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JOE'S SPORTS & OUTDOORS IS BANKRUPT AND WILL LIQUIDATE.

Regional operator Joe's Sports & Outdoors, for years known as G.I. Joes, filed for Chap. 11 bankruptcy protection in Delaware. The 30-door retailer, founded in 1952 as an army-navy surplus store and acquired by leveraged buyout firm Gryphon Partners of San Francisco 26 months ago, will seek to auction off as many of its stores as possible and separately liquidate inventory and assets in GOB sales. Joe's now occupies 1,590,000 sq. ft. of space in the Northwest.

According to court filings, the timetable for these actions will commence shortly and be completed on or before April 3. Stalking horse bidders are expected to be identified before March 20 with all bids due by March 27. The retailer wants the bankruptcy court to approve any bidders on or before April 2.

Joe's was likely forced into bankruptcy as an only alternative by its principal lender, Wells Fargo, which has also provided it with \$50 million in debtor-in-possession financing to fund operations under the provisions of Chap. 11. The retailer owed its lender \$47 million under a Feb. 1, 2007 amended credit facility that was secured by a lien on all of its assets and another \$35.2 million on a term loan.

The retailer's recent woes were exacerbated by poor holiday sales that resulted from unseasonably dry weather in the Pacific Northwest. Joe's said its need to be more promotional during the season hurt its FY08 gross margins, and coupled with seasonal

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Joe's Sports & Outdoor files for bankruptcy and expects to sell all assets.

Adidas will keep investment spending strong despite weak outlook.

Foot Locker margins improve but impairment charge causes \$126 million loss.

Genesco gives two forecasts as Journeys, Hat World are mixed in Q4.

Famous Footwear has loss in Q4, looks to cut promotions in FY09.

Sport Chalet gets new bank deal, giving it fresh liquidity.

Golfsmith shrinks loss but sees tough golf market ahead.

Callaway, Acushnet are back in court over golf balls.

Women golfers want lower prices.

K-Swiss loss widens, backlogs fall again.

Retail: Bass Pro Shops, Zumiez.

Companies: Cybex, Easton Sports, Indonesian footwear industry, K2, New Balance, Nike, Puma, SGMA, Xenith.

Stocks & Earnings: Anta, Berkshire Hathaway, Broder Bros., Head, Phoenix Footwear, Yue Yuen.

Legal: CPSC, McDavid, Limax.

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sales shortfalls, forced it to default on loan covenants. The Chap. 11 option apparently became reality when the retailer, led by CEO Hal Smith, realized it didn't have enough liquidity to pay current inventory or make open-to-buy purchases for upcoming seasons. The retailer has said it had flat overall sales in FY08 ended Jan. 31. Gryphon and its affiliated funds own 63% of Joe's senior preferred shares, 89% of preferred shares and 66% of the retailer's common shares.

Citing its number of creditors, Joe's has sought court approval to file complete schedules for its bankruptcy filing by March 18. Initial documents suggest the retailer has assets and liabilities in the \$100 to \$500 million range and owe its top 30 unsecured trade creditors nearly \$12.8 million. Patrick J. O'Malley of Development Specialists has been hired as Joe's Chief Restructuring Officer, Financo as its investment bank.

The retailer's trade creditors list is topped by Baja Motorsports (\$1,164,630), Columbia Sportswear (\$888,292), Carhartt (\$830,772), Rocky Brands (\$707,049) and Under Armour (\$647,874). Among others: All Sports Supply (\$443,901), Browning (\$395,595), Diamondback/Raleigh (\$381,748), New Balance (\$371,800), Easton Sports (\$366,288), Asics Corp. (\$365,645), K2 Corp. (\$363,776), AMS (\$359,951), Dakine (\$345,068), Adidas (\$340,165), Federal Cartridge (\$336,242), Cannon Safe (\$335,412), Wolverine (\$332,647), Traeger Industries (\$322,554), Smith Sport Optics (\$298,637), Duofold/Hanesbrands (\$287,093), HO Sports (\$276,540), Salomon (\$267,190), Marmot Mountain (\$231,555), Quiksilver (\$228,419), Seattle Seahawks (\$225,000) and Brooks Sports (\$220,955).

ADIDAS MAINTAINS SPENDING DESPITE WEAK FY09 FORECASTS.

