

SGI Europe

Sporting Goods Intelligence

News and analysis of the international market



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PUBLICATIONS

Puma posts a 1.5% drop in Q1

Doing better than some competitors, **Puma** reported sales declines of only 1.5 percent in euros and 1.3 percent in local currencies during the first quarter, leading to a 61.6 percent drop in net earnings to €36.2 million on sales of €1,299.8 million, although the company started the year with an encouraging gains of 16 percent in its order books and 14 percent in comparable store sales. However, the management warned the financial results will be much worse in the second quarter.

Sales have been down by 50 percent so far in the quarter, although the reopening of stores is proceeding faster than expected in some countries, with China, South Korea and Taiwan leading the charge.

To help save cash, **Puma's** annual meeting, which coincided with the release of the quarterly results, approved a proposal to forego the annual dividend. Investments in new stores are being delayed and marketing expenses may be cut by between €100 million and €200 million, said **Bjørn Gulden**, the company's chief executive. He and other members of the management have cut their pay. Capital expendi-

tures are being reviewed every week and employees are on short-time working, but the company wants to avoid any permanent layoffs.

Anyway, **Puma** has just obtained access to new financing. On the eve of the annual meeting and after a series of negotiations, the company signed up for a revolving credit facility of €900 million. Like a similar credit line recently obtained by **Adidas**, the new facility will be granted to **Puma** in May by a consortium of banks with the participation at a level €625 million by **KfW**, the German government bank for reconstruction. It can be extended for up to 24 months. Indicating that the company may not use all of this money, Gulden said it will be a form of "insurance" in case of a protracted crisis.

Meanwhile, the Chinese market is expected to return to growth by the end of May or early June. While e-commerce is slowing down, comparable store sales there are still lower now by 10 to 15 percent from a year ago. Store traffic has declined by 40-50 percent, but conversions are about 10 percent higher.

The business in China started the year with a strong increase of 40 percent on a comparable basis, but then the

Vol. 31 - N°17+18 - May 8, 2020

- **Puma** drops by 1.3% in Q1 p 1
- **Adidas** falls by 19% in Q1.....p 3
- **Planet Sports** is salvaged.....p 5
- Big clearances help **XXL**..... p 6
- **Stadium** offers second-hand itemsp 7
- **Decathlon** works with marketplaces ..p 7
- **Wintersteiger** grows strongly..... p 9
- Profits up at **Shimano**..... p 10
- **Fitbit** returns to profits..... p 11
- **Garmin** thrives in outdoor, fitness..... p 12
- **Thule** grants warrants p 12
- **Hanesbrands** invests in masks..... p 12
- Drop-shipping at **Beachbody**, **Bucher** p 13

Corporate & Exec. Changes

Clarus, **Dakine**, **Iconix**, **JD Sports**, **Kettler**, **Lenzing**, **Northwave**, **Pentland**, **Wolverine**, etc.

Retail

Bikester, **Decathlon**, **Intersport**, **Kathmandu**, **On**

Results

Callaway p10, **Columbia** p9, **GoPro**, **Intersport**, **Johnson Outdoors**, **Moncler** p9, **Stella**, **Yue Yuen**

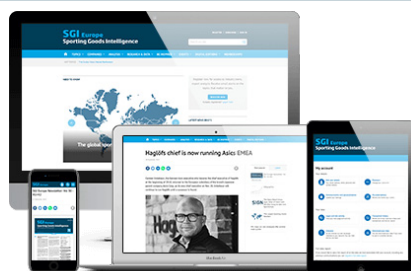
Others

11teamsports, **Efftex**, **Eurobike**, **Löffler**, **Macron**, **New Balance**, **Nike**, **Oeko-Tex**, **O'Neill**, **Pescara Calcio**, **Prowinter**, **Silhouette**, **SportScheck**, **TMC**, **Umbro**, **Veja**, etc.

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Many of the articles in this issue have already been posted there in the past few days.

Others will follow before the next issue.



Eugenio Di Maria - Chief Editor
Tel.: + 49-89 127 10822

John Horan - Publisher (American Edition)
Tel.: +1 610 459 4040
jhoran@sginews.com

News and analysis of the international market

Puma Key Sales Figures (Million euros, Quarter ended March 31)				
	2020	2019	% Change (€ terms)	% Currency Adjusted
by Regions				
EMEA	518.2	501.7	3.3	3.5
Americas	426.6	416.6	2.4	3.1
Asia/Pacific	355.0	401.0	-11.5	-12.0
Total	1299.8	1319.3	-1.5	-1.3
by Product Segments				
Footwear	648.4	639.3	1.4	1.9
Apparel	439.3	468.4	-6.2	-6.3
Accessories	212.1	211.6	0.2	-0.2
Total	1299.8	1319.3	-1.5	-1.3

Source: Puma.

