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# SPORTING GOODS<sup>®</sup> INTELLIGENCE

News and analysis of the international market

E-mail our editors at  
editor@sginews.com

www.sginews.com

E-mail our staff at  
custserv@sginews.com

## INDUSTRY STOCKS OUTPERFORM MARKET AS BIG CAP STOCKS SHINE

Sporting goods stocks handily exceeded the performance of general stock indices around the globe with a weighted average increase of 10.1% in local currencies compared to mid-single-digit declines in most U.S. stock indices and mid-teens declines in the major European and Asian stock indices. A solid teens gain at Nike, which alone accounts for 30% of the industry's global stock market value, was a major bulwark against the general stock market performance but there were also some impressive gains at companies like Lululemon and the resurgent Fila Korea that made important contributions to the buoyant performance. In dollars, the total market capitalization of the 81 companies we tracked rose to \$381,944 million from \$368,734 million, but the rate of growth slowed from a 19.3% increase during 2017.

Our methodology for this study compares the market capitalization of all companies in local currencies to arrive at a percentage change for each stock. The data is then converted into US\$ at the exchange rate on the last trading day of the year, and weighted by market capitalization to allow aggregation for the purpose of comparison. Companies are classified by their principal business for categories and by the location of their headquarters for regions.

The stock market performance also belied a rather modest year in terms of results for the industry. Based on the trailing 12 months results from our Scorecard section, industry profits were down 4% to \$9,545.5 million for the four quarters ended nearest to Sep. 30 compared to \$9,972.5 million while sales rose 8%

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**Sporting Goods stocks** rose 10.1% in 2018 to \$381.9 billion.

**China trade talks** restart and outside factors may determine if deal is reached.

**Government shutdown** concerns mount for sports industry.

**Foot Locker** invests in new kids' play shoe brand.

**Holiday sales** are strong with online propelling increases.

**Dick's** drops USOC sponsorship but doesn't cite Nasser scandal.

**Hoopgate:** Guilty plea from USC coach as others head to trial.

**Camping World** reshuffles management as RV sales weaken.

**Retail:** Himaraya, Kathmandu.

**Companies:** Batra, Columbia Sportswear, National Shooting Sports Foundation, New Balance, SRAM.

**Stocks & Earnings:** Caleres, Pegasus International.

**Trade & Sourcing:** Firearms trade.

**Legal:** Century vs. Everlast, HBI embezzlement, Iconix vs. Jay Z, Lontex vs. Nike.

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John Horan, Publisher

Jon Bogert, Editor

Tel: (610) 459-4040 Fax: (610) 459-4010

Eugenio DiMaria, Publisher, European Edition

Tel: (33) 1-4983-8242 Fax: (33) 1-4983-8224

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## Global Industry Stock Market Performers

