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ADIDAS EYES FUTBOL LIFT IN FY10, BUT CAUTIOUS ON VIEW.

Despite a 30% drop in third quarter net income on a 6% top line decline, Adidas management remains encouraged by some improving trends within its overall business, from cleaner inventory positions in most segments to less required spending for its ongoing re-organization efforts and likely record annual revenues from its Sportstyle/Originals business after 11% growth in Q3. The big A feels confident that "the worst is over."

By region, European sales fell 9% to €1,299 million (\$1,936 mm); North America sales fell 9% to €649 million (or \$967 mm and -13% constant currency); Asia/Pacific sales declined 1.7% to €649 million (or \$967 mm and -2% constant currency); and Latin America rose 2% to €270 million (or \$402 and -11% constant currency).

Still, management is cautious in its longer view of the global economy, citing daily incoming positive and negative developments and predicting there will likely be "still rough waters for the next 6-12 months" in certain global markets as the economy rebounds off some lows generated in 2009. North America and China were singled out as particular trouble spots. Adidas has closed some 700 stores in China, mostly Reebok banners, while opening 500 this year. Adidas also opened an "extensive" network of outlet stores there after the post-Olympics glut. It expects to resume growth there in 2010. Meanwhile, North American retailers continue to keep inventories lean, and inventories of all the

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Adidas has a down quarter again but says "worst is over."

CIT Group bankruptcy will tighten credit for small businesses.

Big 5 sees improving outlook as net income nearly doubles on comp gain.

Genesco buys Sports Fan-Attic and plans national rollout.

Sport Chalet shows profit improvement.

Hot Stix pushed into bankruptcy.

Outdoor sales declined in Sep.

Crocs posts profit on growing sales.

K-Swiss down but hopeful on new ideas.

Easton-Bell margins, revenues stabilize.

Interior Dept. funding is raised.

Shimano net falls in 9 months.

Dorel also hit by soft cycling market.

Broder Bros. has loss on sales plunge.

Implus buys Highgear.

Quiksilver lays off 200 more.

Retail: Cabela's, Eagle Valley Outfitters, Zumiez.

Companies: Medalist, Mountainsmith, Von Dutch.

Stocks & Earnings: Cybex, Escalade, Garmin, Perry Ellis, Sport Supply, Steve Madden, Warnaco.

Legal: Adams Golf

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group's brands are also down in North America. Heavy exposure of the Adidas brand in Russia has also been a negative because of the devaluation of the ruble. Another issue is new anti-dumping duties on Chinese-made footwear in Brazil and Argentina.

While Adidas stopped short of offering any guidance on its overall business in FY10, it did express optimism about its global soccer business next year that is forecasted to post record revenues of more than €1.3 billion (\$1.9 bb) on a myriad of steady product launches (Dec. 4 for the World Cup ball) tied to the World Cup in South Africa. Adidas will outfit at least 10 teams participating in the global event, up from six during 2006, which could stretch to a dozen if both France and Russia end up qualifying for the tournament.

Despite the decline in Reebok sales, the big A says it is encouraged by the progress the brand is making in its turnaround, noting that it had an operating profit margin of 2.8% in the period against a loss of 8.7% last year as it starts to get some traction with the toning category. Reebok will try to build on the introduction of toning in women's walking with performance models in running and basketball for 2010 and believes it can establish leadership in a major new category. Reebok inventories are expected to be in "good shape and down some 15% at year-end as the brand sheds more entry-level price points.

TM-aG's new low to mid-single digit sales decline forecast for the FY is largely due to the U.S. market, but Three Stripes management says the company has gained market share while it has shed inventory and is currently the top irons brand in the U.S. market. FY10 will be marked by a myriad of new products from the golf brand. At Adidas, meanwhile, while the Sportstyle/Originals business is expected to report record sales this FY; it's described as a "mixed picture" for the Sports Performance unit.

Meanwhile, the company's current financial outlook for FY09 is for a low- to mid-single digit drop in currency neutral sales, with the same range currency neutral declines expected for the adidas, Reebok and Taylor-Made brands. The guidance for TM-aG is a change from a prior outlook of flat currency-neutral sales for the year. For the group, higher sourcing costs are expected to drag down the company's annual gross margins to the 45.0-45.5% range as full-year

diluted EPS is seen in the €1.15-1.30 range. There will be an estimated €10-20 million in additional re-organization charges made in the final period to bring the annual total for restructuring to €50-60 million, far below an initial estimate of €100 million due to attrition.