Puma Consolidated Income Statement (Million euros, Quarter ended March 31)			
	2020	2019	% Change
Net Sales	1,299.8	1,319.3	-1.5
Cost of Sales	681.2	672.4	1.3
Royalty/Commissions	6.0	6.4	-6.3
Other Operating Expenses	553.3	510.7	8.3
Operating Result (EBIT)	71.2	142.5	-50.0
Net Interest	-15.6	-4	-
Pre-Tax	55.6	138.5	-59.9
Tax	14.5	37.4	-61.2
Minority Interests	4.9	6.7	-26.9
Net Income	36.2	94.4	-61.7
Euro/Share (Diluted)	0.24	0.63	-61.9

Source: Puma.

growth slowed down to 13 percent at the end of January, resulting in an increase of only 8 percent for the month. The corona-related lockdown caused a drop of 73 percent in February in China, followed by a slower decline of 6 percent in March.

In the rest of the world, sales went up by 11 percent in January and 15 percent in February, followed by a drop of 27 percent in March as the coronavirus spread to other parts of the world. Worldwide, gains of 12 percent in January and 9 percent in February were followed by a drop of 24 percent in March.

The Euro May 8 rates	
Czech Koruna	27.32
Danish Krone	7.461
Hungarian Forint	349.7
Norwegian Krone	11.10
Polish Zloty	4.559
Pound Sterling	0.874
Swedish Krona	10.61
Swiss Franc	1.053
U.S. Dollar	1.083
Brazilian Real	6.317
Canadian Dollar	1.511
Chinese Yuan	7.667
Japanese Yen	115.1
Russian Ruble	79.97

own e-commerce accelerated to 38 percent, building up to €84 million for the quarter, with a jump of almost 80 percent in April, although the company had to cope with logistic issues in China and elsewhere owing to restrictions on transportation and others things.

The company is still committed to raise the digital channel's share of revenues from 6.5 percent last year to an annual level of 10 percent when markets return to normal, by eliminating previous bottlenecks through 16 logistic improvement projects around the world.

Declining to make any forecasts for the year, Gulden pointed out that nobody has faced a situation like the current one before, with a lot of uncertainty for the future and many differences from one region to the other. He described the company's strategy at this juncture as being intended to "manage the short term without destroying the momentum (in the) mid-term."

Cooperation with all business partners – retailers as well as suppliers, landlords, financial institutions,

In the end, the quarter saw a currency-adjusted decline of 12.0 percent in the Asia-Pacific region, offset by increases of 3.5 percent in EMEA and 3.1 percent in the Americas. While Asia-Pacific is turning around now, the opposite trend is occurring in the other regions.

While about one-third of Puma's 860 directly operated stores around the world are now open, almost all of them and those of its wholesale partners were closed at the end of March. On the other hand, the growth in

authorities and investors - is being sought to minimize the damage and find solutions for everybody affected by the crisis. For example, company officials are trying to persuade clients to delay orders instead of cancelling them.

Gulden spoke of a "fantastic cooperation" with its suppliers, who are being treated as "real partners." Puma has been adjusting the supply chain by asking suppliers to slow down their production and delaying shipments, limiting cancellations at around 10 percent. As a result, inventories were up by a relatively "decent" level of 24.5 percent at the end of the quarter from the beginning of the year, but Gulden did not exclude possible promotional activity to clear out excess merchandise going forward.

Meanwhile, Puma has decided not to stop any of its investments in the development of new products. Gulden said it is working daily with key accounts such as **Foot Locker**, **Intersport** or **Snipes**, using 3D images and video conferencing in preparation for the spring/summer 2021 season.

The launch of new technologies planned for the **Olympic Games** will be delayed, however. There will be more regional launches, based on the reopening of the individual markets, starting now with China. They will be backed frequently by "performance marketing" with fees based on the results.

Inventory devaluation and product return provisions, combined with the lower sales in China and a negative currency impact, caused the gross margin to decline by 1.4 percentage points to 47.6 percent in the quarter. Operating earnings fell by 29.4 percent to €138.8 million before amortization (Ebitda) and by 50.1 percent to €70.2 million after amortization (Ebit).

As planned, footwear performed better than apparel in the first quarter, with a 1.9 percent increase versus a decline of 6.3 percent, although people in quarantine tended to go more for clothing, especially fitness

clothing. Puma is witnessing growing demand now in running and children's products. A decline in team sports is inevitable because of the cancellation of many tournaments.

Adidas fell by 19% in Q1, sees Q2 down by over 40%

The **Adidas Group** reported today a sharp drop in profit margins on a 19.2 percent decline in sales for the first quarter, due to the coronavirus outbreak, but warned that the second quarter will be worse. With more of its store base still closed right now, the management is expecting a drop of more than 40 percent in total revenues for the current quarter, leading to a loss in operating income in the triple-digit millions.

Adidas Group would be breaking even in the second quarter with a year-on-year decline of 20 percent, but this will not be the case. For the balance of the year, the outlook will depend largely on the speed of the recovery in China, with the risk of new setbacks, the duration of store closures in the rest of the world and the evolution of consumer behavior.

The management said it is shifting its focus to China, optimizing its post-Covid-19 recovery in country, where sales at its stores have become positive again, and applying what it learns to other parts of the world. It is also boosting investments in e-commerce, which rose by 35 percent in the quarter, accelerating to 55 percent growth in March after a temporary decline in February. The group's chief executive, **Kasper Horsted**, said that this will speed up its four-year-old digital transformation.