| Company             | Exchange  | Currency | Market Capitalization in Millions |            |            | Change Local |
|---------------------|-----------|----------|-----------------------------------|------------|------------|--------------|
|                     |           |          | 2018 US\$                         | 2018 Local | 2017 Local |              |
| Nike                | NYSE      | US\$     | 117,742                           | 117,742    | 103,889    | 13.3%        |
| Adidas Group        | Frankfurt | Euro     | 41,914                            | 36,591     | 34,139     | 7.2%         |
| VF Corp             | NYSE      | US\$     | 28,308                            | 28,308     | 29,237     | -3.2%        |
| lululemon           | Nasdaq    | US\$     | 16,102                            | 16,102     | 9,871      | 63.1%        |
| Shimano             | Tokyo     | JPY      | 13,118                            | 1,439,014  | 1,461,879  | -1.6%        |
| Anta Sports         | HKEX      | HK\$     | 12,852                            | 100,634    | 95,166     | 5.7%         |
| Garmin              | Nasdaq    | US\$     | 11,955                            | 11,955     | 11,800     | 1.3%         |
| Moncler             | Milan     | Euro     | 8,342                             | 7,282      | 6,643      | 9.6%         |
| Under Armour        | NYSE      | US\$     | 7,557                             | 7,557      | 6,424      | 17.6%        |
| Puma AG             | Frankfurt | Euro     | 7,310                             | 6,382      | 5,430      | 17.5%        |
| Canadian Tire       | Toronto   | CAD      | 6,868                             | 9,341      | 15,600     | -40.1%       |
| Gildan Activewear   | NYSE      | US\$     | 6,280                             | 6,280      | 7,436      | -15.6%       |
| Foot Locker         | NYSE      | US\$     | 6,006                             | 6,006      | 5,682      | 5.7%         |
| Columbia Sportswear | Nasdaq    | US\$     | 5,803                             | 5,803      | 5,023      | 15.5%        |
| Yue Yuen            | HKEX      | HK\$     | 5,122                             | 40,102     | 50,041     | -19.9%       |
| Amer Sports         | Nordic    | Euro     | 5,064                             | 4,421      | 2,706      | 63.4%        |
| Canada Goose        | NYSE      | US\$     | 4,813                             | 4,813      | 3,465      | 38.9%        |
| Hanesbrands         | NYSE      | US\$     | 4,520                             | 4,520      | 7,623      | -40.7%       |
| JD Sports Fashion   | London    | GBP      | 4,330                             | 3,395      | 3,270      | 3.8%         |
| Brunswick           | NYSE      | US\$     | 4,029                             | 4,029      | 4,842      | -16.8%       |
| Feng Tay            | Taiwan    | TW\$     | 3,828                             | 117,223    | 90,506     | 29.5%        |
| Deckers             | Nasdaq    | US\$     | 3,726                             | 3,726      | 2,565      | 45.3%        |
| Skechers            | NYSE      | US\$     | 3,622                             | 3,622      | 6,003      | -39.7%       |
| Dick's SG           | NYSE      | US\$     | 3,067                             | 3,067      | 3,086      | -0.6%        |
| Wolverine WW        | NYSE      | US\$     | 3,024                             | 3,024      | 3,050      | -0.8%        |
| Fila Korea          | Korea     | KRW      | 2,937                             | 3,269,920  | 997,152    | 227.9%       |
| Asics               | Tokyo     | JPY      | 2,560                             | 280,817    | 356,729    | -21.3%       |
| Li Ning             | HKEX      | HK\$     | 2,349                             | 18,396     | 13,799     | 33.3%        |
| Fox Factory         | Nasdaq    | US\$     | 2,236                             | 2,236      | 1,458      | 53.3%        |
| Alpargatas (S.A.)   | Brazil    | Real     | 2,023                             | 7,848      | 8,174      | -4.0%        |
| DSW                 | NYSE      | US\$     | 1,985                             | 1,985      | 1,547      | 28.3%        |
| Thule               | Stockholm | SEK      | 1,886                             | 16,730     | 18,873     | -11.4%       |
| Giant Manufacturing | Taiwan    | TW\$     | 1,770                             | 54,196     | 61,322     | -11.6%       |
| Crocs               | Nasdaq    | US\$     | 1,735                             | 1,735      | 881        | 97.1%        |
| Sports Direct Int'l | London    | GBP      | 1,629                             | 1,277      | 2,415      | -47.1%       |
| Acushnet Holdings   | Nasdaq    | US\$     | 1,575                             | 1,575      | 1,570      | 0.3%         |
| Callaway            | NYSE      | US\$     | 1,446                             | 1,446      | 1,317      | 9.8%         |
| G-III Apparel       | Nasdaq    | US\$     | 1,377                             | 1,377      | 1,811      | -24.0%       |
| Yeti Holdings       | NYSE      | US\$     | 1,250                             | 1,250      | 1,431      | -12.7%       |
| Fitbit              | NYSE      | US\$     | 1,235                             | 1,235      | 1,350      | -8.5%        |
| Xtep Int'l          | HKEX      | HK\$     | 1,206                             | 9,441      | 6,771      | 39.4%        |
| Caleres             | NYSE      | US\$     | 1,193                             | 1,193      | 1,439      | -17.1%       |
| Camping World       | NYSE      | US\$     | 1,024                             | 1,024      | 3,956      | -74.1%       |

  

