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PELOTON SALES STILL SOARING, SEES NEARLY $4 BILLION IN FY

Net income was $69.3 million against a loss of $49.8 million for the three months ended Sep. as sales increased 232% to $757.9 million against $228.0 million with connected fitness revenue up 274% to $601.4 million and subscription revenue of $156.5 million, up 133%. Adjusted net, which excludes depreciation, amortization and shareholder costs, was $118.9 million against a loss of $21 million. Based on continued strong demand and a successful launch to its Bike+, PTON said it would see revenue of $3.9 billion or more in the FY with adjusted EBITDA of $300 million.

PTON continues to have a host of high class problems, becoming no doubt the first exercise company in history to utilize air freight in order to bring down delivery times. Catching up with its outsized demand right now continues to be its biggest challenge. It is ramping up manufacturing, both owned and third party and revealed that it is investigating putting a plant in the U.S. Meanwhile, it is scaling the call service operation and in-house delivery system, which now employs 2,200, up from 900 last year. Lead times on the basic bike are expected to start coming back to the 4-6 week window by April but the two-week target won't be met until Q3. Lead times for the Bike+ will remain elevated for some time as ramping up a new supply chain will take time. Meanwhile, the treadmill launch looms.

While it tamped down marketing in recent quarters because of the demand, it expects to restart going forward, especially because of the response in the U.K. and Germany. It is already adding German-language content. Analysts seem fascinated by the concept of PTON starting a pre-owned program to resell its bikes, but PTON says that it probably will into the future since there is no inventory available to scale a program. Even those who upgrade to the Bike+ usually keep their basic model or sell it themselves. PTON was vague about more retail expansion, saying that its current 105 stores backed by 47 DCs cover most major population areas and are still key to new product launches. It is testing some store-in-store ideas overseas.

It continues to hit impressive metrics on engagement, even though the top line is still 79% driven by equipment sales and 72% of the total gross profit still comes from equipment sales. Total gross margin was a blended 43.4%, with product gross margin at 39.4%, down 246 b.p. because of the lower price on the basic bike in a move to gain share and build subscriptions. Subscription gross margin was 58.5%, up 240 b.p. as it further leverages content production costs. Digital subscriptions grew 137% to 1.33 million and with its digital subscriptions to non-equipment buyers, it now claims total memberships of 3.6 million. Each subscription averaged 20.7 workouts compared to 11.7 last year.

PTON suggests that no competitor is drafting off it yet as it continues to invest in R&D, content, marketing and service, but there are clearly a few companies that would differ, especially Icon which claims PTON

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is knocking it off in a recent lawsuit. And clearly, PTON is not the only fitness company getting a lift from the pandemic. While there is no doubt long-term value to the subscriptions, this recent boom is still mostly driven by sales of exercise equipment, the pandemic won't last forever and the fitness business historically has been notoriously fad driven. PTON likes to compare itself to Netflix, saying it can do to fitness clubs what Netflix did to movie theaters, but Netflix doesn't have to worry about getting exercise bikes from China to a consumer's doorstep. That is not an inconsequential difference.

But what is also clear is that PTON has leveraged its position extremely effectively and is not going to be caught by a competitor anytime soon. The momentum in the brand is very real. Can it eventually transform itself from a seller of exercise machines to an organization that actually just sells fitness content? Maybe. The tricky part is figuring out if that is worth the price. The stock jumped another $8 to $127. The market cap is now $32 billion.

HANESBRANDS PLANS STRATEGY REVIEW UNDER NEW CEO

Net income slipped 44% to $103,278,000 in the third quarter from $185,091,000 last year on a 3% contraction in revenues to $1,808,266,000 from $1,866,967,000 despite the addition of $178.6 million in PPE sales. Backing out last year's C9 sales to Target and the DKNY intimate apparel license, revenues would have been up 3%. Perhaps investors were expecting a stronger rebound given the burgeoning work-at-home market for the sort of comfy apparel the company is known for, as HBI shares traded down 20% on the Q3 results and weak guidance for the final quarter.

New CEO Steve Bratspies said that Hanesbrands is conducting an in-depth review of its business to develop a growth strategy better tailored to the post-pandemic world, promising that it will begin to unfold in Q4. The review includes evaluation of the company's global portfolio, its supply chain and business segments, as HBI intends to pivot to become more agile and consumer-centric. Hanesbrands touted the sequential improvement from Q2, which was salvaged by a $752 million windfall from PPE sales with both activewear and innerwear plunging by more than half after excluding the PPE. On the PPE front, HBI said that it has received an FDA emergency use authorization for a new two-ply duckbill-style surgical mask.

Activewear sales dropped 41%, but were down 27% to $324.9 million from $445.6 million excluding $103 million from the C9 program last year. The majority of the sales falloff was from the sports apparel business, which was badly hurt by cancelled sports events and the closure of college bookstores. Champion brand sales also declined 27%, but more than doubled sequentially from the very weak second quarter. Operating profit was down 60% to $29.6 million from $73.7 million. Innerwear grew 41% to $792.6 million from $562.3 million excluding discontinued operations last year, and would still have expanded 12%

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even without the PPE sales. Innerwear operating profit was up 46% to $172.0 million from $117.8 million.

International also benefitted from PPE sales, which added $13.1 million to bring the total to $632.1 million, down 5% from $663.5 million last year. Gains from non-U.S. Americas and the Champion Europe businesses were more than offset by declines in the company's European innerwear, Asia and Australia revenues. Segment operating income narrowed by 10% to $96.1 million from $107.2 million. Other business sales dipped 24% to $58.6 million from $76.9 million, generating $1.0 million of operating income, down 90% from $9.6 million.