While acknowledging the difficult economic outlook and seeing declines in its order backlog, Adidas Group plans to keep marketing spending, investment in its own retail operations and partnerships with international sports properties at levels similar to its outlays during a record-setting 2008. This is despite a forecast for a low to mid-single digit revenue decline currency neutral for 2009, a decline in gross margin as a result of higher input prices that are not expected to moderate until H2 and FY10, higher

operating expenses to grow controlled retail space in Adidas and Reebok and an unspecified decline in earnings per share. With heavy exposure in Eastern Europe and Asia, where currencies have weakened, the reported results could be worse.

With a strong profit gain in Q4 in a seasonally small quarter, the Big a had a 16% increase in net income for the year ended Dec. 31 to 644 million (\$818.9 mm) from 555 million on a 5% increase in sales to 10,799 million (\$13,714.7 mm) from 10,299 million. The year and quarter were driven by strong sales at the adidas brand, especially in Europe and Asia, with a 10% sales hike to 7,821 million (\$9,932.7 mm) for the year. Operating profit for the brand was up 19% to 1,098 million (\$1,394.5 mm).

Reebok remained a disappointment, as gains in Asia and Latin America were more than offset by declines in the U.S., U.K. and Japan. Reebok revenues shrunk 8% for the FY to 2,148 million (\$2,728.0 mm) and it had an operating loss of 7 million (\$8.9 mm) compared to operating profit of 109 million. Asked about an impairment charge on Reebok, the Big a said its auditors had examined the situation and none was needed. It should be noted that Adidas uses IFRS accounting standards that are different from U.S. GAAP standards. Interestingly, the Big a was able to book a 21 million gain in negative goodwill in Q4 because it bought the Ashworth brand for less than fair market value. This gain was partially offset by 7 million in integration charges. Meanwhile, TaylorMade-adidas Golf had a 20% increase in operating profit to 78 million (\$99.1 mm) on a 1% sales improvement to 812 million (\$1,031.2 mm).

Order backlogs were weak for both sneaker brands with global sneaker orders for adidas declining 4% and apparel orders off 6% for a total 6% decline on a constant currency basis. Most of the weakness was in Asia (-10%) while European orders were -5% and North American orders were flat. For Reebok, currency neutral orders fell 17% with sneaker orders off 10% and apparel off 33%, mostly as a result of softness in the licensed category. Reebok's biggest decline was in North America, (-29%) but Europe fell 15% and Asia fell 13%.

The Big a said that, because of the growing percentage of its business in own retail, the order backlog is

not indicative of its sales outlook and it would only provide directional guidance on orders going forward. Own retail accounts for 18% of sales now, and that percentage is likely to grow, especially because it relies heavily on its own stores in emerging markets. Own retail rose 24% for adidas in 2008 to 1,432 million (\$1,818.6 mm) in 1,332 stores compared to 1,003 stores. Factory stores were 47% of the total and performance concept stores 44%. For Reebok, own retail grew 8% to 379 million (\$481.3 mm) in 647 stores compared to 524 prior.

Driving brand adidas this year will be a full year of Originals distribution, augmented by big plans for the mid-market Essentials collection that is forecast to be a nine-figure business in the medium term. It will also add another SLVR fashion store in Paris to the one in New York and more Y3 shop-in-shop departments. By Q4, it will start to get a performance sales boost from the 2010 World Cup. Reebok, meanwhile, will focus on female consumers with its new Cirque du Soleil partnership and Jukari program, as well as launching the SelectRide technology of adjustable air mid-soles. It also has high hopes for the patented EasyTone products. TMaG believes it can enhance its market position this year in metal woods, bringing its overseas share closer to its 30% share in the U.S.

Adidas Income Statement

Qtr. Ended Dec. 31)

	2008 Millions In	2008 Millions in US\$	Change in vs. 2007
adidas	1,817	\$2,308	10%
Reebok	561	\$712	-1%
TM-aG	198	\$251	2%
REVENUES	2,574	\$3,271.5	6%
Cost/goods	1,380	\$1,753	7%
Royalty Inc.	25	\$32	-22%
Other Op Inc.	49	\$62	36%
SG&A	1,161	\$1,474	2%
Interest	53	\$67	71%
Pre-Tax	54	\$69	80%
Taxes	1	\$1	-88%
Minority Interest	0	\$0	
NET	54	\$69	145%

All that said, the group has some significant challenges ahead, with inventories up 21% in constant currencies. The Big a says most of this relates to own retail, the Ashworth acquisition and a decision to move deliveries forward at more favorable prices, but admits stocks are higher than it would like. It does promise that the old inventory at Reebok, which it has been complaining about since it bought the company, has finally cleared out of the market.