| Company                 | Exchange  | Currency | Market Capitalization in Millions |                |            | Change Local |
|-------------------------|-----------|----------|-----------------------------------|----------------|------------|--------------|
|                         |           |          | 2018 US\$                         | 2018 Local     | 2017 Local |              |
| Super Retail Group      | Australia | AUD      | 977                               | 1,388          | 1,630      | -14.9%       |
| Stella Holdings         | HKEX      | HK\$     | 940                               | 7,363          | 9,353      | -21.3%       |
| Sturm, Ruger            | NYSE      | US\$     | 929                               | 929            | 973        | -4.5%        |
| China Dongxiang         | HKEX      | HK\$     | 902                               | 7,063          | 8,222      | -14.1%       |
| Genesco                 | NYSE      | US\$     | 894                               | 894            | 647        | 38.2%        |
| Compass Diversified     | NYSE      | US\$     | 746                               | 746            | 1,015      | -26.5%       |
| American Outdoor Brands | Nasdaq    | US\$     | 701                               | 701            | 695        | 1.0%         |
| Vista Outdoor           | NYSE      | US\$     | 654                               | 654            | 835        | -21.7%       |
| GoPro                   | Nasdaq    | US\$     | 636                               | 636            | 1,105      | -42.4%       |
| Johnson Outdrs          | Nasdaq    | US\$     | 587                               | 587            | 621        | -5.5%        |
| Accell Group            | Amstrdm   | Euro     | 574                               | 501            | 605        | -17.2%       |
| Mizuno                  | Tokyo     | JPY      | 565                               | 61,958         | 88,246     | -29.8%       |
| Shoe Carnival           | Nasdaq    | US\$     | 517                               | 517            | 453        | 14.0%        |
| Zumiez                  | Nasdaq    | US\$     | 489                               | 489            | 526        | -6.9%        |
| 361 Degrees             | HKEX      | HK\$     | 430                               | 3,370          | 5,589      | -39.7%       |
| Dorel Industries        | Toronto   | CAD      | 415                               | 565            | 1,016      | -44.4%       |
| XXL                     | Oslo      | NOK      | 410                               | 3,548          | 11,773     | -69.9%       |
| Symphony                | HKEX      | HK\$     | 391                               | 3,063          | 2,901      | 5.6%         |
| Nautilus Group          | NYSE      | US\$     | 325                               | 325            | 410        | -20.8%       |
| Johnson Health Tech     | Taiwan    | TW\$     | 321                               | 9,821          | 10,869     | -9.6%        |
| Tilly's                 | NYSE      | US\$     | 320                               | 320            | 426        | -24.9%       |
| Clarius                 | Nasdaq    | US\$     | 302                               | 302            | 236        | 28.1%        |
| BasicNet                | Milan     | Euro     | 265                               | 231            | 198        | 16.9%        |
| Hibbett SG              | Nasdaq    | US\$     | 262                               | 262            | 389        | -32.8%       |
| Rocky Brands            | Nasdaq    | US\$     | 193                               | 193            | 140        | 38.1%        |
| Sportsman's Whse        | Nasdaq    | US\$     | 188                               | 188            | 281        | -33.2%       |
| Lafuma                  | Paris     | Euro     | 184                               | 160            | 162        | -1.0%        |
| Eagle Nice              | HKEX      | HK\$     | 179                               | 1,399          | 1,714      | -18.4%       |
| Escalade                | NYSE      | US\$     | 165                               | 165            | 177        | -6.5%        |
| Kingmaker               | HKEX      | HK\$     | 146                               | 1,145          | 1,732      | -33.9%       |
| Rapala                  | Nordic    | Euro     | 134                               | 117            | 128        | -8.4%        |
| Delta Apparel           | AMEX      | US\$     | 120                               | 120            | 147        | -18.1%       |
| Pegasus Int'l.          | HKEX      | HK\$     | 93                                | 731            | 767        | -4.8%        |
| Mainland Headwear       | HKEX      | HK\$     | 57                                | 446            | 587        | -24.1%       |
| Big 5 SG                | Nasdaq    | US\$     | 56                                | 56             | 163        | -66.0%       |
| Daphne Int'l            | HKEX      | HK\$     | 52                                | 406            | 800        | -49.3%       |
| Sequential Brands       | Nasdaq    | US\$     | 51                                | 51             | 112        | -54.2%       |
| Netshoes                | NYSE      | US\$     | 46                                | 46             | 245        | -81.1%       |
| Iconix Brand Group      | Nasdaq    | US\$     | 6                                 | 6              | 74         | -91.5%       |
|                         |           |          | 381,902                           | Average Change |            | 10.1%        |

(Local Market Cap - Weighted)

Share price and currency conversion rates are as of Dec 31, 2018 and Dec 29, 2017  
For companies that went public in 2018, 2017 number reflects market cap at IPO.

to \$179,502.1 million from \$166,476.9 million. The profit numbers in both years were greatly affected by one-time charges of unusual magnitude, such as the massive \$2 billion tax charge that hit Nike as a result of the U.S. tax law changes. Other major outliers were restructuring activities in nine figures at companies like Vista Outdoor, Iconix and Under Armour. It should be noted that the Scorecard data generally excludes about 20 companies included in the stock chart because they do not report quarterly or have unusually long delays in reporting that exclude them from our quarterly results but by far the majority of the industry results are captured in the Scorecard data.

In the Americas region, where the DJIA fell 7% and the S&P index declined 6%, industry stocks were up 9.5% to a value of \$259,106 million. Nike and LULU accounted for over 80% of the increase in the region. Europe had an even stronger performance relative to its local markets. The London FTSE dropped 12% and the DAX was off 18%, but European sporting goods stocks were up 9.9% in local currency to a value of \$72,044 million. The region got a nice boost from outside its borders when China-based Anta made a bodacious bid for Amer that sent its stock up 63% for the year. Asia was easily the best region for outperforming its local indices, where the Hang Seng was off 15% and the Nikkei dipped 12%. Industry stocks meanwhile rose 13.6% in local currency to a value of \$50,795 million. Fila's 228% appreciation in the last year to nearly \$3 billion was the big story in the consumer sector. In the industrial sector, key Nike factory Feng Tay jumped nearly 30% while sneaker-making giant Yue Yuen was off 20%.