Looking ahead to the fourth quarter, HBI is guiding for revenues of $1,600 to $1,660 million, down about 2% from last year at the midpoint, including $50 million of PPE sales and $40 million from the 53rd week. It expects innerwear sales to improve, but activewear will continue to decline year over year, though it sees sequential improvement in Champion. International is expected to decline due to continued pressure from the pandemic. Net income is forecast to come in at $0.24 to $0.29 per share ($93 mm at the midpoint). Third quarter gross margin was down 430 basis points to 34.1% on negative manufacturing variances and additional inventory reserves, while SG&A was 2% lower in dollars, deleveraging 30 b.p. on the lower sales. HBI noted that it has plenty of cash, and ended the third quarter with about $2.0 billion of total liquidity.

VISTA OUTDOOR SEES AMMO PROFITS POWER BOTTOM LINE

VSTO's bottom line swung back to the black with net income of $79,645,000 in its fiscal second quarter ended Sep. 27 against a loss of $11,898,000 last year, as revenues surged 29% to $575,179,000 from $445,016,000. E-commerce sales doubled year over year, representing about 20% of total revenue. Net income got a boost from the utilization of $16.1 million in tax assets to offset income taxes under provisions of the CARES Act, it noted. VSTO shares traded up 8% on the quarterly improvement and guidance.

The shooting sports segment expanded 26% to $380 million, largely from the growth in consumer ammunition sales, which also drove an implied 1,110 basis point improvement in segment gross margin to 27.6% that was helped by additional pricing power and lower unit production costs. Segment EBIT more than quadrupled to $70 million. Looking forward, the 6.2 million new firearms owners added so far in 2020 will provide the surest runway for future demand. Those new shooters are much more diverse, according to NSSF research, and hopefully women and people of color will eventually learn to stockpile ammo as well as old white men. In addition to consumer sales, VSTO continues to court domestic and international government contracts that provide a more predictable multi-year revenue stream. But current ammunition order backlog is already over a year of orders worth in excess of a billion dollars.

Outdoor products sales increased 35% to $195 million, boosted by

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growing participation trends across categories. DTC e-commerce sales increased for all VSTO's brands, and gross profit margin expanded 83 b.p. to 29%. VSTO is seeing growing interest in outdoor activities drive demand across categories, from golf rangefinders, to outdoor cooking, to bike and motorcycle protective and accessories. One headwind came from lingering supply chain disruptions from the pandemic that constrained Camelbak sales, causing a shortage of inventory. Outdoor segment EBIT was up 156% to $26 million.

The fiscal third quarter will benefit from the addition of the just-acquired Remington ammunition business, and revenues are expected to come in at $510 to $530 million, generating net income of $0.55 to $0.65 per share ($35.6 mm at the midpoint). Remington is seen adding about $200 million to sales on an annualized basis right away, with the potential to expand to $300 to $400 million, more than offsetting the Lake City business lost to Winchester. While acknowledging that demand has benefitted from the pandemic and political factors, VSTO believes the changes it's made in infrastructure and e-commerce will have long-lasting positive effects. It also touted its balance sheet progress, where leverage now sits at just 1.4x, down from 5.7x a year ago even after buying Remington, helped by free cash flow that was $190 million in FQ2.

Gross margin was 790 b.p. higher at 28.1%, which expanded from less discounting and higher prices overall, along with the greater share of DTC e-commerce and operational efficiencies resulting from the higher sales volume. SG&A decreased 2% to $81.3 million, including $2.4 million in transaction costs for the Remington acquisition, but lapping $6.6 million in restructuring charges last year, and leveraged 450 b.p. on the improved revenues.

WOLVERINE WORLDWIDE EXPECTS CONTINUING DECLINES IN Q4

The bottom line was more than halved to $21.7 million in the third quarter ended Sep. 26 from $48.6 million last year, as revenues declined 14% to $493.1 million from $574.3 million despite a 56% jump in DTC e-commerce. Too, wholesale sales to e-commerce retailers has become WWW's largest wholesale channel, combining with its own digital business for over 40% of total revenues. Owned brick-and-mortar retail was down less than 12%. EMEA posted an unspecified decline, but grew sequentially from Q2, while Asia Pacific and North America were down mid-teens, and Latin America fell less than 40%.

Wolverine guided that fourth quarter 2020 revenue would continue to decline, but "no more than 25%," which includes a shift in some international distributor shipments from Q4 '20 to Q1 '21. Its plan for recovery in 2021 hinges on a strategy of accelerating digital DTC, ramping up product development in hot categories like active/athletic and outdoor, and increasing the rate of international expansion. WWW reiterated that the last eight months have compressed years of evolution in consumer e-commerce preferences, and averred that it would meet that challenge through an evolving online dialogue with its customer.

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It is targeting half a billion dollars in owned e-commerce revenue next year, more than twice the level in 2019.

Michigan Group revenues were off 10% to $287.3 million from $318.8 million, despite a 52% gain in DTC to $59.7 million, which was more than offset by a 19% drop in wholesale to $227.6 million. Merrell declined mid-single digits, as 80% e-commerce growth could not offset lower wholesale sales. Performance styles, Moab and online exclusives sold well for the outdoor brand. Chaco was the star of the segment, growing nearly 30% on higher demand for Z-sandals and Chillos slides both at wholesale and through owned e-commerce. Elsewhere, CAT sales fell high-teens, Wolverine was off high-single digits, and Hush Puppies dropped high-50s. Michigan operating profit declined 21% to $52.3 million.

The Boston Group's top line dropped 20% to $193.8 million from $241.3 million as wholesale slid 26% to $150.7 million while DTC was up 14% to $43.1 million. Saucony rode the post-lockdown running boom to a low-teens sales increase, the group's lone bright spot, with improvement from both wholesale and e-commerce DTC. Fashion originals and performance running styles both sold well. Sperry sales plunged over 45%, while Keds dipped mid-teens and Kids' was down low-20s. Boston operating income was down 29% to $33.0 million. Other sales were $12.0 million against $14.2 million on a decline in the performance leathers business.