FOOT LOCKER OPS IMPROVE BUT SUFFERS Q4 LOSS ON IMPAIRMENT.

Big Foot had a loss of \$126 million against income of \$72 million for the final quarter ended Jan. 31, following a \$41 million impairment charge on store assets and a \$122 million charge on goodwill. Last year's results included \$14 in impairment charges, \$1 million in store closing costs and a \$62 million gain on tax valuation allowances. Big Foot also said it had understated its income tax expenses in 2007 by an estimated \$9 million. Excluding these charges, Foot Locker earned \$38 million this year compared to \$24 million last year.

Q4 sales fell 11% to \$1,317 million from \$1,482 million, including a 7.3% comp store decline. On a constant currency basis, sales fell 7%. U.S. stores had a low double digit comp decline in Q4, direct sales fell mid single digits and international was up high single digits. Europe rose mid single digits, Canada rose low single digits and Asia/Pacific rose mid teens. Footwear comps fell mid single digits and apparel/accessories fell high teens. Men's basketball, premium classics and canvas were the strong categories, with everything else negative in the U.S. Europe was led by running and apparel, which more than offset declines in casual and low profile styles.

For the FY, Big Foot had a loss of \$81 million against income of \$38 million on a 4% decline in sales to \$5,237 million from \$5,437 million with a 3.2% comp store decline. Excluding the extraordinary items, income was \$104 million this year compared to \$55 million last year. Big Foot's total stores fell 4% to 3,641 and gross square footage fell 4% to 13,501,000.

Foot Locker noted that merchandise inventories had decreased 12.8%, and its Q4 merchandise gross margin was 400 basis points better than last year's closeout-plagued Q4, partially offset by 70 b.p. of

deleverage in occupancy. U.S. merchandise margins were 490 b.p. better than last year while international was up 180 b.p. Big Foot said it had pulled back on promos and store-wide sales and intended to stay that way for 2009, generating cash with lean inventories at higher margins. To that end, it is using more auto-replenishment with vendors, moving some of its private label apparel sourcing to Central America to cut lead times and talking to Nike about decreasing the number of launches each year, which Big Foot says require stores to sit on inventory for several weeks before it can be sold. The Value Zone opening price point business is targeted to be no more than 12% of sales.

It continues to struggle with the apparel business and plans more focus on branded offerings from Nike and Adidas as well as expanding Under Armour to 1,300 doors in apparel from 830 now. Big Foot hints that it is also talking to Under Dog about distribution overseas. It also continues to expect growth from TapouT and will be re-working its private label business. Another initiative is to grow its skate business, bringing some of the CCS expertise to its brick & mortar stores.

CapEx spending for 2009 was reduced by 30% to \$100 million with plans to open 25-30 stores and relocate/remodel 50 stores. There are some 100 stores on the block for closing, but pending negotiations with landlords, Big Foot hopes not to close very many of these. Meanwhile, it is actively looking for locations in Europe to expand when the economy improves there as operating margins have returned to double digits.

GENESCO DETAILS TWO POSSIBLE SCENARIOS FOR CY09 BUSINESS.

In a best case scenario, given the current economic climate, GCO sees a weak H1 with comparable store sales down 3% in both Q1 and Q2, flat in Q3 and up 2% in Q4 for a 1% same store sales increase for the year and EPS from continuing operations of \$1.70-1.80 (\$21.0 mm). The company's more pessimistic outlook for the year calls for -4% comps in both Q1 and Q2 and -3% same store sales in Q3 and Q4. That scenario would bring the retailer's FY10 comps in at -3%, force it to more aggressively mark down merchandise to keep inventories clean and generate EPS from continuing operations of

\$1.20-1.30 (\$24.1mm).

Operating income at Journeys for Q4 ended Jan. 31 grew 2.1% to \$24,463,000 from \$23,961,000 for the period ended Jan. 31. Total Q4 group sales were 1% higher at \$229,541,000 versus \$226,767,000. Group comp was off 2% versus a 7% decline in the year-ago period with Journeys stores comp sales off 3%. For the full year, group operating income declined 4% to \$49,050,000 from \$51,097,000 on 6.5% top line expansion to \$760,008,000 from \$713,366,000.

For the full year, Journeys stores experienced an ASP increase of about 1%, the chain's first such improvement since 2001 and due largely to mix shift. In Feb., the first month of Q1, the chain realized a 9% increase in same store sales but footwear comps and units each slipped 3.2% for the year. Parent Genesco continues to believe Journeys is positive relative to the average mall retailer in the current economic climate, particularly due to its teenage customers who are less affected by the economic woes and more driven by must-have fashion items.