By sector, footwear and retail led the market with gains of 13.9% and 13.7% respectively. The market cap of the sneaker sector was \$214,378 million, roughly 56% of the total industry's value. Its stock market performance slightly exceeded its results with net income for the sector increasing 9.5% to \$5,098.4 million from \$4,655.4 million on sales that gained 9.9% to \$99,222.4 million from \$90,298.2 million. Despite the strong stock performance, the retail sector actually had a 14.7% decline in net income to \$1,082.2 million from \$1,268.4 million on a 3.1% gain in sales to \$28,981.9 million from \$28,108.3 million. Much of the decline was the result of a \$148 million hit at Foot Locker from losing an

old case involving pension liability, but that was offset by the 63% gain at LULU that accounted for just over one-third of the sector's total value.

Equipment had a significant rebound in profits of 227% to \$605.6 million from \$184.9 million with 2017 getting clobbered by the gun market and the sports gadget sector (GOPRO and FIT), but the recovery produced just a 3.8% increase in stock market value to \$52,618 million. Despite some strong gains at Amer and Fox Factory among larger stocks, the biggest stocks of Shimano and Garmin were flat. Sales in the sector increased 3.3% to \$22,012.6 million against \$21,301.6 million. Easily the weakest sector for market value was apparel where stocks appreciated just 1% in local currency to a value of \$68,585 million. The sector was modestly profitable with earnings of \$260.1 million on sales of \$11,829.6 million in the most recent period, a Return on Sales of just 2.2%, but that was a big improvement over a loss of \$154.4 million the prior year on sales of \$11,116.3 million.

At a value of \$117.7 billion, Nike remains more than twice as valuable as its next largest competitor, Adidas at \$41.9 billion. VF Corp., at \$28.3 billion, is well ahead of the next tier that begins with Lululemon at \$16.1 billion, easily the most valuable retailer in the sector. Shimano, Anta and Garmin, which gets significant revenues outside of sporting goods, are the other stocks worth over \$10 billion. The industry boasts another 25 stocks worth more than \$1 billion and these have been generally the better performing stocks. Some 23 of the 31 stocks worth over \$1 billion were positive for the year, including some big winners like Fila, Crocs (97%), LULU and Amer (both 63%). By contrast, only seven of the 38 stocks valued under \$1 billion were positive for the year and the bottom of the pile, populated by Iconix, Netshoes, Sequential Brands, Daphne and Big 5, were down in a range from 49.3% to 91.5% with Iconix coming in at the lowest valuation of all, \$6 million, and down 91.5%.

## CHINA, U.S. MEET BUT PROSPECTS FOR TRADE DEAL STILL MURKY

American and Chinese negotiators continue to meet over resolving their differences before the Mar. 2 deadline set by the U.S. to reach a deal with President Trump seemingly more willing to reach

a deal. But his top trade negotiators remain skeptical that what has been offered so far is meaningful and enforceable. Robert Lighthizer, the U.S. Trade Representative who is leading the talks, is focused on extracting guarantees that will stop the forced technology transfers of U.S. companies and changes in China's industrial policies to promote strategically significant industries while China is offering more short-term concessions such as resuming purchases of soybeans.

Of course, reading the President's mind is tricky to say the least but there are certain factors right now that will likely weigh on his decision. Trump is evidently concerned about the shaky performance of the stock markets recently, at least some of which is attributed to the threatened trade war. He is also being pressured politically over the government shutdown over the Wall with Mexico and his Administration is about to be hit with a flurry of investigations into his business interests and the 2016 election from a Democratic House and, potentially, from Special Counsel Robert Mueller. All of that will give him an incentive to agree to a soft deal that he can point to as a major victory over China on trade. Such an outcome would mirror last year's much ballyhooed nuclear arms deal with North Korea that a year later appears not to have resulted in any progress towards denuclearizing the peninsula, even if it has at least opened a dialog.

But unless that deal includes enough substantive changes that China has so far been unwilling to offer, it is unlikely to satisfy Lighthizer and the trade hawks in the Administration, possibly even leading to more resignations that would further churn the upper levels of the Administration. Recent surveys on global factory activity in Asia, Europe and the U.S. suggest that the trade war is having a negative impact on the global economy already, in part because China has been such a major engine on global economic growth recently. Also lurking in the background is Trump's threat to impose tariffs on European-made cars in an effort to support Rust Belt jobs. That seems unlikely in the event that the trade war with China escalates past Mar. 2, and those tariffs and/or quotas may have more potential political benefit to Trump than the trade war with China.