Also, Adidas signs world number four ranked tennis player Andy Murray to a five-year deal worth a reported \$3 million per year. Murray's deal with Fred Perry expires at the end of the year. He had been wearing K-Swiss footwear. Number three Novak Djokovic's deal with Adidas also expires at the end of this year. Djokovic had been courted by K-Swiss, and the Big a may not be so keen to sign him now that it has Murray in the bag. KSWs recently signed world number 24 Sam Querrey.

Adidas Income Statement (Qtr. Ended Sep. 30)

	2009 Millions In €	2009 Millions in US\$	Change in € vs. 2008
adidas	€ 2,111	\$3,145	-5%
Reebok	€ 591	\$881	-11%
TM-aG	€ 184	\$274	-7%
REVENUES	€ 2,888	\$4,303	-6%
Cost/goods	€ 1,581	\$2,356	1%
Royalty Inc.	€ 19	\$28	-17%
Other Op Inc.	€ 24	\$36	60%
SG&A	€ 1,014	\$1,511	-6%
Finance net	€ 30	\$45	-29%
Pre-Tax	€ 306	\$456	-29%
Taxes	€ 93	\$139	-27%
Minority Interest	€ 0	\$0	
NET	€ 213	\$317	-29%

CIT GROUP'S CHAP. 11 MAY TIGHTEN SMALL BIZ LENDING.

With bankruptcy experts predicting the pre-packaged bankruptcy filing by the commercial lending behemoth will worsen already tight credit markets for small businesses, Oct. business bankruptcy filings in the U.S. rose 7% to reverse a two-month trend of improvement. Through the first 10 months of 2009, there has been a 16% rise in U.S. business

bankruptcy filings to nearly 75,000.

Equifax, meanwhile, reports that year-over-year U.S. small business bankruptcies rose 44% and were particularly high in certain markets, including Denver, San Diego, Dallas, Portland, OR, and Atlanta. However, the credit bureau also reports that were 69% and 49% drops in bankruptcies in the Charlotte, NC and New York City-White Plains, NY markets between Q2 and Q3, suggesting that data may indicate the U.S. East Coast may be experiencing an earlier recovery from the recession than Western U.S. cities.

CIT Group, which lists \$71 billion in assets and \$64.9 billion in liabilities, is aiming to exit court protection on Dec. 8 following the approval of its prepackaged plan by bondholders. CIT landed bankruptcy court approval to access \$150 million of a \$500 million post-petition loan on Nov. 4, and there is a Nov. 23 hearing scheduled to approve the entire facility. The lender, founded in 1908, funds approximately 1 million businesses, including Eddie Bauer Holdings and Big 5, and approximately \$40 billion annually in short-term financing for suppliers and manufacturers as a factor. CIT, which is said to handle about 70% of the U.S. factoring market, may consider divesting the unit, sources reported this week.

In a statement, CIT, whose subsidiaries aren't included in the filing, said the reorganization plan will enable it to continue providing funding to small businesses and middle market customers. The company, which wants to reduce its total debt by \$10 billion via a debt exchange, has \$1 billion in debtor-in-possession financing available from investor Carl Icahn until Dec. 31.

BIG 5 SCORES GAIN IN INCOME; SEES IMPROVING TRENDS.

Net income rose 80% to \$8,011,000 from \$4,458,000 for the period ended Sep. 27. Revenues grew 4% to \$231,582,000 from \$223,180,000 as same store sales improved 1.6%, rising for a second consecutive period. Q3 operating income was \$13,182,000 versus \$8,293,000. Hard goods sales improved mid single digits. Footwear and apparel sales, on a comp basis, declined low single digits but the figure represented a marked improvement for the clothing segment.

Gross margins were 70 b.p. higher in Q3 to 33.9%, bolstered by a 13 b.p. improvement in merchandise margins and lower distribution costs. Meanwhile, per door inventories were down 8% at period end.

For the first five weeks of Q4, BGFV said the 382-door chain has posted a same store sales improvement in the low single digit range. Management points out that the retailer won't be facing going-out-of-business sales this Q4 as it did last year with Mervyn's and Shoe Pavilion and that opportunistic buys should bolster its position. That in mind, the retailer's current outlook for the FY's final period is calling for low to low-mid single digit comp sales improvement year-over-year and a 94% increase in diluted EPS to a range of \$0.28-.38 (\$7.1 mm). The retailer, which didn't open any new doors in Q3 and has two planned in Q4 in Tucson, AZ and Canyon Country, CA, intends to substantially accelerate openings in FY10 to resume its historical growth rate of 6%.