Hat World operating income fell 15% to \$14,770,000 from \$17,278,000 in Q4 on a 1% sales gain to \$122,409,000 against \$121,794,000. For the FY, Hat World operating income rose 15% to \$36,670,000 from \$31,987,000 on a 7% sales improvement to \$405,446,000 from \$378,913,000. Hat World comps fell 4% in Q4, hurt in part by weakness in NFL sideline hats. Both MLB and actions sports categories were strong in Q4. During the period, Hat World bought Impact Sports, a national team dealer that sells branded athletic products to colleges and high schools. The business will be managed by the Hat World team.

FAMOUS FOOTWEAR STRUGGLES IN Q4, CUTS BOGO EVENTS IN FY09.

The Brown Shoe Co.-owned chain had an operating loss of \$11.9 million versus an operating profit of \$13.4 million in the period ended Jan.31. Total sales were up 0.5% in Q4, thanks to 64 additional stores, to \$312.5 million versus \$310.7 million. Same store sales fell 3.6% in the highly promotional quarter, dragged down 110 b.p. by particularly weak sales in the AZ, CA, NV and FL markets. Traffic was off 2.8% year-over-year while pairs per transaction

were relatively flat. By category on a comp basis, athletic was down 2%; women's was off 2.3%, men's fell 11% and kid's dipped 9%.

Famous management, citing the chain's clean inventory position within its 1,138 doors, says promotional BOGO promotional activity will be pared back significantly this year as FF aims to "re-engage" the six million "non-active" members within its customer loyalty program and improve margins. BOGO promotional events will be replaced with better value and promotional vehicles.

Athletic shoes, which historically range between 43-50% of Famous Footwear's total business, have and continue to be strong for the retailer. To that end, FF has shifted some dollars out of the struggling women's category to the athletics and skate footwear categories.

SPORT CHALET GETS NEW BANK DEAL.

Under terms of the revised deal, Bank of America waives an existing default covenant on the facility and lowers the amount that Sport Chalet may borrow against the borrowing base of its credit facility by approximately 3% to 61-66% of the retailer's eligible inventory. Also, under the new financial package, Sport Chalet sees its interest rate raised to prime rate plus 2.0% or LIBOR plus 4.5% versus prime rate plus 0.5% or LIBOR plus 2.5% previously.

The amended credit facility, which expires in June 2012, requires Sport Chalet to maintain a monthly EBITDA range of -\$3.5 million to \$5.6 million and retain a turnaround professional until certain financial milestones are met. The retailer, which continues to work with FTI Consulting, retains its seasonal revolver limits that allow for advances of up to \$45 million between Jan. 1 and Aug. 31 and \$70 million for the Sep. 1-Dec. 31 timeframe.

GOLFSMITH SHRINKS LOSSES.

The net loss was \$6,487,117 against \$46,390,171 in Q4 ended Jan. 3 as total sales dipped 14% to \$67,840,305 from \$78,969,155. Comps slid 17% with Oct. down nearly 13% and the Nov.-Dec. timeframe off 19% on lower traffic, major slippage

in purchases of high-ticket items such as pro line clubs and more promotional pricing. Sales of custom clubs were higher. Meanwhile, there was softness in apparel and accessories that forced the retailer to conduct heavy clearance sales in the category through Feb. Gross margins were off 420 b.p. in Q4 to 30.7% as the average ticket fell below \$100. The retailer ended FY08 with 8% less inventory at \$90.5 million versus \$98.5 million.

For the FY, GOLF's net loss was \$515,611 against \$40,820,050. The retailer reported annual operating income of \$2,324,151 against an operating loss of \$36,873,282 as total sales slipped 2% to \$378,772,097 from \$388,157,258. Gross margins were down 130 b.p. for the year to 33.7%.

Golfsmith management makes it clear: the current retail climate is lousy and it's likely to stay that way through H1. Same store sales are forecast to be off mid- to high teens in Q1, off mid- to high-single digits for the year. Still, management believes the chain's renewed focus on increasing store productivity and controlling costs will pay huge dividends once economic conditions improve, especially given the vulnerability of smaller players in golf retail currently. By Golfsmith's estimate, some 76 regional golf doors had shuttered in 2008 by the Oct.-Nov. timeframe. And more could follow suit in the coming months.

CALLAWAY GOLF, ACUSHNET LOCK LEGAL HORNS AGAIN.