The stakes for the sporting goods industry remain high with China accounting for 52.3% of all U.S.

sporting goods imports in Q3, according to our tracking of the ITC data, essentially unchanged from 52.4% last year. So far, just a few categories have been directly impacted in sporting goods, such as hats and sports gloves, but the risk still remains that the Administration will expand its Chinese made goods subject to tariffs to cover everything, ratcheting up prices by anywhere from 10-25% under its current views. Sporting goods companies have so far not been able to relocate production to other countries. A story in the *South China Morning Post* indicates that toymakers are looking to move production now, though it's unclear how much progress has been made to date. Some 90% of U.S. toys are made in China.

## AS SHUTDOWN DRAGS ON, IMPACT ON SPORTS BUILDS

While the ultimate impact of the government shutdown will remain largely unknown until its duration is determined, the effects are already being felt from the closing of national parks to a delay in passing the long-awaited PHIT Act to the obvious uncertainty of 420,000 federal workers working without paychecks and another 380,000 furloughed. And, if the shutdown lasts more than a few weeks, it's also likely that tax refund checks will be delayed, depriving the sneaker market of a windfall that has diminished in recent years but remains an important stimulus for Spring selling.

President Trump has rejected a compromise plan floated by Vice President Mike Pence that would have provided \$2.5 billion in wall funding, insisting that he get the full \$5.0 billion. He also rejected a deal being brokered by some Republican Senators that would have linked wall funding to protection for so-called Dreamers, the children who were brought to the U.S. by their parents illegally. Meanwhile, Democrats have introduced their own plan in the House that will split funding for Homeland Security from the other six agencies affected by the shutdown, in effect isolating the wall issue to a single bill. Senate Republican leader Mitch McConnell has rejected bringing that to a vote unless it has Presidential approval. There is also some reluctance from Democratic leaders to engage with Trump right now, given recent instances of Trump changing his demands at the last moment after others thought a deal was done.



SFIA said the PHIT Act that expanded the definition of deductible medical expenses to include some sports equipment and activity fees had passed the House with bi-partisan support but never made it to the Senate floor where it also had strong support because Congress left town after Christmas due to the stalemate over border wall funding. SFIA was hoping to make it part of the year-end tax bill. The long fight for the bill will certainly continue in 2019 with some 150 co-sponsors hoping to finally get it across the finish line.

A number of major national parks have closed completely, but several have remained open with limited staff and services. Just how long they can remain open without funding remains unclear. A few states have stepped in to support the parks because of their importance to the local economy, but those measures were mostly intended to cover the busy tourist period between Christmas and the New Year. That money has mostly run out, and there are widespread reports of damage inflicted on sensitive areas. There have been a number of reports of vehicles entering closed off areas that are essentially unguarded right now and visitors continue to enter the parks and leave garbage and worse that is not being cleaned up.

The federal workers who are now working without pay are certain to get reimbursed eventually and the U.S. Court of Federal Claims awarded them double pay last time for being forced to work without pay in the first place. A lawsuit against the government has already been filed by a major federal employee union. These employees are doubtless not pleased that Trump also revoked a planned pay raise in 2019 by executive order, though Congress is likely to override that order. Virtually unprotected are the furloughed workers who are considered non-essential and the many contractors who provide services to the government such as cleaning and janitorial and security services. During the last shutdown, many contractors were not paid even for services they performed.

## FOOT LOCKER TAKES STAKE IN SUPER HEROIC KIDS SNEAKER

Big Foot said it would invest \$3 million for a minority stake in SuperHeroic, a kids' footwear maker also backed by Magic Johnson that has raised \$10

million since it was founded in 2016. The venture of Jayson Mayden, a former Brand Jordan designer who also was involved in the Nike Fuel Band, and Harshal Sisodia, former global digital brand director at Nike, SuperHeroic is focused on developing sneakers that are simply designed for play and packaged in unusual ways to help promote the idea of fun for children. Big Foot said that as part of the deal, it will become the first brick-and-mortar retailer of Super Heroic sneakers, which are currently sold through the brand's own website.

This marks Big Foot's second minority investment in an up and coming brand as about a year ago it took a minority stake in a \$15 million funding round for Carbon38, a women's fitness retailer that sells its own brand as well as some high-end fashion activewear like Stella McCartney and Sweaty Betty. That investment was intended more as a means of understanding the women's market better as it tried to find traction with the Six:02 banner. This more recent investment seems more like a way to set Big Foot up with exclusive product that is not dependent on the beneficence of You Know Who.

The handwriting is on the wall that the Eager Beavertons will soon be selling most of their really innovative product through their own stores, and Adidas and other major brands will not be far behind. The Eager Beavertons are now rather openly talking about a future when it is predominantly a DTC retailer, largely driven by its digital sales. That trend will certainly accelerate when the top brands are able to really roll out mass customization options that will give the brands direct access to consumers with a perfectly fit sneaker that doesn't involve guys in striped shirts. That is evidently getting Big Foot thinking that maybe it can back some independent sneaker talent to keep the top end of its offering fresh and exclusive. This idea will not have the enormous Nike marketing and sourcing engine behind it, and it is clearly aimed at a relatively small niche right now, but it does represent a strategy to help differentiate Big Foot.