The company is working hard on cost containment and "financial flexibility," as its net cash position fell by €1.4 billion in the first quarter. In an online conference call with journalists this morning, Adidas' management declined to quantify the cash burn in the second quarter, which will certainly be higher. It will have lost €1 billion

in April alone, but after cancelling dividends and share buy-backs, the addition of a €3 billion revolving credit line will boost its accessible liquidity to €4.3 billion, enough to "weather the storm."

At 32 percent, the equity ratio remained solid at the end of the quarter. The management denied a report that it was going for a euro-bond rather than a government loan to help refinance itself. It confirmed that it is counting on the German government's participation in a 15-month syndicated loan of €3 billion, stressing that it's not going to be a subsidiary and that it will be subject to normal interest rates.

The group posted a net profit from continuing operations of only €20 million in the first quarter, down by 97 percent from the year-ago period, as sales declined by 19.2 percent to €4.75 billion, with hardly any currency effect on the turnover. A stronger dollar and a different regional mix – with a lower high-margin Chinese component than before – led to drop of 4.2 percentage points in the gross margin to 49.3 percent. Some promotional activity also played a role.

The biggest impact came from order cancellations, which cut the gross margin by almost two percentage points.

Product takebacks worth €250 million taken in China to help manage inventories contributed to an overall squeeze of 13.5 percentage points in the operating margin, which fell to just 1.4 percent of sales. Marketing investments were kept steady at €704 million, but they will be reduced in the second quarter. Bad debt allowances went up.

Adidas Consolidated Income Statement (Million Euros, Quarter Ended March 31)			
	2020	2019	% Change
Net Sales	4,753	5,883	-19.2
Cost of Sales	2,408	2,732	-11.9
Royalty/Comm. Income	23	35	-34.3
Other Operating Income	2	6	-66.7
Other Operating Expenses	2,305	2,317	-0.5
EBIT	65	875	-92.6
Net Financial	-38	-27	40.7
Pre-Tax	27	848	-96.8
Tax	7	217	-96.8
Net Income from Continuing Operations	20	631	-96.8
Net Income	26	633	-95.9
Diluted Euro/Share	0.16	3.18	-95.0

Source: Adidas.

Adidas Group Net Sales (Million Euros, Quarter Ended March 31)				
	2020	2019	% Change (€ terms)	% Change (currency neutral)
Europe	1,426	1,551	-8.1	-8.1
North America	1,201	1,157	3.8	0.8
Asia-Pacific	1,184	2,139	-44.6	-44.9
Russia/CIS	154	136	13.2	9.0
Latin America	339	376	-9.8	-0.4
Emerging Markets	293	330	-11.2	-11.0
Other Businesses	156	195	-20.0	-21.2
Adidas	4,269	5,343	-20.1	-20.3
Reebok	372	420	-11.4	-11.9

Source: Adidas.

The company will play on the variable component of its sports marketing contracts to cut marketing expenditures. It will also cut all kinds of discretionary spending, but the management pointed out that personnel costs represent two-thirds of its overheads. It didn't mention any permanent layoffs, but noted that two-thirds of its staff are currently working part-time or remotely.

Big regional differences in sales and profits

Excluding Asia-Pacific, which was hardest hit by Covid-19, the group's global sales were up by 8 percent in the quarter. Greater China, which normally represents 23 percent of its business, and generates high margins, saw sales off by 58 percent.

With Japan and South Korea also affected by the coronavirus in the quarter, Asia-Pacific as a whole suffered a 45 percent plunge in sales and a reduction of 16.0 percent in the operating margin to 22.3 percent.

News and analysis of the international market

Sales inched up by one percent in North America, although the region had generated double-digit growth through the end of February. The operating margin fell there by 3.7 percentage points to 7.1 percent.

In Russia and the other CIS countries, sales went up by 9 percent, but the operating margin lost 3.1 percentage points, down to 22.1 percent. In the rest of Europe, sales went down by 8 percent and the operating margin declined by 4.7 percentage points to 21.5 percent. Europe was up in the mid-single digits before the retail lockdown in the area in mid-March.

Latin America delivered an operating margin of 11.6 percent on flat sales. At 25.1 percent of sales, the higher operating margin was reached in other emerging markets, where sales went down by 11 percent.

The **Adidas** brand's sales fell by 20 percent globally. **Reebok** suffered a lower drop of 12 percent in the quarter because of its lower exposure to the Chinese market, but the brand's **Classics** took a stronger hit.

Adidas went ahead with products introductions, and the company plans to continue them, partially online, despite the epidemic. Gains of 20 percent in sales of new iterations of the brand's iconic **Superstar** and **Predator** shoes helped to mitigate the overall decline in the sport-inspired segment to 16 percent, whereas sport performance products fell by 20 percent.

Re-purposing inventories

The broad-based store closures caused inventories to swell by 32 percent in euros and by 36 percent in local currencies during the quarter, partly offset by lower accounts receivable and higher accounts payable.

To help return to a reasonable level of profits by year-end, the group will continue to cancel orders in the next two quarters. It will work closely with its suppliers and retailers to mitigate the impact of the process by reviewing

payment terms and discussing long-term cooperation.