Acushnet Co., maker of Pro V1 and Pro V1x golf balls, and rival Callaway Golf, which markets its Tour i and Tour ix balls, have renewed their patent battle in the premium golf ball market with cross claims over their latest products.

Acushnet struck first, releasing a statement that it had sued Callaway for patent infringement and saying ELY's Tour I and Tour ix balls infringe on nine of its patents related to multi-piece, solid core technology. The Titleist and FootJoy parent, owned by conglomerate Fortune Brands, also said it remained "confident" in its ongoing appeal of a Dec. 2007 patent infringement verdict that favored Callaway. In that case, a court injunction prompted Acushnet to launch a nationwide recall of its infringing golf balls through a "retail exchange program."

Since the jury verdict, Acushnet said, the U.S. Patent and Trademark Office has issued final actions determining that the four patents are invalid. Acushnet said those “favorable rulings” would be considered in the appeals process.

Not to be undone, Callaway disclosed it had filed a new patent infringement suit against Acushnet, alleging the company’s 2009 Titleist Pro V1 and Pro V1x golf balls, available to the public this spring, infringe on patents that it owns.

ONE-THIRD OF WOMEN GOLFERS THINK GAME COSTS TOO MUCH.

A new, first-ever study on the women’s golf market suggests major roadblocks still must be overcome if there is to be a consistent increase in their participation in the game. The independent, non-commissioned research, conducted by [Golf Datatech](#), surveyed more than 1,000 female golfers from the Orlando company’s exclusive database of serious golfers (a minimum of 12 rounds annually). Interestingly, while a majority of those surveyed live active lifestyles and boast an average household income in the six figures, an equal number cited cost, time and family constraints as factors preventing them from playing more frequently. While over 50% of the U.S. population is female, less than 25% of all golfers are women.

Among the report’s key findings:

- What do women golfers enjoy about the game? 91% like being outdoors, 82% enjoy the time with friends, 80% are always trying to improve and 79% enjoy the challenge of the game.
- 21% of respondents disliked the fact that a round of golf takes too long to play. Meanwhile, 40% are constrained by limited leisure time and 31% work too much to play as much as they would like.
- Average respondent spent slightly less than

\$700 over the past year on golf equipment; 18% spent more than \$1,000 on gear. 74% said they believed golf club technology can significantly improve their play. Spending on golf apparel averaged \$515 annually; 14% spent more than \$1,000 a year on clothes.

- 55% of respondents watch golf or golf-related programming on TV once per week; 14% watch it 3-4x monthly.

Parties interested in more information on the *Women’s Golf Market Study* are advised to contact Golf Datatech’s Suzie Phillips at sphillips@golfdatatech.com or (407) 944-4116.

K-SWISS LOSS WIDENS, BACKLOGS CONTINUE TO PLUNGE.

KSWS lost \$13,714,000 compared to a loss of \$596,000 for the final period ended Dec. 31 on a 28% sales decline to \$56,279,000 from \$78,167,000. Domestic sales fell 20% to \$27.3 million and international sales fell 34% to \$29.0 million. Asia sales were basically flat but European sales fell 59%. For the FY, it lost \$20,885,000 compared to a loss of \$39,073,000 last year on a 17% sales decline to \$340,160,000 from \$410,432,000. KSWS expects 2009 sales of \$210-250 million, against a peak of \$508 million in 2005, and an unspecified loss for the year.

The performance business, only 14% of sales, rose 10% for the quarter while classics, at 76% of sales, fell 36%. Other, which includes Palladium, Royal Elastics and apparel, is 10% of sales and rose 10% but fell 20% excluding Palladium as Royal Elastics fell 28%. Royal Elastics lost an indicated \$1.7 million. Gross margin plummeted to 22.3% from 47.6% as KSWS took heavy inventory reserves. Its FY end inventory rose 18% to \$74.4 million, but KSWS says it is basic inventory and it will be patient selling it due to current conditions. It suggested that cancellations have been a part of the problem.

Meanwhile, backlog fell 37% to \$93.6 million from \$147.8 million. Domestic orders fell 37% to \$31.9 million while international orders fell 36% to \$61.7 million. To preserve liquidity, KSWS suspends its dividend indefinitely, which will save \$7 million.

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RETAIL

BASS PRO SHOPS recently shifted more management responsibility to Jim Hagale, president and COO, and away from company founder Johnny Morris, according to the *Springfield News-Leader*. Hagale is also now responsible for the company's Tracker Marine unit.