With \$47.4 million in operating cash flow year-to-date and a 40% y-o-y reduction in its long-term debt level to \$59 million, BGFV management said the company is set financially for the next 12 months between its cash-on-hand and its other lenders "regardless of what happens with CIT," its principal lender that filed for Chap. 11 on Nov. 1.

GENESCO BUYS SPORTS FAN-ATTIC.

The parent of Hat World acquires a fan store and plans to build a nationwide chain under the existing leadership team. GCO noted that there is considerable overlap in vendors and core customers between Hat World and Sports Fan-Attic. Terms of the transaction were not disclosed, but the chain currently has sales of about \$30 million.

Genesco suggested that it would leverage its expertise in real estate to expand the chain beyond the existing 37 stores. The chains operates 14 stores in FL, six in GA, eight in NC, three in SC, three in TX, three in MO and one in OH.

SPORT CHALET SHOWS GAINS AT BOTTOM LINE.

SPCH was able to improve its quarterly financial results despite a 12.4% drop in same store sales

for the period ended Sep. 27 that was blamed on continuing weak macro economic conditions in its markets. The Q3 net loss shrank 71% to \$1,212,000 versus a loss of \$4,221,000 for the year-ago period. Total sales were down 8.0% to \$88,811,000 from \$96,457,000.

Gross margins improved 150 b.p. to 28.0%, and the chain's H1 EBITDA was \$4.0 million, higher than the \$0.8 million required in SPCH's bank loan agreement. Q3 end inventories were down 7.6% y-o-y at \$93,970,000 versus \$101,718,000.

HOT STIX GOLF IS FORCED INTO CHAPTER 7 BANKRUPTCY.

The six-year old company which describes itself as the "#1 club fitter in golf," was forced into involuntary Chap. 7 bankruptcy on Oct. 26 by a half dozen golf club companies that are owed an aggregate \$337,183. The petitioning creditors in the Chap. 7 case are: Acushnet Cos. (\$100,341), TaylorMade (\$75,844), Mizuno (\$51,806), Callaway (\$50,987), Ping (\$34,212) and Tour Edge (\$34,212).

Besides its Scottsdale, AZ service and fulfillment center, Hot Stix operates on-site at five U.S. golf courses, including Doral Arrowood (NY), the PGA National Golf Club (FL), Legend Trail Golf Club (AZ), Green Valley Ranch (CO) and Silverstone Golf Club (NV).

OUTDOOR RETAIL SALES DECLINE 4% IN SEP.

Overall retail sales for all core outdoor store combined (chain, internet and specialty) fell 4% in Sep. year-over-year to \$336 million from \$350 million, according to the Outdoor Topline Report produced for the OIA by Leisure Trends Group. Year-to-date outdoor dollar sales were off 5% through nine months to \$3.2 billion.

A 3% increase in U.S. specialty outdoor retail dollar sales in Sep. was bolstered by healthy gains in equipment, accessories and footwear. In dollars, sleeping bags crept up 11%, tents pitched 19% higher and packs gained 13%. Meanwhile, mattresses, cookware, coolers, first aid kits and camp furniture all recorded significant double-digit dollar gains. In footwear, multi-sports shoes rose 60% in dollar

sales; hiking boots climbed 15% higher.

In the chain channel, outdoor dollar sales slipped 9% for the month with declines in all four of the major product categories. However, several sportswear categories and footwear segments (winter and casual boots and multi-sport) recorded positive results. Meanwhile, internet unit sales were down 12% in Sep. but corresponding dollar sales fell only 3% due to a 10% jump in average retail prices.

CROCS POSTS Q3 PROFIT AS REVENUES GROW SLIGHTLY.

Given up for dead just a year ago, Crocs shows net income of \$22,068,000 against a loss of \$147,980,000 for the third quarter ended Sep. 30 as revenues rose 2% to \$177,141,000 from \$174,187,000. The results included \$9.6 million in gross margin for sales of impaired inventory through its direct channel at higher than expected margins, a \$1.0 million forex gain and a \$14.4 million one-time tax benefit from a restructuring of the company's international operation, offset by \$3.6 million in restructuring and other one-time charges. Excluding the one-time items, the company had income of \$600,000.