Pointing out that it has worked with 85 percent of its current suppliers for more than 10 years, the management said that none of them is going bankrupt.

Adidas wants to reduce inventory levels mainly by making use of its 1,100 factory outlets around the world, and also in other ways. It will be shifting the timing of some collections by four to six weeks, re-purposing "evergreen products" to spring/summer 2021, and running more promotions, especially in the fourth quarter through events such as Single's Day.

Learning from China

Only 20 of the group's stores are open in Europe, and those in the U.S. are tentatively expected to re-open in mid-May. To take advantage of the expected recovery once the retail lockdown comes to an end – whenever this happens – Adidas intends to engage consumers and create demand by applying what it is learning now in China.

It will continue to make greater use of its highly profitable e-commerce channel, which will likely account for more than the planned €4 billion in turnover this year. On top of that, it will work more closely with key accounts such as **JD Sports** and **Zalando** to maximize their own online sales. The company claims that Adidas was the no. 1 or 2 brand on **Tmall** during the confinement in China.

In the last few weeks, the group's online business in China enjoyed triple-digit growth. Its wholesale revenues in the country were still negative, but sales at its stores were positive, thanks in part to the organization of "commercial moments" such as a "Share your Stripes" campaign, to drive traffic.

Rorsted expressed confidence that the group's business in China will soon return to its previous levels and grow again. He admitted that the current financial year will be "very painful"

for the company, but stressed that the prospects for the medium and long term may have actually improved.

In the long term, he said, health and sports will be just as important or become more important to consumers, who will give more value to strong brands and make more intensive use of digital tools like the ones that Adidas is developing.

In view of unprecedented circumstances and the lack of visibility ahead, the company will take more time to review its "Creating the New" strategy, trying to better understand the "new normal." It has thus decided to postpone the date of a planned investor and media day to March 10, 2021.

Sporting goods suppliers face long-term coronavirus effects

The current coronavirus pandemic is having a major impact on the suppliers of sporting goods, particularly in terms of orders, material shortages and cash. Reports from China, Vietnam, Cambodia, Indonesia, Bangladesh, Myanmar and other major sources indicate that many of them are resorting to massive layoffs or facing labor shortages as a consequence of the disruption of the supply chain and the transportation infrastructure. Meanwhile, many of their clients are reconsidering their product development and supply chain strategies.

A global survey of sporting goods industry manufacturers and their clients recently conducted by the **World Federation of the Sporting Goods Industry (WFSGI)** found that a majority of them (60%) believe that it will take between 91 and 180 days to recover after the Covid-19 pandemic. Not surprisingly, no respondents at all expect to get back to 100 percent of their previous business performance, and only 5 percent believe that their business will reach 90 percent of its pre-pandemic performance.

The demand does not seem to be uniformly affected around the world. Around 90 percent of sporting goods manufacturers see decreasing orders from customers in Europe and North America. The ratio is considerably lower, around 30 percent, for orders from customers in Latin America, the Far East and South Asia. Supply chains are the most affected in the Far East (68%), followed by Europe (64%), South Asia (54%). Supply chains in North America are only affected for 22 percent of respondents while in Latin America less than 10 percent see an impact on their supply chain.

Shortages of materials are a problem, as more than 70 percent of the respondents said they are facing them due to the closure of manufacturing facilities. The safety regulations that have been imposed by several countries have not been without consequences either. More than 86 percent of respondents are affected by regulations that have specifically been implemented in relation to the coronavirus pandemic.

Cash flow issues are impacting both current activities and future plans. More than 86 percent of respondents are challenged by low cash flow due to extended payment terms and order cancellations, as well as by orders that are not delivered in time. Meanwhile, salaries are being paid in advance of the cash receipts, which make matters worse. Cash flow issues are seen as a major constraint also on future plans, with 50 percent of respondents believing they will have to refrain from investments because of these issues.

Moreover, close to 60 percent of the suppliers who participated in the survey indicated that they are facing possible labor shortages due to the forced closure of their companies. Just under 30 percent are facing these shortages due to travel restrictions imposed on workers and the shutdown of public transportation. Around 20 percent have seen staff not coming to work since they have to take care of family members or are reluctant to return to work due to fear of being infected.

Asked what kind of measures they were envisaging in reaction to the situation, 14 percent confessed that they had no particular plans. Close to 70 percent said they would consolidate production, nearly 60 percent said that they would focus on eliminating waste through lean production methods and close to 20 percent pointed to automation as a solution.

The WFSGI survey also indicated that the situation may lead to a concentration on a few strategic partners, which may make it difficult for the smaller players. Most of the manufacturers' clients prefer to deal with flexible suppliers, while around 25 percent value efficiency and stability in the production process.

Only a little more than 15 percent of them want to switch to local sourcing for the local markets and 30 percent will look for "regional centric" or "global market centric" supply chain solutions. More than 70 percent will work on a leaner and more adaptive supply chains and over 55 percent are looking for innovative ways to cope with the disruption, but many indicated that they still don't know what they are going to do.