ZUMIEZ experienced double-digits same store sales declines for all four weeks of Feb., ending the period with a 13.4% comp drop. Total sales inched 0.2% higher to \$23.1 million for the period ended Feb. 28. There were lower comp store transactions during the month but higher average unit retail sales. Footwear same store sales were positive as comps were dragged into the red by declines in men's and juniors' apparel, accessories and hard goods.

ON THE MOVE: Out-Fit and Twenty-Four 7

COMPANIES

CYBEX INTL. secures an additional term loan of \$1 million from lender Wachovia Bank.

EASTON SPORTS signs multi-year sponsorship agreements with a number of sports leagues—Babe Ruth, Pony Baseball and Softball, Dixie Youth Baseball, the American Amateur Baseball Congress (AABC) and Little League. Under the multi-year LL deal, Easton becomes the *Official Team Equipment Supplier* to Little League Baseball and Softball. The partnership is expected to provide Easton with extensive marketing opportunities. Easton immediately gains exclusive on-site rights to distribute ball gloves, batter's gloves, catcher's protective, bags, footwear, and accessories to each team participating in the Little League Baseball World Series. Bats will be added in 2011.

INDONESIA SHOE MACHINERY SUBSIDIES: The country's Dept. of Industry is launching a restructuring program in April targeting the country's footwear-making industry. Approximately 150 Indonesian factory operators, 100 in footwear and 50 in leather processing, have reportedly expressed interest in it. Qualified companies will receive 10% subsidy from the national government on all new machinery purchases they make up to IDR50 billion (\$4.2 mm). The cost of the

Fitness Supply, two So. CA commercial fitness distributors, are merging. The new entity, to be based in Simi Valley, CA, will operate as Out-Fit. Twenty-Four 7 Fitness founder Chris Henno will represent the emerging firm in No. and central CA.++++**Capitol Varsity Sports**, of Oxford, OH, has acquired the assets of rival Clark Sporting Goods, of Oxford, OH. Clark, established as C.A. Clark and Son Co. in 1913, has been owned and operated by the Gordon and Jean Kraft Family since 1947. The emerging company, which will be operate by Capitol Varsity owners Bob and Kathy Fawley under the Clark's banner, will be located in Hamilton, OH. The two team dealers have respective strengths in baseball/softball and football in their Buckeye State markets.++++ **Gander Mountain** is opening its fifth store in Illinois, in Springfield, on March 24.

machinery restructuring program is only one-sixth of the IDR300 billion (\$24.9 mm) the Indonesian government intends to invest this year in its footwear industry. Exports of footwear and leather from Indonesia are forecast to be flat in 2009 at \$1.8 billion. Meanwhile, PT Parkland World Indonesia, a shoe producer for Nike and Adidas, has asked for 500 workers to stay home due to lack of purchase orders. The company is located in Banten province, where over 1,000 workers have been recently sent home for similar reasons.

K2 becomes one of the first 41 licensees for the Vancouver 2010 Olympic and Paralympic Winter Games, landing rights to make Vancouver 2010-branded skis, snowboards, snowshoes, poles and helmets.

NEW BALANCE introduces consumers worldwide to the brand's *Total Fit* philosophy this month. Total Fit continues to highlight the struggles of the athlete's relationship with running that is fundamental to the brand's *LOVE/hate this is the new balance brand* platform. The multi-media campaign utilizes television, print and online advertising to reach performance and fitness runners/athletes with a primary media target of 25-34 year olds. At retail, New Balance will take the message a step

further with “Total Fit specialist” point-of-purchase displays and an instant sweepstakes. A television component debuts nationally March 16th on ESPN/ESPN2 with a heavy emphasis on the March-April and Aug.-Sept. timeframes. The campaign will also have a strong presence during the March Madness NCAA basketball tournament on SI.com, CBSsports.com and ESPN.com, among others.

NIKE's direct-to-consumer business will be headed by Jeanne P. Jackson who resigned her NKE directorship to take the newly created position of president of Direct-to-Consumer for the Eager Beavertons. The former president and CEO of Gap-owned Banana Republic served as CEO of Walmart.com from March 2000 until Jan. 2002. She had been a Nike director since 2001.

PUMA is promoting 20-year company veteran Klaus Bauer, currently a Senior EVP with responsibility for IT, operations, logistics and strategic projects, to the newly created position of Chief Operating Officer on Aug. 1. Bauer, 53, will be appointed to Puma's Board of Management on the same date. In his new post, he will have responsibility for finance, controlling, legal, operations, logistics, IT and human resources. In another executive change at Puma, CFO Dieter Bock, who has been with the company since 1979 and a member of its board of management since 2005, will depart on Aug. 1, for personal reasons.