Gross margin narrowed by 140 basis points to 41.0% due to increased closeout sales, the impact of China tariffs, and lower royalties, partially offset by improved product mix. SG&A was down 5% in dollars on lower selling, product development and G&A that was partially offset by an increased ad spend, incentive compensation and Covid mitigation, but deleveraged 310 b.p. on the lower sales. Inventory was down 22% year-over-year to $325.7 million.

ACUSHNET NET DOUBLES ON BROAD-BASED SALES GAINS

Net income jumped 112% to $63,216,000 from $29,797,000 as net sales moved up 16% to $482,932,000 from $417,166,000, benefiting from a boost to rounds of play across nearly all regions, driving demand of Titleist balls and returning the pandemic-challenged apparel segments to positive comps for the year. Gross margin ticked up 10 b.p. to 52.2%, as golf ball margin improvement was partially offset by weakness in club margins. SG&A was 3% lower over 2019 at $158,857,000 on lower advertising and promo costs, contracting as a percentage of sales by 400 b.p. to 32.8%.

Titleist golf balls saw a 41% increase on higher sales volumes across all models and led by Pro V1 demand, and the new Tour Speed ball, launched in August, posted strong sell through rates. Titleist gear moved up 28% to $44.3 million on strength in bags, gloves and headwear, with the apparel segment now comping positive for the year. Titleist clubs,

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facing a challenging comp on last year's irons launch, ticked down 5% to $120.8 million. The segment saw lower metals ASP, lower sales volumes for hybrids, irons and the second-year TS metals, and the decision to delay the new TSi metals launch from Aug. into Nov. These factors were partially offset by higher sales volumes on SM8, introduced in Q1. FootJoy posted 13% gains to $116 million on increased sales of gloves and footwear. While KJUS figures were not available, GOLF reports the brand is building momentum across U.S. and Europe in the golf business. Its ski side is still challenged by pandemic conditions and not expected to recover until late 2021.

By geography, the U.S. was up 26% to $271.3 million as rounds of play increased high-single digits and pushed sales across all Titleist categories and FootJoy. EMEA was up 17% (+14% CC) to $65.4 million on strength across all segments, while Korea showed gains of 10% to $61.5 million on similar metrics save for softness in Titleist clubs. Rest of World improved 22% to $42.4 million on Titleist balls and clubs. Japan felt the greatest lingering Covid-19 impacts with its older golfing population, dropping 23% to $42.3 million. Titleist clubs sales led the decline, feeling an outsized impact of the TSi launch delay.

CapEx for the quarter was $5 million, bringing year-to-date to $15 million, with expectations to close the year in the $25- $27 million range. Moving into Q4, inventories are pegged to be down 5-10% globally. With production facilities returned to peak output and down inventories, management sees the landscape boding well for new product introductions. While formal guidance remains suspended, Q4 '20 net sales are expected at slightly higher than Q4 '18, the last product launch year. Compared to '18, Q4 golf balls sales are expected flat on limited availability while ramping up for the Pro V1 launch. Clubs should tick up slightly on the November TSi metals launch, with strength in the U.S. offset by softness in Japan. Footjoy is expected to be slightly down, led by Japan declines. Titleist gear is expected down, lapping a challenging comp from '18. The July '19-acquired KJUS is expected to be a positive contributor.

YETI SEES CONSTRAINED SUPPLIES FOR HOLIDAY AFTER SOLID Q3

Net income jumped 142% to $51,445,000 in the third quarter over $21,302,000 on revenues that were up 29% to $294,603,000 from $229,125,000, including a 62% increase in DTC to $150.4 million from $92.9 million across categories. E-commerce expanded at Yeti.com with strong traffic and conversion, and Amazon Marketplace growth was not far behind. Corporate sales turned slightly positive, limited by inventory. Yeti added an eighth brick-and-mortar location with a West Palm Beach store opening in August, but it did not release store comps for the quarter. Wholesale sales were up 6% to $144.2 million from $136.2 million, as retailers sold through in-store inventory and ended the quarter with stocks down double digits. Inventory is expected to remain tight through the Holiday season, with restocking continuing into 2021. Strong drinkware sales exceeded coolers and equipment,

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which were hardest hit by inventory constraints.

Drinkware posted a 31% increase to $165.9 million from $126.4 million helped by expanded colorways and sizes and strong customization demand. Coolers & Equipment sales were up 27% to $124.2 million from $97.8 million, led by strong performance in hard coolers, soft coolers, outdoor living products, cargo, and bags. International sales climbed to their highest mix yet at 7% of net sales, with wholesale more than doubling while DTC e-commerce quadrupled. Performance was led by Canadian wholesale as stores there reopened, and exponential growth in Canadian DTC e-commerce and corporate sales. While Canada continues to make up most of the International region, Australia contributed with a three-fold increase in wholesale and DTC.

While formal guidance remains suspended, net sales are expected to grow between 15% and 16% for Q4, including an estimated $7 million of revenue benefit from the 53rd week. Yeti is working to support the omni-channel capabilities of wholesale partners, which management sees as key for the 2020 Holiday season. Demand is expected to exceed supply during Q4 given current inventory. Shipping capacity is a larger concern than surcharges this Holiday, and the operations team is in near-daily talks with primary courier UPS. The company has secured capacity for its current shipping expectations, it said.

Gross margin expanded 670 basis points to 59.1% benefitting from a favorable channel mix, led by DTC sales increases, product cost improvements, decreased tariffs, and lower inbound freight. SG&A grew 21% to $103,864,000 while contracting as a percentage of sales by 230 b.p. to 35.3%. The decrease benefitted from 380 b.p. of non-variable expense leverage on higher net sales, including leverage on higher expenditures in areas such as employee costs, marketing, distribution costs, and professional fees. This was partially offset as variable expenses deleveraged 150 b.p. on DTC channel growth.

CANADA GOOSE SEES CHINA REBOUND

Net income was sliced by 78% to C$12.5 million ($9.4 mm) against C$58.0 million on revenues down 38% to C$194.8 million ($146.2 mm) from C$294.0 million for the fiscal second quarter ended Sep. 29. Wholesale revenue took a 46% hit to $118.5 million in its traditionally largest quarter on continued pandemic impacts. After a near total shutdown in Q1, slowly resuming sales still contended with a significant reduction in the planned order book, and requests from partners and international distributors for later shipment timing compared to the prior year.