Sustainability, price and functionality will be important criteria in product development in the future. No less than 70 percent feel that environment-friendly products will be the most important market trend after the pandemic. They indicated that running and outdoor sports will stand out in terms of sports participation and the related market demand.

The above results, all related to sporting goods manufacturing, are drawn from responses collected during the months of March and April. The WFSGI is carrying out a "monthly pulse survey" to assess the impact of the pandemic on the sporting goods industry globally. The survey is open to all companies within the industry, and not just WFSGI members, via the following link. The anonymous results are shared by WFSGI publicly on its Covid-19 hub.

Planet Sports is salvaged

Planet Sports, the insolvent multi-channel action sports retailer based in Munich, has been taken over by a "medium-sized consortium of entrepreneurs," said the insolvency administrator, **Axel W. Bierbach** of the law firm **Müller-Heydenreich Bierbach & Kollegen**, in a press release.

The law firm added that it could not reveal the identities of the companies involved in the consortium, indicating that they are financially strong and that they are expected to inform the media in the coming days. The acquisition will take effect retrospectively on May 1, 2020.

The acquiring company, which will continue to operate under the name Planet Sports, will take over the company's entire online trading activities as well as its store in Cologne. The remaining nine German stores in operation will have to be closed. "Unfortunately, they were too loss-making to be able to continue with them," the report says, adding that only 62 of the previous 192 employees will keep their jobs.

The insolvency proceedings were initiated on Feb. 20, 2020, just a few weeks before the outbreak of the coronavirus crisis. During the crisis, the takeover process had proved difficult because personal meetings and company visits - especially by interested parties from abroad - were not possible. At the same time, the crisis changed the economic starting position of all the potential buyers due to their own economic concerns. As a result, numerous candidates withdrew in mid-March. About ten potential buyers were involved in the process.

This is not the first change of ownership for Planet Sports. The multi-channel retailer was last taken over in 2015 by **21sportsgroup** in Mannheim from a company called **Puccini Germany**. Founded in 1993, Planet Sports launched an online shop in 1997, in a pioneering initiative in the boardsports and streetwear seg-

News and analysis of the international market

XXL Consolidated Income Statement (Million NOK, Quarter Ended March. 31)			
	2020	2019	% Change
Norway	951	947	0.4
Sweden	646	557	16.0
Finland	456	390	16.9
Denmark	5	15	-66.7
Austria	104	105	-1.0
NET REVENUES	2,162	2,014	7.3
Cost of Goods	1,559	1,193	30.7
Personnel Expense	460	413	11.4
Other Operating Expense	227	216	5.1
Depreciation	179	173	3.5
Net Financial Expense	6	43	-86.0
Pre-tax	(268)	(23)	-
Tax	43	5	760.0
NET	(224)	(19)	-
NOK/Share (Diluted)	(1.34)	(0.14)	-

Source: XXL.

ments. Most recently, Planet Sports has generated an annual turnover of around €75 million.

Big clearances help XXL through the Covid-19 crisis

The coronavirus pandemic has not come at a good time for XXL, which has been struggling in the past few quarters. But a major clearance program launched in reaction to poor winter conditions boosted its revenues during the first quarter, while depressing its margins.

The leading Nordic operator of sports mega-stores had already announced the launch of a massive program following poor sales in the fourth quarter of 2019, with a medium-term goal of reducing inventories down toward a level of 25 million Norwegian kroner (€2.2m-\$2.4m) per store.

As it released its results for the first quarter, the management said it has worked hard on ensuring the safety of its employees and customers while keeping as many stores as possible open for operation during the coronavirus crisis. XXL renewed efforts to clear out winter inventory to preserve cash and gear up for an up-to-date product offering next winter.

In January, the company's sales were down by 22 percent due to poor winter conditions in the main cities

stores remained open during the quarter, but consumer sentiment declined.

In combination with significantly lower volumes of purchased items, the clearance program improved the company's liquidity reserves to NOK 774 million (€68.9m-\$74.9m), up from NOK 417 million.

Because of the market situation created by the coronavirus epidemic, the company gave notice of temporary layoffs to around 1,000 employees in Norway and 450 in Finland. In April, however, XXL experienced a recovery in demand in Norway and Sweden, mostly in the fitness sector, prompting the group to cancel some of the layoffs in Norway, but the situation remained negative in Finland.

In March, as planned, XXL also secured refinancing through long-term bank facilities of NOK 1,450 million (€129.6m-\$140.2m) and a fully underwritten equity increase of NOK 400 million (€35.6m-\$38.7m).

Regional differences in sales and margins

XXL's overall revenues jumped in the first quarter by 7.4 percent to NOK 2,162 million (€192.4m-\$209.1m), driven by new store openings and a jump of 2.8 percent in comparable sales, including e-commerce.

However, the gross margin dropped by 12.8 percentage points to 27.9 percent, due to the clearance cam-

aign and lower bonuses from suppliers. This led to negative Ebitda of NOK 83 million (€7.4m-\$8.0m), compared with positive Ebitda NOK 192 million for the first quarter of 2019. XXL ended up with a net loss of NOK 224 million (€20.0m-\$21.7m), down from a loss of NOK 19 million.

