NEWS ALERT

KEEP YOURSELF UPDATED
ON THE WORLD SPORTING GOODS INDUSTRY!

#15/2009-03-23

Inside this issue:

NIKE, Inc. announces Nike Brand geographical restructuring to enhance consumer focus

NIKE, Inc. announced its plan to reorganize its Nike Brand into a new model consisting of six geographies with reduced management layers and an increased focus on core category business areas, driving greater efficiencies and stronger consumer connections. The plan has six new geographies: North America, Western Europe, Eastern/Central Europe, Greater China, Japan and Emerging Markets. The Nike Brand was previously organized by four regions: US, Asia Pacific, Americas and EMEA (Europe, Middle East and Africa).

The new global structure will be supported by the following leadership team: North America: Craig Cheek (former VP & GM of US region), Western Europe: Brent Scrimshaw (former VP of EMEA Brand Management), Eastern/Central Europe: Marc van Pappelendam (former Commercial Director in EMEA), Greater China: Willem Haitink (former GM of China), Japan: Jim Godbout (former GM of Japan) and Emerging Markets: Jayme Martin (former VP and GM of the Americas region). These positions will report directly to Gary DeStefano, President Global Operations. Roland Wolfram (former VP & GM of the Asia Pacific region) will assume the role of Head of Global Sales also reporting to Gary DeStefano.

As Nike stated on February 10th, this organizational change is part of a wider company restructuring that may result in an overall reduction of up to 4% of the company's workforce. NIKE, Inc. employs nearly 35,000 worldwide. The company anticipates completing its overall review of its organization by the end of the current fiscal year. The exact number, timing and location of positions expected to be eliminated will not be known until the overall review is completed and the employee representative bodies have been consulted within accordance with local legal requirements.

Eunan McLaughlin, former Vice President and GM for the Nike EMEA region, will become the new President of the NIKE, Inc. Affiliate portfolio reporting directly to NIKE, Inc. President and CEO Mark Parker, subject to board approval. Lee Bird, the former President, who led the Affiliates for the last three years, has decided to leave the company to pursue other opportunities.

Source : Nike

SGMA: Sporting Goods sales down 3.2% in 2008

According to SGMA's Manufacturers Sales by Category Report (2009 edition), manufacturers' (wholesale) sales of sporting goods equipment, fitness equipment, sports apparel, athletic footwear, and recreational transport items in the U.S. totaled $66.3 billion in 2008 - a 3.2% decrease over 2007 when wholesale sales were $68.5 billion. Categories showing gains include team sports overall, as well as firearms/hunting, fishing, optical goods, ice hockey, volleyball (balls & sets), and camping.

Tom Cove, president of the Sporting Goods Manufacturers Association (SGMA), noted that on the sales side, sports industry sales dipped below GDP for the first time since 2003. But he noted that the level of decline was "not nearly as significant" as it was for other durable goods industries.

"The early numbers from our participation study indicate Americans continued to participate in strong numbers in 2008, especially in activities that are family oriented and low cost after the initial purchase of equipment," said Cove. "Strength in participation bodes well for the industry as Americans will continue to see sports and fitness as important, family oriented activities. And, as Americans continue to participate, equipment will eventually have to be replaced and upgraded."

In team sports, areas showing strength include ice hockey (up 5.9%), volleyball (up 3.8%), football (up 1.1%), and basketball (up 0.9%). Those showing modest declines included baseball/softball, down 2.6%; soccer, down 1.2%; and lacrosse, down 0.3%.

The three leading categories, based on overall sales, were:

- baseball/softball ($602 million);
- basketball ($356 million);
- soccer ($304 million).

Team uniforms were also strong as sales were up 2.2% - from $1.127 billion in 2007 to $1.153 billion in 2008. The five largest categories for team uniforms are football, baseball, basketball, soccer, and volleyball.

Sporting goods equipment sales dipped slightly - from $21.4 billion in 2007 to $20.8 billion in 2008. The five largest categories of sporting goods equipment are:

- golf ($2.76 billion);
- firearms/hunting ($2.54 billion);
- fishing ($1.93 billion);
- camping ($1.74 billion); and
optical goods ($1.21 billion).