Spring bookings at wholesale are up 61% in Asia, more than 30% in Europe and up 131% in the Americas, but CROX admits these figures are against a period when retailers were slashing orders of the product in Europe and the U.S. and declined to put a dollar figure on them. Nonetheless, the retail channel continues to show strong growth with retail sales up 40% to \$53.9 million and internet sales up 61% to \$16.1 million. Wholesale sales fell 3% to \$79.3 million. CROX indicated it planned to grow the two channels at parallel rates once its business normalizes. It expects to implement its new customer service systems by next year. Despite the much-better than anticipated sales and earnings, CROX said it is maintaining its prediction that it will be profitable sometime in 2010.

K-SWISS FIGURES STILL AWFUL BUT SEES POSSIBILITIES.

The bad news is that KSWISS had a net loss for the third quarter ended Sep. 30 of \$2,884,000 against income of \$1,066,000, revenues fell 24% to \$70,633,000 compared to 92,629,000 and futures fell 32% to

\$67,996,000 from \$100,076,000. Domestic orders were down 37% to \$23.1 million and international orders declined 29% to \$44.9 million. For the year, KSWS expects a loss of \$0.70-80 per share (\$26.2 mm) on sales of \$230-240 million.

The good news is that KSWS believes it can grow both the tubes running shoe business and the recent Palladium acquisition into substantial franchises that will put the company back into a growth mode by 2011. It reports excellent sell-thrus in family shoe stores and big box sporting goods stores on the Tubes program and said it has improvements for next year that will be marketed as Super Tubes and then Super Duper Tubes. It will also introduce Blades next year in performance running shops only. It sees this program as a 5-7 year franchise.

It also has re-launched Palladium in the U.S. in a few upscale specialty stores, hoping to build a franchise along the lines of the Converse All-Star around the Pampa. It has developed an upscale line of the French Foreign Legion boot called the Officers Collection that will be aimed at accounts like Barney's and Bloomingdales while the less pricey Infantry Collection will be opened up for more general distribution to stores like Foot Locker next year. KSWS noted that it took a year to refine an outdated manufacturing process prior to doing the launch but feels it has resolved all those issues.

REVENUES, MARGINS STABILIZE AT EASTON-BELL SPORTS.

Net income fell 1% to \$6,289,000 from \$6,343,000 for the period ended Oct. 3 on an 11% decline in total revenues to \$180,421,000 from \$203,369,000. Team sport sales fell 19%, or \$21.4 million, on declines in football and ice hockey equipment and collectible football helmets. The drop in football orders was attributed to cutbacks at the institutional level; the hockey decline to product timing issues. Action sport segment sales, meanwhile, fell 1.8%, or \$1.6 million, in Q3 on lower sales of OEM cycling components, cycling accessories and powersports helmets that were partially offset by higher revenues from snow sports helmets and cycling gloves. Q3 gross margins dipped 140 b.p. to 34.4%.

Easton-Bell, which will be focused on new product launches in the upcoming quarters, intends to put

more emphasis on mid-tier price points while retaining its premium-positioning in categories such as hockey where the consumer is described as resilient and prepared to pay for premium merchandise. All significant hockey product launches, including the new Stealth S19 stick (\$170 retail) and S19 Z Shock helmet (\$170 retail) will be ahead of the Vancouver Games in Feb. The mid-tier focus, meanwhile, will largely be in cycling and baseball. Management says the "free fall" in top line sales is over and it is encouraged by margin enhancement trends in Q4 where sales aren't expected to be down as much as they were in Q3.

CONGRESS RAISING DEPT. OF INTERIOR FUNDING BY 17%.

The Outdoor Industry Association (OIA) calls the \$4.66 billion in increased funding for the Dept. of Interior (DOI), which manages the majority of public lands in the U.S., a significant victory. The \$32+ billion spending bill, still to be signed by Pres. Obama, includes a \$100 million increase in funding for the federal Land and Water Conservation Fund (LWCF) to \$265.3 million and a separate \$40 million designation to stateside LWCF, twice what was appropriated last year.

Among spending in the bill is a \$130 million operations budget for the National Park Service. It also includes \$85.4 million for the Forest Service Trails program, \$15 million for the National Park Service's Centennial initiative and \$50 million for The Bureau of Land Management (BLM) Resource Management Planning program.