The group opened two stores in Norway and Sweden during the period,

ending the quarter with 88 locations. XXL is slowing down now the pace of the store roll-out, concentrating on cities where marketing expenses can be shared.

Outside Austria, all XXL

stores remained open during the quarter, but consumer sentiment declined.

In combination with significantly

lower volumes of purchased items,

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774 million (€68.9m-\$74.9m), up from

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By country, revenues remained flat in Norway at NOK 951 million (€84.7m-\$92.0m) during the quarter, with same-store sales up by 1.5 percent. XXL's clearance campaign led to strong sales growth, but this changed significantly with the restrictions imposed by the Norwegian authorities, with shortened opening hours in many shopping centers. The gross margin dropped by 13.2 percentage points to 30.5 percent, while the Ebitda margin decreased by 14.4 percentage points to 7.3 percent.

In Sweden, quarterly revenues of NOK 646 million (€57.5m-\$62.5m) showed an increase of 10.8 percent in the local currency, driven by same-store sales growth of 5.9 percent and revenues from new stores. The company noted that the Swedish sporting goods market continued to be volatile and price-focused with many discounts. The gross margin contracted by 13.2 percentage points to 25.5 percent and the Ebitda margin was a negative 2.8 percent, compared with a positive 8.9 percent for the year-ago quarter.

As we have previously reported, the strong competition in the Swedish market contributed to Intersport Sverige's decision to apply for a settlement with creditors and to a number of layoffs at Stadium.

XXL's sales in Sweden would have been higher if the Norwegian government had not put a ban on travel outside the country. Many Norwegians buy products at lower prices at the

company's five outlet stores located across the border in Sweden.

In Finland, where sales of sporting goods are estimated to have fallen by 13.2 percent, XXL's revenues rose by 8.9 percent in euros to the equivalent of NOK 456 million (€40.6m-\$44.1m). Same-store sales grew by 2.0 percent. The gross margin fell by 13.7 percentage points to 25.0 percent and the Ebitda margin narrowed by 10.1 percentage points to 0.8 percent.

In Denmark, where the company is still trading only online, operations were moved under the Norwegian e-commerce organization. In the quarter, marketing spending and campaign activities were reduced, impacting sales volumes negatively but improving the gross margin. Revenues declined by 70.9 percent in the local currency, down to NOK 5 million (€445,190-\$483,845). The gross margin advanced by 4.6 percentage points to 26.1 percent and the Ebitda margin remained negative at 23.7 percent of sales.

In Austria, where the retail lockdown started in mid-March, same-store sales declined by 23.4 percent in the local currency. XXL's overall revenues in the country dropped by 0.8 percent to NOK 104 million (€9.3m-\$10.1m). The gross margin dipped by 2.9 percentage points to 32.4 percent and the negative Ebitda margin declined to 11.0 percent.

Preparing for the future

The company said that it will now gradually focus on repositioning XXL as a sports specialist with the lowest prices, while also strengthening its omni-channel strategy and improving the in-store experience. It has already indicated that it plans to reduce the number of SKUs, privileging higher-margin products.

The management is working on a number of initiatives to improve sales trends and adjust its cost base to current sales volumes and market conditions. This includes upgrading existing stores and category offerings, as

well as improving the effectiveness of its marketing program.

XXL is also building a new organizational structure to right-size the company and improve internal working processes, while securing higher operational efficiency and cost reductions. To do so, it is setting up a new senior management team.

Pål Wibe has been appointed as the new chief executive, starting in April, as previously reported. The Norwegian manager has a strong background in discount retail, having been the CEO of a low-priced chain called **Europpris**.

Andre Sjåset, the former head of digital services at **Bertel O Steen** – one of Norway's largest service and trading companies – has been appointed as XXL's new strategy and business development director. **Claes Winterfeldt** is now the head of purchasing & category management. He previously worked as chief commercial officer at **Sportamore**, the Swedish online retailer that is being taken over by **Footway**. XXL is in the process of recruiting a new executive vice-president for the commercial part of the business and has already recruited a new head of communications whose name will soon be announced.

Stadium offers second-hand products and gear rentals

Stadium, the largest sports retail chain in Sweden with a strong presence in Finland, revealed a new partnership with **Ebay** to launch an online shop for second-hand sports and outdoor products as a new business segment. In Sweden, Ebay operates through a subsidiary called **Tradera**.

Like most other retailers, Stadium has been hit hard by the corona crisis. **Karl Eklöf**, the company's chief executive and a member of the family that owns it, has already announced a drastic fall in revenues and the need to downsize staff by at least 650 employees and suspend the contracts of

another 1,000 collaborators. The revelation of the Ebay partnership shows that the situation does not stop the retail chain from implementing its pre-corona long-term strategic decisions regarding sustainability.

Eklöf told *breakit.se* in an interview that consumers can sell products through Stadium's second-hand online shop regardless of where the products were originally purchased. Stadium receives a commission for each successful transaction. "Circular consumption is crucial for tackling climate change and the future of our planet. Besides the reduced environmental impact, it also helps everyone's economy," Eklöf stated.