Total DTC sales fell 38% to C$46.2 million in a seasonally slow quarter on lower retail traffic from continued Covid-19 disruptions, offsetting e-commerce that grew over 10% led by a 30%-plus gain in China. Mainland China brick-and-mortar DTC has returned to pre-pandemic levels as GOOS' retail footprint there has more than doubled year-to-date and traffic levels have normalized. Hong Kong continues to falter as pandemic restrictions have resulted in a near total shutoff of inbound

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and outbound tourism. Other revenue rocketed 1,670% higher to $30.1 million on PPE sales through the nonprofit Canada Goose Response Program, with the addition of a line of consumer facemasks in Sep. which posted strong global sell-through rates.

On the operational side, GOOS said that down-filled jacket production has resumed at all eight Canadian facilities, and the company has finished a third-party logistics transition to aid distribution and e-commerce service level scalability. During the quarter, 18 new countries were added to the e-commerce platform and omnichannel capabilities are currently going live in U.S. stores. All North American stores are currently opened, while the European stores are facing renewed lockdowns. Paris is closed for at least two more weeks, while London and Milan are closing this week. As digital demand increases quarter to date, management hopes e-commerce will offset a greater percentage of brick-and-mortar losses. Wholesale is expected to see an improved rate of decline versus Q2 based on later shipment timing. Other segment revenue for Q3 is expected to be just over one-third of Q2 results.

Gross margin contracted 620 b.p. in the quarter to 48.4% on a higher proportion of low margin PPE sales, partially offset by higher DTC margins. Excluding the impact of the sale of PPE, gross margin was 56.1%, up 150 b.p. year-over-year. SG&A expense was down 13% to C$64.2 million on reductions in marketing and contingent rent and other cost-saving initiatives, but still expanded as a percentage of sales by 700 b.p. SG&A for H2 is expected to be flat compared to the prior year on brand-building marketing spend increases and investments in global e-commerce and Mainland China brick-and-mortar.

SPORTCHEK SALES INCH LOWER, BUT CANADIAN TIRE SOARS

Revenues at Canadian Tire's sporting goods banners slipped 2% to C$533.2 million ($400.3 mm) from C$543.3 million in the third quarter, including a -1.4% comp, blamed on fewer promotional events, a slower Back-to-School season, and declines in hockey and team sports. E-commerce was a bright spot, continuing to deliver strong growth, and the clothing accessories, hiking & camping and golf categories were called out for a strong performance compared to 2019. Sales per square foot tumbled 8.7% to C$277 from C$304, but gross margin improved an unspecified amount due to fewer promotions this year. The quarter benefitted from having all stores reopened after the widespread closures that continued through much of Q2, though reduced occupancy limits hurt productivity.

The Canadian Tire banner, which also sells lots of sports and outdoor gear, surged 28% to C$2,322.7 million up from C$1,813.2 million, helped by a 178% increase in e-commerce sales and a +25.1% comp store sales gain. Top categories were kitchen and tools, as well as camping, gardening and backyard living. CTC's overall net income attributable to shareholders jumped 50% to C$296.3 million from C$197.2 million on 13% higher retail revenues of C$4,414.4 million against C$3,904.3

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million.

Meanwhile, Helly-Hansen sales rebounded to just a 3% drop at C$155.4 million ($116.7 million), down from $159.5 million, a strong sequential improvement after Q2's 21% decline. Constant currency, H-H sales were off just 1%, but the brand's results benefitted from a reduction in foreign currency hedging losses compared to last year.

ASICS' SALES AND PROFIT GAINS RETURN IN Q3

After two quarters of losses, the bottom line rebounded to net income of ¥2,858 million ($26.9 mm) in the third quarter from ¥1,424 million, and revenues also returned to growth, gaining 2% to ¥101,309 million ($954.8 mm) from ¥98,962 million. E-commerce sales more than doubled. Gross margin was 90 basis points lower at 44.9% but a 7% reduction in SG&A that leveraged 380 b.p. on the higher revenues helped restore profits. Asics found the bulk of its cost savings from a lower advertising spend, with the rest coming from reduced personnel expenses, sales commissions and rent.

North American revenues inched up 1% to ¥20,760 million ($195.7 mm), with 149% growth in e-commerce sales driving gains. The home Japanese market was the worst performing region, down 20% to ¥20,236 million. Europe surged 28% to ¥33,115 million driven by wholesale demand from its accounts there after retailers in the region reopened, with e-commerce growing 131%, adding to the improvement. Greater China, which recovered quickly from the pandemic, gained 11% to ¥12,474 million.

A post-pandemic resurgence in running is a common thread that all footwear brands have reported, and performance run was Asics' best category, growing 19% to ¥43,155 million in Q3 with Europe, China and North America all positive. Sports Style sales also improved, up 5% to ¥9,189 million with particular strength in Oceania, but other segments were all down, including a 4% decline from Core Perf Sports to ¥11,339 million and a 14% drop in Apparel and Equipment sales to ¥10,073 million. Onitsuka Tiger had a 19% falloff to ¥12,079 million, blamed on lower tourist traffic in Japan that was somewhat offset by growth in China and better e-commerce sales in all regions.

Looking ahead, Asics is expecting the negative impact from a second wave of Covid-19 infections to send revenues down 20%, but the better than expected Q3 led it to raise full-year guidance to ¥320 billion ($3.0 bb) in revenues from ¥300 billion prior guidance. Operating loss for the year is expected to be ¥6.0 billion, better than the previous ¥14.0 billion expected loss.