## HOLIDAY TOPS EXPECTATIONS AS ONLINE SALES SURGE

Overall U.S. retail sales grew 5.1% in the 2018 Holiday season to more than \$850 billion, according to Mastercard SpendingPulse, driven by an 18.3%

jump in online spending. The tally handily exceeded the NRF's forecast of 4.1% growth. The increase was the strongest in the last six years, bolstered by soaring consumer confidence and backstopped by retailers who had stocked up in anticipation of tariffs. Apparel sales were up 7.9% from 2017, helped by seasonal weather and continuing the momentum from a solid Back-to-School season. The beleaguered department store sector was down 1.3%, but department stores' online sales were a positive, gaining 10.2%. Weather was mostly cooperative, though bitter cold on Black Friday and storms leading into the final shopping weekend before Christmas did affect traffic, according to the report.

Mastercard said the surge in e-commerce sales this year got off to a strong start with a 28.4% gain on Black Friday as the cold weather was a plus for online shopping, followed by a 29.2% jump on Cyber Monday. The 18.3% sales increase for the season lapped a 16.9% gain last year and was the highest rate of increase since 2005. E-commerce accounted for 13% of total retail sales, a new record penetration. Specialty apparel stores posted a 16.5% gain in e-commerce, topping jewelry (+9.4%) and electronics (+8.5%). Online information from brand sites, social networks and friends and communities also supported Holiday shopping, even when the final sales were made in brick-and-mortar stores.

Online behemoth Amazon, while typically tight-lipped about actual sales growth, reported a strong athleisure trend drove its apparel business this year with Adidas, Champion, Alo Yoga, Nike, Monrow, Calvin Klein, and UGG called out specifically. AMZN said that its Alexa platform was a best seller, and orders placed through its voice-controlled devices tripled year-over-year, though presumably from a small base.

## DICK'S DROPS U.S. OLYMPIC SPONSORSHIP

The retailer cited "a new investment focus" as the reason for the change, but noted that the 86 athletes in its Contenders program will have the option to remain employees in a traditional part-time role. The Olympic sponsorship program had been a key piece of Dick's marketing message since the sponsorship was first announced four years ago, with Dick's often touting its program to giving Olympic hope-

fuls jobs in its stores with flexible hours to allow them training time.

Dick's decision is the first one by a USOC sponsor since the release of an investigation by the USOC last month that detailed the group's conduct during the Larry Nasser sex abuse scandal. The report was highly critical of the top executives, concluding that they prioritized medals over athlete safety. Sponsorships accounted for 42% of the USOC's revenue of \$387 million during the 2013-2017 cycle, according to *Bloomberg*.

## HOOPGATE UPDATE: A PLEA AND TWO TRIALS

Former USC assistant basketball coach Tony Bland, who was scheduled to stand trial in April, pleaded guilty to conspiracy to commit bribery for accepting a \$4,100 payment from an undercover FBI agent via business manager Christian Dawkins. NCAA coaches are prohibited from receiving any compensation from outside sources, and Bland admitted to taking the money in exchange for steering players toward business managers and agents. He faces a maximum of one year in prison when he is sentenced Apr. 2, although he is expected to receive probation as he doesn't have a criminal record.

The other college basketball coaches named in the wire fraud trial of Dawkins, former Adidas exec James Gatto, and amateur league director and Adidas employee Merl Code, will be tried later this Spring. Former Auburn assistant Chuck Person and tailor Rashan Michel are scheduled to stand trial in February, while the trial of Lamont Evans, a former Oklahoma State assistant, and former Arizona assistant Emanuel "Book" Richardson is set for April. All face similar charges of taking money funneled through Gatto and others to influence prospective NBA players. Dawkins and Code will also stand trial for bribery along with Evans and Richardson, a separate proceeding from their Oct. conviction for wire fraud.

## CAMPING WORLD SHAKES UP MANAGEMENT

CWH hired former EVP and CFO of DTS Melvin Flanigan as its new CFO and appointed Thomas Wolfe as president of its Good Sam membership

program, reporting to Brent Moody, who was named president of the company back in Sep. Roger Nuttall, who was president of the company's dealership group, resigned on Dec. 21, and will not be replaced. CEO Marcus Lemonis will share Nuttall's duties with the four divisional RV presidents as they attempt to get RV sales back on track. Camping World has closed four unprofitable RV dealerships and eight unspecified retail stores, including at least one Gander Outdoors, and reiterated it wouldn't hesitate to close underperforming locations.