Despite the overall drop in sales, there were some categories that registered some sales gains:

- firearms/hunting (up 10% to $2.54 billion);
- fishing (up 10% to $1.93 billion);
- optical goods (up 7.5% to $1.21 billion);
- ice hockey (up 5.9% to $218 million);
- volleyball (balls & sets) (up 3.8% to $56 million); and
camping (up 3.2% to $1.74 billion).

The exercise equipment is a $4.22 billion business and treadmill sales account for 25.9% of that entire category. After treadmills, the next two largest fitness categories are elliptical machines ($892 million) and exercise cycles ($455 million). Consumer spending for exercise equipment accounts for 75% of the entire exercise equipment category.

Wholesale sales of sports apparel sales were $28.9 billion in 2008, which is a 2.2% decline from $29.5 billion in 2007. The largest segment of the sports apparel industry - at $5.9 billion - is shirts/tops. Swimwear is the second largest segment of the sports apparel business at $2.4 billion.

Athletic footwear sales were $12.39 billion in 2008 - which represented a 4.3% drop from $12.95 in 2007. Three athletic footwear categories exceeded the billion dollar mark:

- running/jogging ($3.16 billion);
- classics/originals ($1.98 billion);
- kids ($1.78 billion).

The growth categories in athletic footwear were outdoor/adventure (up 8.0%), sport sandals/slides (up 6.7%), tennis (up 5.0%); and skate/surf (up 4.5%).

The recreational transport category suffered the biggest category decline. Wholesale sales were $31.4 billion in 2008, down from $37.5 billion in 2007 - a decline of just over 16%. This segment is filled with 'big ticket' items such as motorcycles, jet skis, recreational vehicles, snowmobiles, bicycles, and pleasure boats & motors. Given the price increases in fuel in 2008, the bicycle category was the only segment to show any kind of growth (10%).

The SGMA's Manufacturers Sales by Category is based on data from industry trade associations, a panel consisting of sporting goods companies' marketing experts, and SGMA market research studies. All figures are based on manufacturers' shipments (including imports) in the U.S. market and expressed in wholesale, not retail, dollar values.

Source : SportsOneSource

Under Armour to outfit USA Football

USA Football, the sport's national governing body on youth and amateur levels, and Under Armour, Inc. said that Under Armour will be the official outfitter of USA Football training events and national teams. Under this agreement, Under Armour will provide apparel for more than 100 USA Football events annually, including a series of youth football coaching schools, officiating training sessions and three-day camps for players aged 9-14. Under Armour also holds exclusive rights to outfit USA Football's 2009 Junior National Team. Team USA, the country's first high school-aged national football team, will compete against seven other nations (Canada, France, Germany, Japan, Mexico, New Zealand and Sweden) at the 2009 International Federation of American Football (IFAF) Junior World Championship in Canton, OH. This inaugural event will take place at the Pro Football Hall of Fame Field at Fawcett Stadium from June 27th-July 5th. Under Armour also will participate in USA Football's Grants Program, which awards uniforms and equipment to youth teams across the United States based on merit and need. In addition, USA Football's online shop will feature co-branded USA Football-Under Armour performance apparel.

Source : SportsOneSource

Ski Resorts show improved profit margins

According to preliminary results of the National Ski Areas Association (NSAA) Economic Analysis, increases in operating and pre-tax profit margins created a financially strong 2007/08 ski season. The past season was the sixth consecutive year of solid financial performance with increases in gross revenue and a healthy operating profit for the ski resort industry. Ski resorts were able to improve upon already strong rates of profitability, with an average operating profit margin of 26.7%, up from 25.0% in the 2006/07 ski season. This represented $6.95 million in operating profit. Pre-tax profit margin averaged 15.1%, or $3.93 million per resort, up from 12.1% the previous season. In 2007/08, average gross revenue grew 11.4%, to a total of $26.0 million per resort. In the previous season, average gross revenue had grown 5.7% to $23.3 million per resort.