MIZUNO BOUNCES BACK FROM JUNE QUARTER, BUT HEADWINDS REMAIN

Net income slipped 23% in the second quarter ended Sep. 30 to ¥1,222 million ($11.5 mm) from ¥1,594 million, rebounding sequentially from

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Q1's loss, as revenues declined 13% to ¥37,586 million ($354.3 mm) from ¥43,304 million. Gross margin contracted 80 basis points to 40.0%, while SG&A was down 9% in yen and deleveraged 180 b.p. on the lower sales. Mizuno issued FY21 initial guidance calling for revenues of ¥150,000 million, down from ¥169,742 million last year, and net income of ¥1,500 million, against ¥4,625 million in FY20. While trends have improved, it cautions that potential Covid-19 outbreaks could result in future store closures in affected regions.

Americas revenues plunged 38% to ¥2.9 billion ($27.3 mm) with golf equipment called out as a bright spot as players returned to the links after courses reopened. Mizuno relocated its U.S. office during the quarter. Sales in the home Japan market dropped 7% to ¥28.1 billion, improving from the June quarter as social restrictions were gradually raised, but still feeling the effects of reduced personal consumption and cancelled sports events. EMEA was flat at ¥4.1 billion after a steep FQ1 decline, and Asia/Oceania was down 40% to ¥4.3 billion.

By category, footwear sales were off 18% globally in the quarter to ¥12.6 billion, but apparel bounced back after a steep Q1 decline to flat year-over-year revenues of ¥12.1 billion. Equipment sales were down 20% to ¥8.2 billion, and services/other revenues in the home market dipped 16% to ¥7.0 billion due to sports facilities closures.

NIKE UPS LAYOFF HEADCOUNT TO 700

The Eager Beavertons filed a state notice upping the number of layoffs at its headquarters from its previously announced restructuring by 200. Since the $200-250 million restructuring effort was announced in July, the E.B.s have terminated some 200 employees connected to the child care center, over 100 VPs and some 200 other senior executives, many of them connected with the wholesale distribution channel which is being de-emphasized as Nike pushes to accelerate its DTC strategy, especially its on-line channel. It's not clear how many total employees are being laid off outside of headquarters, but it's likely that the downsizing of the wholesale operation is having a significant impact outside the Emerald City as well.

Chat rooms suggest there is considerable confusion among employees about whether the 700 figure represents those who have been given 60-day notice and will be leaving in early January or whether there will be additional layoffs that will hit the Tech and Ops department later. A communication from CEO John Donahoe did little to clear up the confusion. It was roasted as embarrassing and there is much parsing of his words over whether these figures are minimums.

Certainly, the commercial success that Nike is having during the pandemic will give Donahoe lots of license to reshape the company into his vision. There's clearly less need for sales people if the E.B.s are only going to service a handful of wholesale accounts. There's also probably less need for product people if the company is organized into men-women-children instead of by sport specific categories. There's

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also likely to be less need to lavish enormous contracts on athletes and teams if Nike can keep its commercial engine revving when they're not even playing or playing before smaller in-person and TV audiences.

There is a two edged sword to this direction, of course. The E.B.s biggest advantage over the market was that they always had the resources to dominate with their marketing budget and product development engine. Pruning the latter will be an especially delicate task since those affected will be able to find work elsewhere in the industry. Obviously, there will also be a significant number of wholesale accounts looking to stay in the sneaker business with other brands. It is also likely to give the company culture a hit. Whereas Nike had always been an aspirational place to work, it may now feel more like working for a bank where the only goal is to make money.

FITBIT LOSS GROWS ON R&D AND DEAL COSTS, DESPITE HIGHER SALES

Net loss expanded slightly to $54,452,000 in the third quarter ended Oct. 3 from a loss of $51,893,000 last year, on 5% higher revenues of $363,932,000, up from $347,200,000. DTC e-commerce grew 54% year-over-year to $42 million. Gross margin improved 620 basis points to 37.3%, helped by lower promotions, lower warranty expense, increased share of direct sales through, and growth of premium revenue. But a 38% increase in R&D and a 54% jump in general and administrative spending weighed on profitability. FIT blamed the higher G&A on expenses related to the pending acquisition by Google.

The company sold 3.3 million devices in Q3 at an ASP of $104 per device, up 8% year-over-year, helped by the introduction of higher priced smartwatches and solid sales of the new, and more expensive, Fitbit Sense. Smartwatches represented 60% of revenue, trackers made up 36%, and premium subscriptions was the remaining 4%. Subscription revenue is now coming in at a $100 million annual run rate, from more than 500,000 paid subscribers. U.S. revenue was down 6% to $195.0 million, while international sales grew 20% to $168.9 million, including a 23% gain in EMEA to $102.4 million, a 1% dip in APAC to $40.6 million and a 55% jump in ex-U.S. Americas to $26.0 million.

FIT did not provide an update on the Google deal, other than to reiterate that it was undergoing Phase II review by the European Commission, and that it still hoped to close in 2020, though it conceded that the Covid-19 pandemic had caused delays in the approval process that might prevent that. It is not providing any forward guidance pending the outcome of the sale.

GOPRO RETURNS TO BLACK INK IN Q3 ON BIG DTC GAINS

The bottom line swung to a profit of $3,307,000 in the third quarter against last year's loss of $74,810,000 on a 114% top line improvement to $280,507,000 from $131,169,000, lapping 2019's dismal results from

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delayed deliveries of HERO8 cameras. Sales improved across channels and geographies on the launch of the HERO9 Black camera and bundled GoPro subscription services. DTC hit $81.3 million, up 247% from $23.4 million, including subscription sales, where subscribers increased 35% sequentially to 501,000. Wholesale posted 85% gains to $199.2 million up from $107.8 million on HERO8 Black and HERO9 Black demand. Americas bounced back 161% to $157.7 million over $60.4 million. International sales rebounded after Q2 channel inventory reductions, as EMEA grew 31% to $64.6 million and Asia and Pacific grew 172% to $58.2 million.