SGMA says U.S. participation in sports, fitness and outdoor activities was steady in 2008, despite an almost 4% decline in wholesale dollar shipments of sporting goods by manufacturers last year. Total

manufacturer shipments of sports gear, fitness equipment, sports apparel and athletic footwear in the U.S. dipped 3.2% to \$66.3 billion in 2008 from \$68.5 billion in 2007. It marked the first contraction of the industry since 2003, when total shipments fell by less than 1%. The detailed *SGMA 2009 Manufacturers' Sales by Category Report* will be available March 11 at www.SGMA.com. Meanwhile, the organization conducts its 10th *National Health Through Fitness Day* on Capitol Hill to lobby for Congressional Support of the *Carol M. White Physical Education Program (PEP)* and the *Personal Health Investment Today (PHIT) Act*. The SGMA is asking Congress for \$100 million in PEP funding in FY10.

XENITH wants to help shift the burden of football helmet allocation away from coaches as distribution of its X1 helmets expands to more gridirons this fall. The X1 from Xenith, with a suggested retail of \$350 (adult) and \$250 (youth), features a collection of technologies designed to reduce the sudden and violent movement of the head and brain during impact in sports. The company is offering two options to get more of its helmets on fields across the U.S. Parents of high school players can purchase a serial numbered X1 for their son that will remain with him for all years of play. Once he graduates, the helmet would have its interior changed but remain with the program for use by another player. Also, Xenith, through its team dealer network, is offering a “Buy 10, Donate 2” program. For every 10 X1's purchased by an organization, two additional (one by the dealer, one by the company) would be added to the order.

STOCKS & EARNINGS

ANTA: Revenues rose 55% to RMB 4,626.8 million (\$677.5 mm) from RMB 2,988.7 million for the year ended Dec. 31. Gross profits were up 85% to RMB 1,848.6 million (\$270.7 mm) vs. RMB 999.9. Footwear and apparel sales unit volume grew by 47% and 44%, selling 26,812 thousand pairs and 33,874 thousand pieces, respectively. The number of Anta retailers in China rose 20% to increase its nationwide door count to 5,667 stores. While the domestic market is showing significant growth, international consists of only 0.5% total sales. Despite the economic crisis, Anta continued to increase its ASP of both footwear and apparel by RMB 94.0

(\$13.77) and RMB 57.0 (\$8.35), respectively. The company expects to expand its store base by 9% to 6,200 by the end of 2009.

BERKSHIRE HATHAWAY, which owns Fruit of the Loom and Russell Corp. within its apparel business, said that segment experienced a 34% decline in pre-tax earnings in FY08 due to lower sales volumes and consolidation costs. Also, a Moroccan textile facility, which opened last year, is assuming production this year from a closed Caribbean facility.

BRODER BROS. retains investment bank Miller Buckfire & Co. as its financial advisor. Broder, whose suppliers include Gildan, HanesBrands and Fruit of the Loom, needs to improve its long-term capital structure that includes 11.25% senior unsecured notes due Oct. 15, 2010. The Trevoise, PA company faces an April 14 deadline to make a partial payment on those \$225 million in notes. Some analysts believe Broder may need to file for bankruptcy protection if an extension on those bond maturity dates isn't granted.

HEAD N.V. files to terminate its registration and reporting obligations required by the SEC. The change should become effective by June 6. After the change, the company's ordinary shares will continue to be listed and trade on the Vienna Stock Exchange.

PHOENIX FOOTWEAR GROUP terminates its 2008 and 2005 license agreements

with Tommy Bahama Group. The action was not due to a breach of contract or default by either party. As of the termination date, Phoenix ceased manufacturing Tommy Bahama products, but the company has until May 1 to sell-off remaining products. There is also a provision to extend that deadline until June 1. PXG will take a Q1 pre-tax charge of \$725,000-900,000 to account for its Tommy Bahama business as a discontinued operation. The charge will consist of \$300,000-400,000 in cash restructuring, primarily for severance payments; \$400,000-500,000 for inventory and other write-offs and \$25,000-50,000 in impairment charges.

YUE YUEN said falling finance payments have prompted it to seek \$255 million from banks. The issue stemmed from 2006, when the company sold 5-year convertible bonds to raise \$269 million. By Nov. 17, 2009, bondholders can exercise their put option, which is now much lower than the initial conversion price (HKD \$26.75).