Source : NSGA

Quiksilver posts $194.4MM loss; Revenues decline 10.7%

Quiksilver, Inc.'s revenues decreased 10.7% in the first quarter ending Jan. 31, to $443.3 million from $496.6 million a year ago. The net loss was $194.4 million, or $1.53 a share, including charges and losses from the sold Rossignol business. The pro-forma continuing loss before charges was $9.0 million, or 7 cents a share, against income of $7.6 million, or 6 cents, a year ago. The pro-forma net loss excludes a $6.1 million severance charge in the Americas and a $50.8 million non-cash charge to write off the company deferred tax assets in the U.S. Including these charges, the loss from continuing operations was $65.9 million or 52 cents per share. A reconciliation of GAAP results to pro-forma results is included in the accompanying tables. Net revenues and income from continuing operations for all periods exclude the results of our Rossignol wintersports business, which was sold in November 2008 and is reported as discontinued operations.

CEO, President and Chairman of the Board Robert B. McKnight, Jr., commented : « While our performance in the quarter was in line with our overall expectations, deteriorating macro conditions made for a very difficult operating environment. Weak consumer traffic drove lower sales and margin compression which resulted in a loss for the quarter ».

Net revenues in the Americas decreased 13.4% during the first quarter of fiscal 2009 to $203.4 million from $234.9 million in the first quarter of fiscal 2008. As measured in U.S. dollars and reported in the financial statements, European net revenues decreased 9.3% during the first quarter of fiscal 2009 to $181.7 million from $200.3 million in the first quarter of fiscal 2008. Changes in foreign currency exchange rates accounted for a decrease in European revenues of approximately $20.1 million for those same periods. As measured in U.S. dollars and reported in the financial statements, Asia/Pacific net revenues decreased 4.6% to $57.6 million in the first quarter of fiscal 2009 from $60.4 million in the first quarter of fiscal 2008. Changes in foreign currency exchange rates accounted for a decrease in Asia/Pacific revenues of approximately $14.7 million for those same periods.

Addressing its outlook for continuing operations, the company stated that based on current trends second quarter revenues will likely be down in the mid-teens on a percentage basis compared to the same quarter a year ago and that diluted earnings per share are expected to be in the mid-single-digit range. The company indicated that longer term visibility into revenues and earnings remains limited at the present time.

Source : SportsOneSource

Crocs accountants raise doubts on Company's future

Crocs, Inc. filed its 2008 annual report on Form 10-K filed with the Securities and Exchange Commission on March 17 and announced that its consolidated financial statements for the fiscal year ended December 31, 2008 are accompanied by an unqualified audit opinion from the company's independent registered public accounting firm, which has been modified to contain an explanatory paragraph that raises substantial doubt about the company's ability to continue as a going concern. The announcement made by Crocs, Inc. is being made in compliance with NASDAQ Marketplace Rule 4350(b)(1)(B), which requires separate disclosure of a recent audit opinion that contains a going concern modification opinion. This announcement does not represent any change or amendment to the company's 2008 financial statements or to its annual report on Form 10-K.

As of December 31, 2008, the company had $51.6 million in cash and cash equivalents and $22.4 million in borrowings under its revolving credit facility, which matures on April 2, 2009. The company is in discussions on extending the current credit facility and are currently negotiating with financial institutions to obtain an asset backed lending arrangement. The company said it may also "explore other sources for capital to meet ongoing needs."

Crocs, Inc. reported in the 10-K report that it incurred losses of $185.1 million in the year ended December 31, 2008, experienced declines in revenue and incurred one time charges related primarily to restructuring activities. The company said it took significant cost cutting measures during 2008 and is currently evaluating its operating plans for 2009 and "considering certain restructuring and right-sizing activities to address the potential for continued decreases in revenues."