Gross margin improved 1,370 b.p. to 35.4% from 21.7% on the channel shift towards DTC and increases in subscribers, while operating expenses dropped 9% to $90,458,000 with across-the-board cuts to SG&A and R&D. Inventory was pared down by nearly half to $132.8 million from the prior year's $250 million. Q4 sales are forecast to fall about 31% year-over-year to between $355 and $375 million, with unit sell-through of 1.3 million, up 36% sequentially.

DOREL TO GO PRIVATE BACKED BY CERBERUS

The bike, home goods and juvenile furniture maker has offered shareholders $14.50 per share valuing the company at about $450 million in a deal backed by private equity group Cerberus. The Schwartz family, which holds many of the top executive positions, will be part of the buyout and control 19% of the shares outstanding and 60% of the voting rights to the company, mostly from a separate class of stock. Cerberus has until Nov. 10 to complete a definitive agreement.

The stock traded around $15 on the announcement, about where it has been trading in recent days, suggesting that investors think a sweeter offer might be possible, but the investors pushed back saying that this is the only transaction they will do and the Schwartz family is not interested in selling stock or assets. The family indicated that it informed the board in Dec. 2019 that it was pursuing this transaction when the stock was trading around $6. As the pandemic hit, the stock tumbled to $1.25 but has steadily rebounded as Dorel's results improved with the boom in the bike market. Dorel undertook a major restructuring in 2018 that was starting to pay off in 2019.

In the third quarter ended Sep. 30, Dorel's Sports segment revenues expanded by 22% to $305,621,000 from $250,277,000, driven by continued record demand for bicycles that boosted growth at the Cycling Sports Group and Pacific Cycle divisions. Brazilian brand Calois saw revenue increase in local currency as IBD sales increased and mass market stores began re-opening. Operating profit quadrupled to $24,151,000 from $5,957,000 helped by a 470 basis point increase in gross margin on a lack of discounting. Operating expenses were also lower due to events cancelled by the pandemic and a lower marketing spend.

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JCPENNEY SETTLEMENT PAVES WAY FOR CH. 11 EXIT

The retailer is steps closer to emerging from bankruptcy ahead of the crucial Holiday season with agreements and settlements on its two-pronged sale effort to shore up confidence from its vendors. JCP entered an asset purchase agreement on Oct. 28 with Brookfield Asset Management, Inc., Simon Property Group and a majority of its first lien lenders on the sale of its operations. This was followed by a settlement with minority debt holders on the separate sale of its real estate assets, revealed in a court filing on Mon. The basic framework of the asset purchase agreement is in line with plans announced in Sep., with Brookfield and Simon purchasing JCP's retail and operating assets through a cash and new term loan debt combination.

The company's real estate assets, including 161 stores and its owned DCs, will be spun off into an REIT to be owned by a group of its lenders, who will then lease them back to the new operating company. This deal hit snags last month when a group of minority creditors, led by Aurelius Capital Management, said the REIT "appears to grossly undervalue" the chain to the benefit of majority debt holders. According to court documents, filed Nov. 2, "JCP and the Majority Group of First Lien Lenders… have reached agreement in principle on a global settlement with the Minority Group of First Lien Lenders." The court states that JCP, Simon and Brookfield, and the majority lenders are finalizing their Master Lease Agreement to reflect this resolution. As a sale hearing was slated for Nov. 2, the debtors sought to move that hearing back to Nov. 9, to which there was no objection. The details of the settlement have not yet been announced, and will be "reflected in amended versions" of the sales agreements heading into the Nov. 9 hearing.

REPORT: SNEAKER SALES BOUNCED BACK IN SEPTEMBER

Following a high-single-digit decline in Jul. and a high-teens drop in Aug., athletic footwear sales expanded mid-teens in Sep., NPD Group reported, though it attributed much of the difference to this year's flatter and longer Back-to-School season. Third quarter sneaker sales declined mid-single digits overall, including a slight gain in women's, which was more than offset by a low-single-digit decline in men's and a low-teens decline in kids'. By brand, the research company's data showed Nike improving low-single digits, Jordan declining slightly and Converse falling more than 30%. Adidas dropped high-teens, Reebok was nearly flat, Skechers was down mid-teens, and New Balance and Asics dipped high-single digits. Vans declined more than 25% and Under Armour was down mid-teens, but Puma jumped over 20%. Running brands Brooks and Hoka One One also did well, growing by more than a third and more than two-thirds, respectively, though the category overall declined low-single digits.

On the apparel side, activewear sales grew low-single digits overall in Q3, including a mid-single-digit improvement from women's, a low-singles gain from men's and a mid-singles decline from kids'. Nike and

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Under Armour both grew mid-single digits, and Puma and Hanes were both up more than 20%, but Adidas declined low-single digits, and Fruit of the Loom and Champion were both down, too. The big winner was private label, though, where retailers' aggregate sales improved over 20%. Activewear sales at athletic specialty/sporting goods stores grew high-single digits, but department stores dropped about 10%, NPD said.

RETAIL

MOUNTAIN EQUIPMENT COOP suitor Kingswood Capital has closed on its acquisition of the Canadian outdoor coop's assets, and reiterated its commitment to keep 21 of MEC's 22 stores open and hire over 85% of the active staff. The deal proceeded without drama, despite the grassroots efforts of the Save MEC group, who had raised about C$100,000 from some of the coop's 5.8 million members to oppose the sale. The presiding judge in the case denied their appeal, allowing the U.S.-based PE firm to complete the transaction in time for the crucial Holiday season. As we went to press, an updated MEC website is now up and running.

NICS FBI background checks, as adjusted by the NSSF, continued their streak of over-50% gains for the eighth straight month, as heated pre-election rhetoric and demonstrations have added to fears created by the coronavirus pandemic and social unrest. Checks were up 60.1% in Oct. to 1,769,553 from 1,105,335, and are now up 67.2% year-to-date to 17,227,586 from 10,303,052 in 2019. The year-to-date total has already set an all time record for NICS checks in a year, surpassing the 15,700,471 checks in 2016, the last presidential election year. NSSF's adjusted NICS checks back out background checks for concealed carry weapons permits and checks from active CCW permit databases to more accurately reflect gun sales. Unadjusted NICS checks were up 40.5% in Oct. to 3,268,909 from 2,327,252 last year.