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<u>Count</u>	<u>Type of Retailer</u>	<u>Count</u>	<u>Type of Retailer</u>	<u>Count</u>	<u>Type of Retailer</u>
1114	Sports apparel specialty	1647	Winter Specialty Shop	1933	Other Specialty
1848	Full-line sporting goods	1797	Outdoor Specialty Shop	264	Department Store & Gen Merchandise
2514	Team dealers	440	Running Specialty	42	Discount store
534	Athletic footwear specialty	880	Tennis Specialty	103	Fan shops
1281	Bike Specialty Shop	1125	Golf Specialty		
<u>Count</u>	<u>Category Sold</u>	<u>Count</u>	<u>Category Sold</u>	<u>Count</u>	<u>Category Sold</u>
7818	Branded & Performance Apparel	1586	Camping, Climbing & Hiking	1064	Licensed Products (non-Apparel)
2002	Licensed Apparel	1132	Exercise/ Weight Training	1772	Ski Equip
4371	Ski & Rugged Apparel	1601	Fishing Equip	1643	Snowboard Equip
6193	Athletic Footwear	1731	Golf Equip	1470	Soccer Equip
3561	Rugged/ Outdoor Footwear	1412	Hunting, Shooting & Archery	6376	Sports Accessories
1927	Ball Sports and Team Athletic Equip	744	Ice Hockey & Skating Equip	1465	Sports Medicine & Training
1788	Bicycle Equip	1873	Imprinted or Embroidered Apparel	1831	Tennis/Racquet Sports
362	Bowling, Billiards & Games	1363	In-line Skating, Roller Skating & Skateboarding	504	Trophies & Awards
				1722	Water Sports Equip

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LEGAL

CPSC RECALLS: Nautilus is recalling approximately 78,000 Bowflex Ultimate 2 Home Gyms due to a faulty seat rail that can fail unexpectedly. NLS has received 18 reports of injuries caused by unlatched seat rails that have fallen. The China-made home systems were sold directly by Nautilus and at U.S. specialty fitness retailers between June 2005 and Jan. 2009. In a separate action, Wiseco Performance Products is recalling 420 faulty off-road dirt bikes with connecting rods or crankshaft assemblies. Engine stress could cause the connecting rods to crack and the engine to lock up.

McDAVID and its licensing partner, Stirling Mouldings Ltd., of Accrington, U.K., filed a patent infringement suit against Adidas in U.S. District Court for the Northern District of IL on Feb. 24. The complaint alleges Adidas, through its TECHFIT padded compression shorts, is infringing on a U.S. patent owned by Stirling (no. 6,743,325) for a flexible material. McDavid secured an exclusive license with Stirling to use the patent on June 30, 2005.

LIMAX INTL., a Taipei, Taiwan manufacturer of fitness equipment, sued Sportcraft, Ltd. of Mt. Olive, NJ for breach of contract. The complaint charges Sportcraft with failing to pay for \$490,273 worth of products, including more than \$382,000 for 2,206 elliptical machines that were ordered.

SHORT STOPS

Gramicci hires Patricia Babka, a 20-year outdoor industry veteran with stints at The North Face, Columbia and Pearl Izumi among others, as VP of sales.++++**The Nike Prefontaine Classic** (Eugene, OR) and **Reebok Grand Prix** (New York) have been selected as the only two U.S. stops on the IAAF's new "Diamond League" circuit to begin next year with at least 12 track & field meets around the world.++++**Native Eyewear**, a unit of Cross Optical Group based in Denver, hires Kevin Karch as VP of sales.++++**DuPont Engineering Polymers** says one of the first global uses of its Hytrel thermoplastic elastomer in sporting goods occurred recently with the debut of the Salomon 'Ghost' freerider alpine ski-boot where the material is utilized in the collar.++++**The Sports Museum of America**, which opened its for-profit doors in May 2008 and closed last week when it was unable to restructure its debt, is seeking to sell itself for \$5 million. The New York attraction is said to have cost \$100 million to construct, including \$52 million in tax-exempt bonds.++++**National Golf Products**, marketer of The Golf Mat and The Radar, names James Meabon as senior sales director.++++**Li Ning** signs two-time gold medalist and pole vault world record holder, Yelena Isinbayeva of Russia, to a reported five-year, \$7.5 million endorsement contract.++++**Callaway** names John F. Lundgren, Chairman and CEO of The Stanley Works, as a director.++++**New Era** is providing headwear to 13 of the 16 teams in the World Baseball Classic.

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