up a $30 million debtor-in-possession loan to continue operations until a sale can be closed, according to court papers.

American Apparel has been hurt by general weakness being seen by many teen retailers, but also an over-aggressive expansion of stores and a sexual-harassment litigation tied to its former CEO and founder, Dov Charney. Paula Schneider guided the company through bankruptcy proceedings with a plan to soften its sexualized advertising and improve its product. However, she resigned in September amid struggles and rumored sales talks and recently joined Delta Galil. Chief Administrative Officer Chelsea Grayson moved up to take the CEO role.

With 110 stores in the U.S., American Apparel has dwindled in size from the time of its original bankruptcy filing, when it had about 8,500 employees at six factories and 230 stores worldwide. ■


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