Source : SportsOneSource

NIKE, Inc. reports fiscal third quarter 2009 results

NIKE, Inc. announced financial results for its fiscal 2009 third quarter ended February 28, 2009. Revenue decreased 2 percent to $4.4 billion, compared to $4.5 billion for the same period last year. Excluding changes in currency exchange rates, revenue would have increased 2 percent. Third quarter net income was $243.8 million or $0.50 per diluted share, compared to $463.8 million or $0.92 per diluted share in the same period last year. Excluding a $240.7 million, after-tax non-cash charge related to the impairment of goodwill, intangible and other assets of the Company's Umbro subsidiary, third quarter net income would have increased 4 percent to $484.5 million and diluted earnings per share would have increased 8 percent to $0.99.

Regional Highlights

U.S.

During the third quarter, U.S. revenues increased 3 percent to $1.6 billion compared to the same period last year. U.S. footwear revenues increased 8 percent to $1.2 billion. Apparel revenues decreased 9 percent to $370.4 million. Equipment revenues decreased 2 percent to $74.4 million. Pre-tax income increased 2 percent to $357.0 million.

EMEA

Third quarter revenues for the EMEA region decreased 14 percent to $1.2 billion compared to $1.4 billion for the same period last year. Excluding changes in currency exchange rates revenue would have decreased 4 percent. Footwear revenues decreased 12 percent to $693.8 million. Apparel revenues decreased 17 percent to $415.0 million and equipment revenues decreased 24 percent to $77.1 million. Pre-tax income decreased 18 percent to $276.9 million.

Asia Pacific

In the third quarter, revenues in the Asia Pacific region grew 8 percent to $806.9 million compared to $749.3 million a year ago. Changes in currency exchange rates increased revenue growth by 1 percentage point. Footwear revenues were up 10 percent to $451.1 million, apparel revenues increased 6 percent to $290 million and equipment revenues grew 1 percent to $65.8 million. Pre-tax income increased 11 percent to $213.7 million.

Americas

Revenues in the Americas region decreased 5 percent to $245.4 million from $257.2 million for the same quarter last year. Excluding changes in currency exchange rates, revenue would have increased 15 percent. Footwear revenues decreased 4 percent to $171.3 million, apparel revenues decreased 1 percent to $54.3 million and equipment revenues decreased 19 percent to $19.8 million. Pre-tax income was down 22 percent to $41.1 million mainly due to lower gross margins and higher demand creation spending.

Other Businesses

For the third quarter, revenue for the Other businesses, which include Cole Haan, Converse Inc., Hurley International LLC, NIKE Golf, and Umbro Ltd, increased 1 percent to $592.2 million compared to $587.4 million last year with the group posting a third quarter pre-tax loss of $344.1 million versus pretax income of $106.1 million for the same period last year.

Due to changes in the Company's affiliate brands portfolio and the inclusion of the impairment charge, current year amounts are not directly comparable to the prior year. In the third quarter of fiscal 2008 the Company's Other business segment included Converse Inc., NIKE Golf, Cole Haan, Hurley International LLC, NIKE Bauer Hockey, and the Starter Brand. Following a corporate strategic review the Starter Brand and NIKE Bauer Hockey were sold in the third and fourth quarter of fiscal 2008, respectively, while Umbro was acquired in the fourth quarter of fiscal 2008. For the continuing Other businesses (Converse Inc., NIKE Golf, Cole Haan and Hurley International LLC) third quarter revenues grew 5 percent while pretax income declined 21 percent. Pretax income was less than the prior year, mainly due to lower profits at Cole Haan and NIKE Golf, reflecting difficult conditions in these market sectors.

Source : Nike

Perry Ellis to make Callaway Golf Apparel

Perry Ellis International Inc. has reached an agreement to design, manufacture and distribute Callaway golf and sportswear apparel in the U.S., Canada, Latin America and the Caribbean. Terms of the agreement are not being disclosed.

Ashworth, which was acquired by Adidas last year, had been Callaway's apparel license holder since 2002.