After a big secondary offering at \$27 in May, 2017

to finance its ambitions for reestablishing Gander Outdoors under its umbrella, CWH stock peaked at \$46.36 but has since then cratered to \$12.83 as concerns mounted about both the health of its core RV market and its execution of the Gander expansion. A restatement of its financial results did nothing to assuage investor confidence. Predictably, there have been a number of shareholder suits filed against the company claiming it misled investors. The plaintiffs have called it a "massive insider selling scheme" in which Lemonis and other insiders sold over \$530 million in stock.

## RETAIL

HIMARAYA comprehensive net loss at the Japanese retailer expanded to ¥195 million (\$1.7 mm) from a loss of ¥48 million in its first fiscal quarter ended Nov. 30, on revenues that were just 2% lower at ¥15,026 million (\$134.8 mm) from ¥15,384 million despite a much smaller footprint. Himaraya has closed a net 31 stores over the past year, but the downsizing is pretty much complete, and it opened one store in the quarter and closed one, ending with 109. Outdoor and camping gear and outdoor apparel sales were strong, gaining 34.7% year-on-year, but general sporting goods sales dipped 9.5%, and golf equipment slipped 1.7%. Gross margin contraction of 140 basis points to 34.6% was blamed on strong price competition in the market from online retailers.

KATHMANDU tempered its profit expectations for the fiscal first half ending Jan. 31 after Dec. sales

disappointed, pulling same store sales down 1.0% for the 22 weeks ended Dec. 30. Australian stores comped down 0.2% and New Zealand slid 2.4%, but retail gross margin was better than expected, gaining 60 basis points to 64%. KMD now expects H1 profits to improve 4-8% from last year's NZ\$12.3 million (\$8.7 mm), down from earlier guidance for profits "strongly above last year." Meanwhile, Oboz footwear sales are expected to grow 35% in the first half to NZ\$27.5 million with a gross margin of about 40%.

ON THE MOVE: **The North Face** leased 13,000 sq. ft. of space at 584-588 Broadway between Houston and Prince to relocate its SoHo store from 139 Wooster St.++++**Outdoor Voices** opened its first Chicago store on Armitage Ave., its 10th brick-and-mortar location.

## COMPANIES

BATRA added the Tony Hawk license for EMEA. The license for the skate brand owned by Cherokee Brands covers apparel and accessories in the territory. Batra is also the master licensee for Cherokee's Hi-Tec and Magnum brands covering footwear, apparel and accessories in much of Europe. Carolina, Inc. remains the Hi-Tec and Magnum licensee for footwear in North America.

COLUMBIA completed its buyout of the remaining 40% stake in Columbia Sportswear Commercial (Shanghai) Company held by Swire Resources. The joint venture was launched in 2014 to grow the brand

in China. Columbia plans to focus on expanding direct- and dealer-operated retail going forward, and will maintain the existing management team, staff, dealers, and distribution networks. John Soh will head the operation as general manager starting in mid-Feb.

NSSF is lobbying congress to pass the Target Practice and Marksmanship Training Support Act, which would allow states to use more of the Pittman-Robertson excise tax on firearms and ammunition to support public shooting ranges. The funds generated by the tax are largely paid by recreational shooters,



and the Act would facilitate more of that money going back into supporting participation. It would also benefit the industry of course, encouraging the growth in youth and female participation in range shooting that gun and ammo makers touted over the last decade, and perhaps providing a much-needed tailwind for demand.

NEW BALANCE is in negotiations to extend the kit sponsorship of Liverpool, its only Premier League team, in a deal that could exceed the £75 million a year that Adidas pays Manchester United, *The Liverpool Echo* reported. NB's current £45 million per year sponsorship began in 2015 and is set to expire after the 2019/20 season. A deal of

that size would vault Liverpool ahead of Chelsea, which earns £60 million a year from Nike, as well as Arsenal (Adidas, £50 million), and Manchester City (Puma, £50 million). Liverpool is also open to competing offers, according to the *Echo*.

SRAM elevates Ken Lousberg, the former Terex president, to the CEO post. He joined SRAM as COO in 2017 and will replace company co-founder Stan Day in the top job effective immediately. Day will transition to a new role as chairman of the bicycle component maker's board of directors, following 31 years at SRAM's helm. The company, which is owned by the Day family and management, had estimated sales of \$725 million last year.

## STOCKS & EARNINGS

CALERES sees Moody's weigh in on its new share repurchase plan that authorizes about \$70 million in buybacks with no expiration date, warning that the plan could slow the pay down of its asset-backed revolver. Caleres paid for the \$360 million acquisition of Vionic from the \$600 million revolver, of which Moody's expected about half would be paid down by the end of 2019 based on cash flow. It did not take any additional credit rating action, although it had lowered the company's speculative-grade liquidity rating to SGL-3 from SGL-1 after the acquisition was announced. In the past, CAL has made only small share repurchases

under a 2011 authorization, mostly to offset dilution from share-based compensation.