The bill, related to DOI funding, also creates the FLAME fund to set aside resources for fire suppression emergencies and avoid drawing funding from non-fire operations such as budget lines that support campgrounds and trails. FLAME is expected to receive \$474 million in FY10 funding with \$413 million of the total allotted to the U.S. Forest Service.

SHIMANO'S NINE-MONTH NET FALLS 58%.

The company reported net income of ¥7,861 million (\$87.3 mm) for the nine months ended Sep. 30. Operating income was off 51% for the nine months to ¥13,678 million (\$151.9 mm). Nine-month

sales fell 21% in local currency to ¥134,438 million (\$1.5 bb) from ¥170,602 million. By product category, bicycle component sales declined 23% to ¥102,866 million (\$1.14 bb) and fishing tackle sales sunk 12% lower to ¥30,586 million (\$339.8 million). Geographically, sales were off 27% in Japan to ¥87,888 million (\$976.3 mm), down 19% in Europe to ¥17,459 million (\$193.9 million) and off 30% in Asia to ¥9,963 million (\$110.7 million). Meanwhile, nine-month sales in North America rose 27% to ¥16,581 million (\$184.2 million) and were up 140% to ¥2,546 million (\$28.3 mm) in the Other segment.

Shipments of mid-range and hi-end bicycle components plunged in Europe and North America, the company said. Meanwhile, the fishing tackle business continued to operate in a challenging environment in Europe, North America and Asia. Looking ahead, Shimano is forecasting FY09 net income of ¥11,200 million (\$124.4 mm) and total revenues of ¥183,000 million (\$2.03 bb) for the year ending Dec. 31.

DOREL ALSO REPORTS WEAKNESS IN CYCLING MARKET.

The Recreational/Leisure segment reported a 27% decline in operating earnings to \$4,862,000 from \$6,640,000 for the period ended Sep. 30. Division revenues were off 11% to \$145,175,000 from \$163,186,000, hurt by lower bike sales to mass merchants. Sales to independent bike dealers and specialty sporting goods stores, through the Cycling Sports Group, increased an unspecified percentage in Q3. Dorel pointed out that consumers are trading down to lower-priced, lower margin items.

During the quarter and early Oct., Dorel completed three acquisitions—the Iron Horse brand and bike distributors in the United Kingdom (Hot Wheels and Circle Bikes) and Australia. Through nine months, the Rec/Leisure segment has posted revenues of \$505,696,000 and a 20% drop in operating earnings to \$30,848,000.

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BRODER BROS. LOSS WIDENS A BIT ON BIG SALES DECLINE.

The company reported a net loss of \$1.4 million against a loss of \$900,000 for the period ended Sep. 26. Adjusted EBITDA was down 47% in Q3 to \$7.0 million. Sales in Q3 were off 24% to \$193.0 million from \$252.3 million and gross margins declined 140 b.p. to 16.0% from 17.4%. The company did not break out divisional sales. During Q3, unit shipments of apparel fell 22% y-o-y against an industry-wide average of 12%. More than half of the company's Q3 revenue decline was attributable to market contraction; less than half due to market share declines.

Inventory was down 29% at Q3 end to \$178.7 million; y-o-y revolving debt was off 6.5% to \$122.9 million. Since Q2, the company has focused on marketing and selling initiatives, including being in-stock on popular products, fulfilling orders accurately and not being undersold.

IMPLUS BUYS HIGHGEAR.

Highgear makes affordable outdoor accessories such as watches, altimeters, pedometers and navigation devices. Highgear also has a license for New Balance to produce sports monitors. Terms of the transaction were not disclosed.

Implus said the acquisition will give it a greater presence in the outdoor segment, where it joins other brands under Implus such as YakTrax, Granger's and Little Hotties hand warmers. Distribution for Highgear will be moved to the recently opened Implus DC, a 252,000 sq. ft. facility.

QUIKSILVER HAS ANOTHER ROUND OF LAYOFFS.

ZQK eliminates 200 positions in California in its second round of layoffs this year. The job cuts, which occurred at the company's Mira Loma DC, global HQ in Huntington Beach and offices in Vista, affected approximately 125. The remaining 75 eliminations were vacant positions.

In Jan., ZQK, which has promised the Street annual cost reductions of \$40-60 million this FY, slashed 150 jobs in the Americas unit. Upper management changes in the Americas unit are also expected.