Perry Ellis International will service better department and specialty stores and corporate channels, while Callaway Golf will service the green grass, off course and sporting goods channels through its newly-created soft goods sales force. Perry Ellis International will also perform the embroidery, embellishing and warehousing of products for Callaway. During the remainder of 2009, Callaway will continue servicing the market with product produced by its previous licensee. Perry Ellis International's designs will begin shipping in spring 2010.

Source : SportsOneSource

Sports and Specialty Stores show no rise in average shoe prices

Preliminary data from the NSGA "Sporting Goods Market in 2009" indicates that the average price point for athletic footwear in 2008 showed no increase in sports and specialty stores. In sporting goods stores, the average price remained unchanged at $50.81. In specialty athletic footwear stores, the price rose a meager 0.8% to $67.58, and in specialty sports shops, fell 1.6% to $62.15. In 2008, the average price across all channels of distribution rose 1.6%. Factory outlets saw the biggest increase in average price point, up 3.3% to $42.78. Factory outlets captured 7.6% of units sold in the athletic footwear market. Mass merchants, which represent 40.0% of all unit sold, were able to increase their average price point. In discount stores, it was up 3.0% to $22.93. In department stores, it was up 2.5% to $41.51. Internet sellers of athletic footwear increased both average price point and market share. Their average price point rose 1.7% to $59.02. Their market share of all units sold in the athletic footwear market rose to 6.0% versus 4.9% the previous year. The Internet average price point was below only that of specialty athletic footwear stores and specialty sport shops. The channel of distribution with the second highest increase in average price point for athletic footwear was Internet sales. Their $58.06 average price point was a 6.1% increase over 2006. Factory outlets saw the smallest increase in average price point, up only 0.4% to $41.41. The information on average shoe prices and on channels of distribution will be included in the NSGA report "The Sporting Goods Market in 2009," to be published by the National Sporting Goods Association in late spring. Based on a consumer study of 80,000 U.S. households, the report summarizes 2008 retail sales totals - in units and dollars - for 22 types of athletic and sports shoes as well as products in more than 20 sport categories. Also featured are purchaser demographics - annual family income, age and gender of product user, education of household head and sales according to region of the country.

Source : NSGA

K-Swiss-Ironman sponsorship deal

US footwear and sportswear company K-Swiss has agreed a new sponsorship deal with World Triathlon Corporation, which runs the Ironman Triathlon. K-Swiss will be exclusive footwear and apparel provider for the race. A collection of co-branded K-Swiss-Ironman footwear and clothing will be produced, initially sold through the two parties' websites and on-site at events, and later to be also sold through retail partners. K-Swiss is also official run course sponsor of Ironman 70.3 events at Boise, Rhode Island, Louisville, and the World Championship events at Kailua-Kona, Hawaii and Clearwater, Florida, all in the US. It is also a sponsor at all other US events, as well as Ironman UK and the two Ironman events in Germany in 2009.

Source : sportbusiness

Calvin Klein signs global license for Golf Apparel

Calvin Klein, Inc., a wholly owned subsidiary of Phillips-Van Heusen Corp., has entered into a strategic licensing agreement with Premium Golf Brands (PGB), Europe's largest supplier of golf apparel, to manufacture and distribute men's and women's golf apparel and accessories under the 'Calvin Klein Golf' brand name. PGB replaces Windsong Sport LLC as a prior licensee in this mark. Under the multi-year agreement, PGB will be the exclusive global licensee for men's and women's golf clothing and accessories. PGB had been the European distributor for the predecessor licensee from the time that the Calvin Klein Golf brand was launched in early 2008 and presently operates Calvin Klein Golf showrooms in Cork, Ireland; London and Manchester, UK; Villamoura, Portugal; Berlin, Germany; and Costa del Sol, Spain. The men's and women's Calvin Klein Golf Spring 2009 range is available at retail now from leading golf specialty stores and resorts in the UK, Ireland, Spain, Portugal, Germany, Finland, Turkey, and Sweden. A full European roll out of the brand is expected by the end of the next quarter, and it is planned that by Spring 2010 the global distribution of Calvin Klein Golf will expand to reach the Middle East (Dubai), the Americas, Africa, and Asia. It is currently expected that U.S. deliveries will begin by mid 2010, and will be offered through leading golf specialty stores and resorts nationwide at that time.