ON THE MOVE:. **Genesco** CFO Mel Tucker is resigning to pursue an outside opportunity. His responsibilities will be covered on an interim basis by CEO and former CFO Mimi Vaughn until a permanent successor can be found.++++**Bass Pro Shops** has acquired a 94-room La Quinta Inn in Hollister, MO, and will convert it into a Bass Pro Shops Angler's Lodge, with plans to open next Mar.++++**REI** is opening a new, 23,000-sq.-ft. store at Uptown Boca in Boca Raton, FL next week and will open a 15,000-sq.-ft. store at Powderhorn Mall in Jackson, WY, next summer, its first in the state.++++**Ocmulgee Outfitters** opened a second store, in Forsyth, GA, adding to its existing store in Macon.++++**Kahunaverse Sports Group** and its subsidiary Soccer Express Trading Corp, the Canadian team dealer which operates Home Run Sports, SoccerX and Kahunaverse Sports, has been acquired by Winnipeg based PE group Greyrock Capital. Greyrock co-founder David Blatt will assume the role of CEO of Kahunaverse Sports Group Inc.++++**Altitude Sports** hired Bao Trinh VP of merchandising and Ian Booler as VP of finance at the Canadian e-commerce retailer.

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COMPANIES

PENTLAND BRANDS named Kev McFadyen, previously brand director of Berghaus, as global brand director of Speedo, succeeding Rob Hicking in the role. McFadyen joined the company in 2018 after stints at O2, Carlton & United Breweries, and several other consumer brands. Paul Anderton, head of category for Berghaus, will be taking charge of the brand until a permanent replacement is found for McFayden. Hicking was Speedo's former chief financial officer, who became brand director in 2017.

ROSSIGNOL named Amer Sports and Hunter Boots veteran Vincent Wauters as CEO to succeed Bruno Cercley, who will remain involved as non-executive president. Wauters will be tasked with growing Rossignol's hot apparel business and its fast-growing mountain bike segment, as well as developing e-commerce, which currently represents around 15% of the brand's apparel sales. Cercley joined Rossignol in 2002 before the ill-fated acquisition by Quiksilver, then came back at the head of the Macquarie Capital-backed consortium that rescued the nearly bankrupt company in 2008. Altor Equity Partners, the Nordic investment fund that previously controlled Helly Hansen, acquired a controlling interest in the Rossignol Group in 2013 and may now be looking for an exit following a run-up of the more profitable apparel and bike sales.

PRECISION SPORTS DEVICES has been launched by Dave Churchman, a veteran sales exec whose career started representing Adidas, Puma and more recently New Balance and Keen, to market his patented PassLab training device. PassLab helps train quarterbacks to look-off defenders, using a sensor band that fits inside the helmet or on a cap and measures and analyzes head position data in real time. Churchman has turned down overtures from team sports brands to acquire the fledgling business, and is partnering with college football analyst and former Colorado QB, Joel Klatt, who has endorsed the PassLab system. The Covid-19 pandemic slowed their plans to roll out distribution, and the system is now set for 2021 launch.

STOCKS & EARNINGS

CALLAWAY sees both Moody's and Standard & Poor's warn that debt levels after a merger with Topgolf, and lack of any meaningful earnings the golf venue operator would significantly raise ELY's leverage going forward. That would add risk to a business that is especially vulnerable in a pandemic. Moody's took the measure of downgrading Callaway's corporate family rating to B1, while S&P did not issue a downgrade, but placed the company on CreditWatch negative. The ratings agencies agree that debt-to-EBITDA will be above 5.0x through 2021, before possibly declining below that important threshold the following year if Topgolf can generate some income. They also fret about the risk of entering the casual dining and entertainment industry, with Moody's pointing out that ELY's acquisitions outside the core golf business have not been performing as well as hoped. But both agencies acknowledge

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the future potential of the combination. Callaway can promote its brand to Topgolf customers, many of whom are non-golfers but are certainly good prospects to take up the game, and Topgolf and its Toptracer Range technology will benefit from ELY's existing partnerships.

CANYON BICYCLES is seeing a number of private equity firms, including Carlyle Group, KKR & Co., Advent International, Apax Partners, General Atlantic and Permira, considering takeover bids for the German bike maker, *Bloomberg* reported, citing sources close to the matter. Canyon has been working with Robert W. Baird & Co., which believes the eventual acquisition price could exceed €500 million. Founded in the 1980s in Germany, Canyon develops and offers mid- to high-level bicycles of various kinds. It entered the U.S. market in 2017 and in recent years has added e-bikes to its offerings. The private equity firm TSG Consumer Partners of San Francisco took a large minority stake in the company in 2017.

FENIX OUTDOOR net income declined 9% in the third quarter to €32.4 million ($37.9 mm) from €35.7 million on 4% lower sales of €186.9 million ($218.6 mm) down from €194.5 million. Gross margin at Fjällräven's parent company narrowed by 130 basis points to 57.7%, while operating expenses were slashed by €6.4 million and 220 b.p. as a percent of revenue despite the lower top line. Sales at the Brands division dropped 9% to €49.3 million globally, and operating profit declined 12% to €26.8 million. Fjällräven recorded strong sales of core products such as jackets and trousers, while Primus had another stellar performance and was even short on inventory. Tierra and Hanwag did well, but Royal Robbins, which is predominantly a travel brand, was hit by Covid-19-related restrictions. E-commerce was a bright spot, growing 28% in the quarter and now representing 26% percent of total DTC sales, up from 14% the year before.