RETAIL

CABELA'S sells its wildlife art unit, Wild Wings, to a former member of its executive team, for an undisclosed figure. CAB, which has owned Wild Wings for the last decade, will continue to sell its products through its retail stores, catalogs and Web site. The business generates annual revenues of about \$95 million, according to the Wild Wings' website. However, the sale transaction will not have a significant impact on CAB's Q4 consolidated financial results or cash flows. In a separate development, Cabela's inks a partnership with FLW Outdoors and its 189 tournaments, to be the organization's official and exclusive outdoor retailer and official rain gear. CAB intends to promote the alliance in-store, online and in-catalog.

EAGLE VALLEY OUTFITTERS, owned by the Saginaw-Chippewa Indian Tribe in MI, is expanding to 50,000 sq. ft. from its current 2,000 sq. ft. in spring 2010. The expansion will enable the retailer to expand its offerings for hunting, camping, fishing, firearms, archery and apparel. Additionally, the expanded store will have seven indoor firing ranges and authentic photos of Tribe members hunting and fishing on its walls. Once its mega-sporting goods store is up and running by summer 2010, Migizi hopes the prototype has legs to be franchised throughout North America.

ZUMIEZ same store sales fell 8.9% against a

13.1% decline in Oct. 2008. Total revenues slipped 1.5% to \$24.7 million from \$25.0 million for the period ended Oct. 31 driven by fewer transactions, a slight decline in dollars but an increase in units per transaction. Footwear comps were described as "modestly positive" for the month with all departments in the negative range. Regionally, ZUMZ same store sales fell high single digits in the western U.S. markets and dipped low double digits in the South, Midwest and New England.

ON THE MOVE: Zappos.com sees Amazon complete its July acquisition of the business for \$1.2 billion, due to a \$272 million higher valuation than when deal was announced in July.++++**Cabela's** is partnering with identity theft provider LifeLock to offer its Cabela's CLUB Visa holders a special rate on the service plus a \$10 Cabela's gift card.++++**Finish Line** is donating 92,500 pairs of gently used shoes to Soles4Souls from customer collections at its 679 doors, corporate and distribution facilities. FINL is also donating \$1 per pair, or \$92,500, to the charitable organization to assist with shipping and distribution costs.++++**Gander Mountain's** proposed go-private transaction is being investigated by New York law firm Wolf Haldenstein.++++**Amer Sports Winter** and Outdoor Americas has opened a joint factory outlet store in the AmeriCAN building in Ogden, UT.

COMPANIES

MEDALIST taps 160over90 to help it initiate and complete a brand re-launch that includes an expansion into the outdoor apparel category. In addition to a hunt collection, Medalist now offers a full range of outdoor apparel featuring its exclusive SilverMax technology and a new, integrated layering system. SilverMax integrates pure silver fibers into every garment, eliminating odor before it has a chance to begin and aiding in a consistent regulation of body temperature.

MOUNTAINSMITH promotes Erik Specht to president. The former director of sales and marketing for the Golden, CO firm is elevated to the position by parent Blackstone Investment Group. Specht will

oversee the general management of the company, both domestically and internationally and all client, marketing and product functions. Mountainsmith markets outdoor packs, camera bags, storage solutions and adventure-travel luggage.

VON DUTCH global footwear license and distribution is acquired by Royer. Financial terms of the transaction by the French footwear company were not disclosed in a published report by *Les Echos*. The company, whose brand portfolio also includes Kickers, Stephane Kelian and Charles Jourdan, already owned licensing rights for Von Dutch. Royer's current global revenues are estimated at €280 million (\$412.2 mm).

STOCKS & EARNINGS

CYBEX INTL. net income declined 76% to \$81,000 from \$340,000 for the period ended Sep. 26. Total Q3 revenues were down 19% to \$28,986,000 from \$35,753,000. Cardiovascular equipment sales declined 15% to \$16,392,000; strength equipment sales dipped 26% to \$10,083,000. International sales accounted for 33% of total revenues, or an implied \$9.6 million. Gross margins in Q3 declined 70 b.p. to 31.6%, impacted by a 120 b.p. increase in warranty expense and 40 b.p. in lower overhead absorption, offset by a 90 b.p. drop in freight costs.