Source : SportsOneSource

JJB Sports gains bank extension

JJB Sports, the struggling British retailer, negotiated an extension to its banking arrangements until March 24, the day before quarterly rent is due, while it continues talks to sell its fitness clubs. The sporting goods retailer also said it was looking at a number of other restructuring arrangements with the support of its lenders. According to newspaper reports in the U.K., JJB founder David Whelan is in talks to buy the firm's fitness clubs for about 70 million pounds ($98 million). JJB is also said to be in talks with landlords in a bid to close around 30 shops. JJB said no additional fee was being charged by its lenders for the latest extension of its banking arrangements.

Source : SportsOneSource

US Olympic Committee looking at more cuts

The US Olympic Committee (USOC) is looking to examine its budget just three months after cutting administrative costs by 10 per cent and reducing staff. The USOC board, led by Electronic Arts chairman Larry Probst, studied the organisation's financial picture. USOC has already curbed meetings, staff travel, professional training and started the process of trimming its workforce. "Every business is taking a close look at their revenues and expenses," added USOC spokesman Darryl Seibel. "We're an organisation that doesn't have unlimited resources. We need to make sure we're positioned to weather the storm." USOC has a 2009 budget of around $140 million. The organisation boasts 17 sponsorship agreements through to 2012 but hasn't renewed deals with AT&T and Bank of America or found companies to fill voids left by General Motors, The Home Depot and Kellogg's.

Source : sportbusiness

OIA: January 'mixed' for Outdoor stores

January 2009 retail sales for all core outdoor stores (chain, internet, specialty) started off the new year "on a mixed note," according to the most recent edition of The Outdoor Industry Association (OIA) Outdoor Topline Report. Retail sales for all core outdoor stores gained 3.7% in dollars to $363.2 million from $350.1 million. The internet channel realized a 35% gain in dollar sales while specialty stores (-2%) and chain stores (-8%), logged declines in overall dollars this month.

Online sales were very healthy in January. Retail prices plunged across the board as consumers took advantage of bargains and sales; however, the resultant increase in units was more than enough to make up the difference. The channel improved on last January's dollar sales by double-digits in nearly every category and moved from 21% of total dollars sold last January to 27% this month. Carryover (defined as old and/or discontinued merchandise) sales leapt to record amounts in January, a significant factor in driving prices down and units up for the period.

Although total sales dropped 2% in specialty stores this month, there were many bright spots. Categories with dollar growth in January included packs, climbing gear, winter equipment, hiking boots, winter boots, trail running shoes and multisport shoes. Accessories were especially hot sellers this month, as most equipment, apparel and footwear accessory categories enjoyed healthy growth compared to last January.

In chain stores, sales were driven by good deals and low retail-selling prices. The entire channel was up 5% in unit sales but fell 8% in dollars as plunging retail prices ate away gains from increased volume. Nearly every product category saw retail prices slip significantly from January 2008. Carryover product sales soared in almost every category, moving from 2% of all chain dollar sales last January to 7% this month and contributing to the overall decline in retail prices. The equipment accessory category was the only major product category to gain dollar sales this month, inching up 1%.

All paddle product sales from all three channels (specialty, chain, and internet) grew 7% in dollars this month. Compared to last January, specialty stores grew 6% in dollars, chain stores dipped 14% and internet grew 46% off an extremely small base. Boats, paddles and accessories each increased sales in specialty stores this month. As a whole, January is not a significant month for paddlesport sales; it typically accounts for about 2% of each year's total sales and is traditionally the smallest month for sales. Nonetheless, the positive January growth was a welcome start to the calendar year.

Source : SportsOneSource

Any question? Contact : **Ségolène Rouillon**, WFSGI Communication Manager
Phone : +41 21 612 61 63 / Fax : +41 21 612 61 69 / E-mail : srouillon@wfsgi.org