Another new strategic business launched by Stadium is the rental of tents and backpacks in its regular stores. Like its new venture for second-hand products – an activity that **Decathlon** has been pursuing for many years in France – in some ways it fits well with its successful low-cost **Stadium Outlet** business, which the company recently expanded to Norway.

According to Stadium, both new measures were planned long before the Covid-19 outbreak, but it makes them both even more relevant as the demand has become more stronger. Many Swedes will stay in their country for the summer holidays and need new clothing and equipment to enjoy the outdoors.

Decathlon inks deals with marketplaces

As it has already done with **Kant**, one of the major multi-brand sports retailers in Russia, **Decathlon** has embarked on an unusual cooperation with a major Russian e-tailer, **Ozon**, which is pushing its own marketplace. The highly verticalized French sports retailer has announced a contract with Ozon to sell 1,500 sporting goods items through its internet platform.

Likewise, Decathlon launched a partnership in Kazakhstan on March 17 with a local marketplace, **Kaspi**,

News and analysis of the international market

allowing the availability of 81 percent of its products online during the country's lockdown.

Decathlon said its partnership with Ozon will give it an opportunity to further boost its sales, reaching out to new customers and complementing the sales that it is generating in Russia through its own internet store. For Decathlon, this is the second contract of the kind after it began to work with **Tmall**, the big Chinese marketplace, last December.

Ozon is rapidly expanding the list of partners on its marketplace, which is currently offering the products of 9,500 companies. In the first half of April, sales of sporting goods at Ozon enjoyed a three-fold increase as Russians are apparently eager to maintain a healthy lifestyle while being confined at home due to the coronavirus outbreak.

The Russian government ordered all brick-and-mortar stores selling sporting goods and other non-essential products in most regions to stop operations on March 28, affecting major players like Decathlon and **Sportmaster** after a big jump in the sporting goods market during the first half of the same month. The retail lockdown is now expected to be extended at least until mid-May.

At the same time, almost all the online retailers in Russia have experienced a big hike in their sales. The biggest one of them, **Wildberries**, reported a doubling in its turnover during the first quarter of 2020, delivering 60,500 million orders worth 75.3 billion rubles (€920m-\$1.01bn). Sales of sporting goods almost tripled, Wildberries said, without providing any further details. The company's sales in the fashion segment climbed by 57 percent to 43.7 billion rubles (€538m-\$581m).

The 2018/19 ski season was this millennium's best

The numbers for the 2019/20 snow sports season are not in yet, but it was

not good apparently, partly because it was cut short by the coronavirus epidemic. However, the 2018/19 season was the best in 20 years or more in terms of visits to the ski resorts, according to the newly published 12th edition of the International Report on Snow & Mountain Tourism compiled every year by **Laurent Vanat**. Despite adverse conditions faced by the ski industry, such as climate change and increasing competition, traffic on the snow slopes grew around the world for the third season in a row, demonstrating the resilience of the sector, which has indirectly benefitted the ski industry.

In particular, during the 2018/19 winter, ski areas in the U.S. had excellent snow conditions and performed well above average, placing the country back on top of the podium on a global basis. The number of visitors was the fourth best in the past 41 years. Along with good snow conditions, another factor that contributed to the country's performance was the spread of discounted multi-resort seasonal passes.

This trend, together with dynamic pricing, has now reached Europe, introducing an element of disruption in the traditional business model of the industry. In particular, the **Magic Pass** in Switzerland has largely contributed to a recovery in attendance at resorts in the country. Meanwhile, the Czech Republic, Poland and Slovakia are featuring some examples of interactive customer relationship management systems.

China saw a large development of ski training centers including ski simulators, dry slopes and a growing number of indoor ski halls. However, Vanat's report states that the industry in China still needs to mature and has not yet found the ideal way to introduce beginners to skiing with a high rate of customer satisfaction that would generate a high level of returning guests. Nevertheless, the Chinese ski industry managed to sustain its growth, leading it to pass the 20-million skier visits mark in the 2018/19 season.

Elsewhere in Asia, Japan and South Korea had lower attendance. Europe, Iceland and Scotland also experienced very poor winter seasons, due to bad weather conditions and lack of snow.

There are currently 68 countries in the world that offer equipped outdoor ski areas. Of the 2,084 ski resorts worldwide, more than one third (37%) are in the Alps, followed in terms of geographical distribution by the Americas at 21 percent, and the Asia-Pacific region at 19 percent. The Alps are also the most intensely equipped region of the industry, with 38 percent of the world's 25,857 ski-lifts.

The countries with the largest number of ski resorts in the world are the U.S., Japan, France and Italy. Out of the 52 major ski resorts, 80 percent are situated in the Alps, 14 percent in the Americas and 6 percent in Western Europe. While they are geographically part of Western Europe, the Alpine countries are treated as a separate group in Vanat's annual report, due to their importance in terms of market share. This group of countries includes Austria, France, Italy, Switzerland, Liechtenstein and Slovenia.

Ski Arlberg in Austria, La Plagne in France and Campiglio Dolomiti di Brenta in Italy were the world's strongest resorts in terms of annual visits, all topping the 2.0 million mark.