ESCALADE improved its profitability in Q3 despite sharply lower sporting goods sales. The profit was \$618,000 profit versus a \$1,365,000 loss for the period ended Oct. 3. Total Q3 revenues declined 35% to \$26,358,000 from \$40,797,000. Within Escalade's SG segment, the Q3 top line was negatively impacted by the loss of table games to Sears but benefited on the bottom line from ongoing cost-cutting initiatives that include facility consolidation. The SG segment posted net income of \$574,000 against a loss of \$185,000 in Q3 despite a 38% drop in sales to \$17,642,000 from \$28,552,000. Divisional operating income was \$942,000 against \$106,000. Escalade is currently forecasting a 25% drop in year-over-year sales of sporting goods in FY09. Through nine months, category sales were off exactly that percentage at \$56,612,000 versus \$75,282,000.

GARMIN's outdoor/fitness segment improved its Q3 operating profit 2.5% to \$53,430,000 from \$52,136,000. Gross margins were off 10 b.p. to 62.7% for the period ended Sep. 26. Total division sales were 11% higher at \$132,174,000 versus \$118,614,000 with the Dakota line of handhelds in the outdoor market and Forerunner fitness products driving the top line improvement.

PERRY ELLIS amends its loan agreement with lenders to allow for the sale of up to \$30 million

in company intellectual property assets in any 12-month period and to increase the debt ceiling for Perry Ellis Europe Ltd. to £4.5 million (\$7.4 mm).

SPORT SUPPLY net income was \$5,059,000 in Q3 versus \$5,061,000 on a 5% improvement in sales to \$77,470,000 against \$73,577,000 for the three months ended Sep. 30. The sales were led by a 7.3% increase in sales for its catalog platform. The road sales force, which has recently added three new companies, produced a 3.0% gain to the top line. The company raised FY10 guidance to a range of \$0.91-1.00 per share (\$13.8 mm) on revenues of \$263-270 million. RBI noted that it had generated \$6.0 million in cash and has not tapped its \$40 million credit facility. It suggested that it might repay its convertible debenture on Dec. 1 and still have the flexibility to acquire additional businesses.

STEVE MADDEN net income was \$17,831,000 against \$11,088,000 for the period ended Sep. 30. SHOO revenues rose 9% in Q3 to \$140,138,000 from \$128,093,000. Wholesale sales grew 15% to \$112.0 million as the segment benefitted from fewer markdowns; retail sales were off 8% to \$28.2 million as comparable store sales fell 7.6% in Q3. Gross margins were 260 b.p. higher at 44.0%. The current FY09 outlook calls for diluted EPS of \$2.55-2.65 (\$47.0 mm) and 7-8% top line growth to an approximate \$391.2 million from \$363.9 million in FY08.

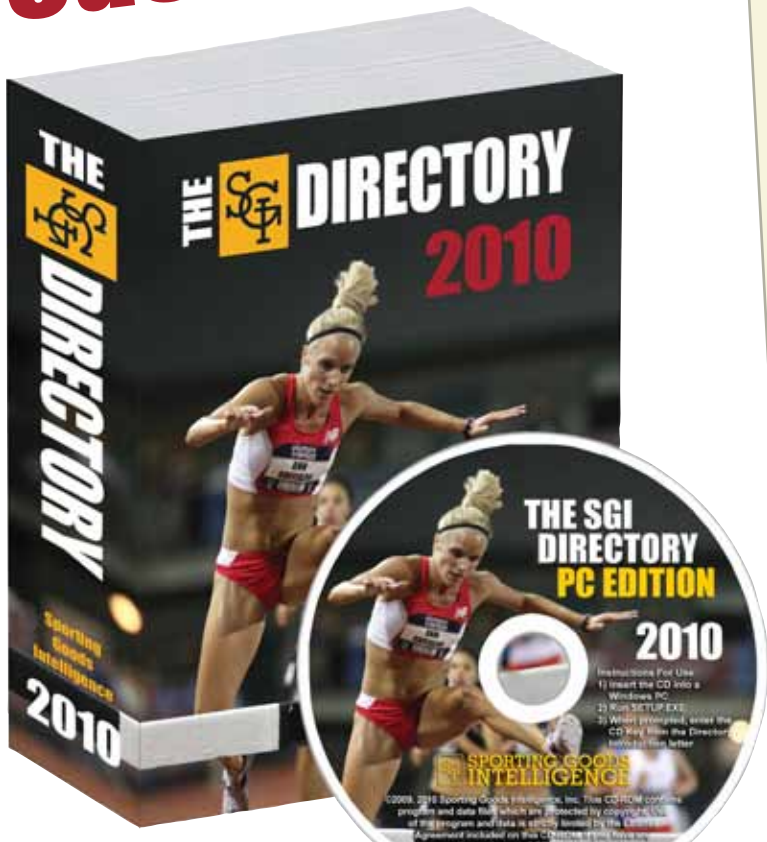
WARNACO's swim segment operating loss improved 27% year-over-year in Q3, despite a \$3.6 million charge related to FINA's recent ruling that bans Speedo's LZR Racer and similar swimsuits from competition. The operating loss was \$7,430,000 against a loss of \$10,232,000 for the period ended Oct. 3. On the revenue side, swim sales sank 4.6% to \$30,190,000 from \$31,633,000 as the category had lower y-o-y sales in the sporting goods channel as the order effect from the 2008 Beijing Games did not re-occur this year.