NEWELL's Outdoor & Recreation segment, which includes Coleman, Marmot and other outdoor brands, increased 8% to $383 million from $356 million in the third quarter, generating operating income of $40 million against a loss of $41 million last year. Normalized operating margin was up 160 basis points to 12.0%. Core sales improved across all regions, on increased demand for outdoor equipment, including stoves, tents, grills, and camping furniture. However, the technical apparel side is still a laggard and continues to have challenges. Coleman also benefitted from a timing shift in shipments into Q3 and out of Q4, ahead of the Oct. 1st SAP implementation. Outdoor is not expected to do as well in Q4 due to seasonality and the Coleman shift.

SWEATY BETTY, the British women's activewear brand, has engaged Goldman Sachs to help find a new investor, *The Times* reported, seeking a valuation of about £250 million ($327 mm). The company currently operates more than 60 mono-brand stores in the U.K., the U.S., Canada and Hong Kong. Catterton acquired a majority stake in the business in 2015, before forming L Catterton in partnership with LVMH and Groupe Arnault. It has since invested in other fitness-related operations including Peloton, Hydrow and, most recently, Icon Health

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& Fitness. Sweaty Betty's investments in its own stores have reportedly been less profitable than those of competitor Lululemon.

TECHNOGYM's sales declined 24% in the third quarter to €129,091,000 ($151.0 mm) from €169,502,000, and were also down 24% for the first nine months of 2020. Year-to-date, B-to-C sales expanded 58% to €97.9 million from €62.0 million helped by the pandemic-fueled home fitness trend in Europe and the U.S. Sales at the Italian fitness equipment maker's nine stores grew 28% and its DTC inside sales business was up 58%. B-to-B sales to fitness clubs and wholesale customers have cratered, however, dropping 37% to €253.6 million from €402.8 million. Sales in the North American market were down 31% in Q3 to €12.6 million ($14.7 mm) due to postponed club and hospitality segment orders. The company is pivoting to better support the home market, with a three-year plan to double its high-end equipment sales to affluent individuals, which certainly hopes to siphon off some spending that would otherwise end up in Peloton's coffers.

WINCHESTER revenues at the Olin-owned ammunition maker increased 9% in the third quarter to $206.4 million from $188.7 million, helped by booming consumer demand that has been clearing ammunition off shelves as fast as retailers can restock. Segment operating income was up 51% to $21.0 million from $13.9 million, boosted by the higher sales volumes and the largest commercial ammunition price increase "in many years," and would have been even better but for $5.7 million of transition costs related to the Lake City contract. Taking over the U.S. Army facility will benefit Winchester's top and bottom lines starting in Q4 this year, which OLN says will see an additional $10 million in operating income. Lake City will add a considerable amount of capacity going forward, and is expected to provide $450 to $550 in revenue and $40 to $50 million in adjusted EBITDA on an annualized basis. It also plans more across-the-board price increases for commercial ammo, enabled by the stronger commercial sales.

LEGAL

CPSC RECALLS: Yeti is recalling about 15,000 Rambler 20 oz. travel mugs with Stronghold lids because the magnet slider on the lid can eject and hot contents can spill out. The recall only involves travel mugs with the date code 34204010, and customers can return the mugs at stores for a refund, or receive instructions to return the lid. The mugs were sold at Yeti stores and online at yeti.com from Oct. 1-9, 2020 for about $35. The CPSC website erroneously listed the number of recalled mugs as 241,500, Yeti said.++++**Alliance Outdoor Products** is recalling about 3,400 Silent Adrenaline and Apache climbing treestands because the cable assemblies on the treestand can separate due to corrosion, posing a fall hazard. The recalled treestands were sold at Sportsman's Guide stores and other sporting goods stores nationwide and online from May 2017 through Dec. 2018 for between $200 and $230.

TONY HAWK, actor Jack Black and skateboarding and social media company The Berrics, are being sued by artist Wesley Humpston

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for using his skateboard designs in the *Tony Hawk's Pro Skater* video game. The suit, filed in Central CA Federal Court, accuses the defendants of copyright infringement for featuring a BigFoot II skateboard with Humpston's copyrighted BigFoot graphic in the game. Humpston is seeking findings of copyright infringement and unjust enrichment, and wants the profits from the use of his image, along with damages and attorneys' fees.

SHORT STOPS

Nike extended its sponsorship of the University of New Mexico through 2022-23 to continue providing uniforms for the Lobos' athletic teams.++++**True Sports**, which makes hockey, golf, baseball and lacrosse gear, is acquiring QC, Canada-based goalie equipment manufacturer, Lefevre Inc. for undisclosed terms.++++**Nike** will use Lazada's Southeast Asian marketplace platform and fulfillment and logistics capabilities for its DTC e-commerce business in Indonesia, Malaysia, the Philippines, Singapore and Thailand.++++**VF Corp.** promoted company veteran Lauren Guthrie to VP of global inclusion & diversity.++++**Yeti Holdings** appointed Alison Dean, former iRobot EVP and CFO, as an independent director to fill the seat left by Cortec managing partner Mike Najjar, who is stepping down.++++**SHOT Show** has been cancelled due to spiking Covid-19 cases and the limits on large gatherings imposed by NV officials. It had been scheduled for Jan. 19-22, 2021.++++**Camber Outdoors** added REI's VP, general counsel and corporate secretary Wilma Wallace to its board of directors.++++**Exped USA** tapped Caraway & Co. to rep its outdoor products in AZ, CA, NV, OR, WA, ID, MT, and AK.++++**Jack Wolfskin**'s public relations director Kerstin Pooth is leaving at the end of the year to pursue new professional challenges. Mokhtar Benbouazza, VP marketing & digital, will assume her responsibilities.++++**Tecnica Group** CEO Antonio Dus is stepping down to devote himself to personal and professional projects, and chairman Alberto Zanatta is taking over as interim CEO effective immediately.++++**Pelican Products** hired Brad Antoine as VP of financial planning and analysis.++++**Ping** signed two-time Masters champion Bubba Watson to a lifetime contract to represent the company.++++**GSM Outdoors** portfolio brand G.P.S. Bags signed professional marksman Max Michel and hunter Melissa Bachman to its team of pro-staff members.

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