PEGASUS INTERNATIONAL warned that it expects to report an unspecified net loss for 2018 against last year's \$773,000 profit. The footwear maker lost its single largest customer this year, and said that it has seen a decline in orders from its other customers. In addition, it expects to incur redundancy expenses as it cuts staff, and will also have to take impairment losses on machinery and inventory.

## TRADE & SOURCING

FIREARMS imports and exports jumped in September. Total firearms unit imports were up 6.4% for the month and firearms exports surged 18.2%, but ammunition imports and exports both declined overall. Handgun imports decreased 2.1% to 211,965 units as a 1.5% improvement in pistol imports was more than offset by a 31.8% drop in revolvers. Rifle imports gained 77.3% to 62,590 and shotguns were up 2.6% to 43,962. Shot shell imports were off 14.8% to 10.7 million and other cartridges

fell 18.5% to 131.0 million units. Optics imports were broadly higher. On the export side, handguns decreased 9.8% to 19,733 units with pistols and revolvers both down. Rifle exports dipped 18.0% to 24,900 units and shotguns fell 35.4% to 3,990. Shot shell exports more than doubled to 4.0 million units, but other cartridge exports decreased 20.6% to 88.5 million. Optics exports were down, except for a big jump in prism binoculars, up 252.9% to 60,459 units.

## LEGAL

CENTURY says that Everlast's Axis freestanding heavy bag infringes on its design patent D706,886, and that other Everlast training bags infringe on its patent 9,414,649 for a progressive compressive

zipper. In the lawsuit, filed in W. OK District Court, Century is asking for findings of willful patent infringement, an injunction against Everlast, and treble damages along with attorneys' fees and costs.

HANESBRANDS former exec Hilton Graham received a sentence of 56 to 80 months in prison and will pay restitution to HBI for embezzling an estimated \$1.8 million from the company by falsifying invoices and expense reports, the *Winston-Salem Journal* reported. Graham worked for the company from 2001 to 2017, heading up global licensing, collaborations and partnerships since 2013, which included negotiating HBI's collabs with Supreme. He sent unauthorized invoices to the streetwear company to divert payments to himself, as well as padding expenses related to his work with celebrity advertising campaigns. According to the report, Graham spent the ill-gotten proceeds on luxury items and gift cards, which he stockpiled in storage units. He is expected to pay over \$1 million in restitution as part of the plea agreement.

ICONIX' dispute with Jay-Z is headed to arbitration. The licensing company had acquired the 'Roc Nation' trademark in 2007 from the rapper's Rocawear company for \$204 million, but disputes over payments led to a 2015 settlement where the parties had agreed to arbitrate any future claims. When another issue arose regarding licensing rights for the brand, Jay-Z filed a petition to stay the arbitration, asserting there were not enough African-American arbitrators in the American Arbitration Association. The AAA, which has less than 2% African-Americans, has agreed to improve diversity, and found several arbitrators to hear the dispute, which apparently has satisfied Jay-Z enough to proceed.

LONTEX claims that Nike is selling apparel using its Cool Compression trademark in a lawsuit filed in Philadelphia federal court. Lontex first registered

the mark in 2006, and uses it on products sold to pro sports teams and colleges and through its network of athletic trainers and sports medicine practitioners. Nike began selling apparel using the name cool compression in 2015, according to the suit. Lontex is seeking a judgment of trademark infringement and unfair competition, an injunction against Nike, and damages and fees.

## SHORT STOPS

**Fischer Sports** hired Yakima veteran Brian Landrigan as interim marketing director for its U.S. subsidiary, replacing Matt Berkowitz who left the company just a week after U.S. chief Ryan Leach departed.++++**Easton Diamond Sports** signed a multi-year deal extending its sponsorship of the National Fastpitch Coaches Association.++++**Nike** will replace Umbro as the apparel sponsor of Canada Soccer in 2019, for all levels of its men's and women's national team programs.++++**Vista Outdoor** named former Macy's chief digital officer Michael Robinson to its board of directors.++++**Trango Holdings** names Keith Patterson sales director, Toni Leskala as product manager and Everett Russell as marketing manager.++++**Outdoor Recreation Roundtable** has named Jessica Wahl as its executive director tasked with raising awareness of the outdoor economy in government.++++**New Era** extends its deal as the official hat of Little League Baseball World Series through 2022.++++**Sherpa Adventure Gear** hired Peter Novak as its new president. He was VP of sales at 5.11 Tactical previously, following stints at Kelty, Mountainsmith and Royal Robbins.++++**Symphony Holdings** appointed Lee Cheung Ming executive director.

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