LEGAL

ADAMS GOLF agrees to settle a June 1999 shareholder class action suit that charged ADGF's 1998 IPO prospectus was false and misleading. Under terms of a memorandum of understanding that is

expected to lead to a binding court settlement in the coming weeks, the class will be paid \$16.5 million. Adams Golf has agreed to contribute \$5.0 million to the settlement since one of its former insurers

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refuses to make a payment, citing an alleged late notice of claim. Adams has filed suit against the former insurer and its former broker and will be required to pay the class action plaintiffs the first \$1.25 million of any recovery that it receives in that ongoing litigation. In a statement, the golf company said it continues to believe it did not violate any securities laws related to its IPO, but was hopeful the settlement would enhance its shareholder value and enable it to refocus attention on strengthening product and customer bases. ADGF will take a \$5.0 million charge against Q3 results to account for its settlement payment.

SHORT STOPS

Munich's bid for the 2018 Winter Olympic Games, which would make it the first city to host the summer and winter games, is being led by Willy Bogner, the 67-year old member of Germany's National Olympic team and head of a sports apparel company.++++**GoLite Footwear** forges a partnership with the University of New Hampshire's Outdoor Adventures program.++++**Pure Fishing** strikes a global strategic partnership with DSM Dynema designed to strengthen its R&D on premium fishing lines made with Dyneema.++++**Schering-Plough Healthcare Products** signs a licensing contract with the IV Gear division of headwear maker Innovision for a 23-style collection of Coppertone-branded sun protective headwear.++++**New Balance** partners with Klone Lab as its licensing partner for the brand's first collection of sandals and slides.++++**Deuter USA** hires Christian Mason, the former marketing manager for Kelty and director of product development for Mountainsmith, as director of sales

and marketing.++++**Ride Snowboards** promotes Shawn Penrod to sales and marketing manager for the U.S.++++**Canada Goose** strikes a global contract with Fairmont Hotels & Resorts that will put the brand's parkas on all customer-facing hotel employees in Canada this fall.++++**La Sportiva** is sponsoring the fifth annual Adventure Film Festival in Boulder, CO.++++**Graefetti** hires former L.A. Gear and Global Sports' executive Steven Rubin as VP of sales and marketing.++++**Rossignol** and **Dynastar** are utilizing an e-commerce solution from Shopatron to drive pro purchases from their respective branded websites to participating retailers for fulfillments. For the 2009 season to-date, both brand's pro website sales have risen 55% y-o-y.++++**Under Armour** inks a multi-year partnership with mixed martial arts fighter Georges St-Pierre who will endorse three lines of compression-based apparel and underwear for the brand starting this holiday season.++++**Nike** introduces its N7 collection that will be sold exclusively through 33 Nike Factory Stores in the U.S. and at www.nike.com. A portion of profits from collection shoe sales will go to the N7 Fund that supports youth sports in Native American communities.++++**Brooks Sports** sees two of its footwear styles, the Adrenaline GTS 10 ("Best Update") and new competitive trainer, the Launch ("Best Debut") cited by Runner's World in the publication's Dec. issue.++++**Lucy** activewear is celebrating its 10th anniversary with an inspirational story video contest for customers.++++**Perfect Fitness** expands into the United Kingdom with the website, www.perfectpushup.co.uk. The site also provides shipping of the company's products to eight other European markets, including France, Germany, Ireland, Italy, Spain, Sweden and the Netherlands.

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