Overall, the Alps were the biggest ski destination in the world during the 2018/19 season, attracting 43 percent of visits by skiers from any part of the world. The second biggest destination was the Americas, mostly North America, capturing 21 percent of skier visits worldwide. In terms of foreign tourists, France, the U.S. and Spain were the countries that attracted the largest numbers of skiers.

The report pointed to the end of the reduction of skier visits in western European countries outside the Alpine region, with even a sustained growing trend in Scandinavia and in the southern hemisphere. These factors contributed to make the 2018/19 season the best of the new millennium.

The international flow of skiers are primarily concentrated within Europe, and the number of skiers using long-haul flights to go skiing is rather small. Worldwide, from a global perspective, the share of visitors at ski resorts from foreign countries is limited to about 12 percent of the total. The two major outbound markets are Germany and the U.K. The number of Russian visitors has fallen sharply since 2014.

With the addition of Nepal, Laurent Vanat's authoritative report covers a total of 72 countries around the world. His very detailed 226-page report can be accessed [here](#).

Columbia's results are hit by Covid-19

After a brilliant financial year in 2019, **Columbia Sportswear** did not have a great start to 2020 due to the Covid-19 pandemic. Its net profits stood at just \$0.2 million, down from \$74.2 million for the year-ago quarter, while sales dropped by 13 percent to \$568.2 million because of the coronavirus pandemic. Sales in the apparel/accessories/equipment segment decreased by 14 percent to \$452.2 million, while footwear lost 9 percent to \$116.0 million.

Covid-19 caused the group's wholesale revenues to tumble by 10 percent to \$325.9 million and direct-to-consumer (DTC) sales to drop by 17 percent to \$242.3 million. The store fleet included 122 outlets and 20 brand stores at the end of the quarter, against 113 outlets and 21 brand stores last year. Overall, the gross margin fell by 3.6 percentage points to 47.8 percent, primarily reflecting inventory obsolescence provisions related to Covid-19 and lower DTC product margins due to higher promotional activity.

Sales in EMEA dropped by 20 percent in constant currencies. In the U.S., sales decreased by 9 percent. In constant currencies, revenues fell by 13 percent in Canada. In Latin America and Asia-Pacific, they tumbled by 22 percent. China, the first market to have experienced pande-

mic-related weakness, was down by more than 40 percent.

The **Columbia** brand was hit the hardest, suffering a 15 percent decrease in sales during the quarter, owing to lower demand resulting from the pandemic as well as unfavorable weather conditions. At **Sorel**, sales were down by just 2 percent, with the decline primarily resulting from lower sales of winter utility styles in Europe. In the U.S., the brand experienced robust e-commerce growth. **Prana** declined by 11 percent, as lower wholesale revenues more than offset e-commerce growth. At **Mountain Hardwear**, revenues dipped by 2 percent as a healthy start to the year gave way to lower demand due to the pandemic.

Columbia suspended its formal guidance, but said that it expects sales in the seasonally small second quarter to be significantly weaker, resulting in an operating loss. It is planning more clearances, and it has curtailed sourcing for the autumn/winter collections.

Moncler suffers an 18% sales drop in Q1 due to Covid-19

Moncler, one of the public companies that have weathered the collapse of the stock exchange best, saw consolidated sales decrease by 18.1 percent at current exchange rates, or by 18.4 percent at constant exchange rates, in the first quarter to March 31 as compared to the first quarter a year ago, down to €310.1 million. The drop came after 24 quarters of double-digit revenue growth. A negative performance in both the retail and wholesale channels was due to the impact of the coronavirus crisis because of the stringent measures that were adopted by governments in many of the countries where the company operates. In connection with the ongoing crisis, Moncler's chief executive, **Remo Ruffini**, supported the board of directors' proposal to withdraw dividend payment for 2019.

Italy registered a 25 percent revenue decline to €34.5 million. In the Europe, Middle East and Africa (EMEA) region, excluding Italy, revenues decreased by 6.4 percent at current exchange rates and 6.5 percent at constant exchange rates, declining to €101.2 million. Germany and the Middle East outperformed the average of the region, the company said. In Asia and the Rest of the World, the rate of the sales decline was 22.5 percent at current exchange rates or 22.9 percent at constant exchange rates, down to €132.7 million. In the Americas, revenues dropped by 22.1 percent to €41.7 million, or by 23 percent at constant exchange rates.

By distribution channel, retail revenues were down by 18.9 percent at current exchange rates or 19.4 percent at constant exchange rates, declining to €236.3 million. Wholesale revenues decreased by 15.3 percent to €73.8 million, with a drop of 15.1 percent in local currencies.

As of March 31, 2020, Moncler's mono-brand distribution network consisted of 213 directly operated stores, four more units as compared to the end of December, and 64 wholesale shop-in-shops, the same as on Dec. 31, 2019. During the first quarter, Moncler opened its first store in Kiev, Ukraine. The company temporarily shut down 111 stores at the end of March, and 19 more were temporarily closed in the first three weeks of April due to the coronavirus pandemic. In January and February, 12 retail stores had been closed in Asia for an average 30 days, while 109 retail stores, mainly in the EMEA region and the Americas, did not operate for an average 15 days in March.

Wintersteiger posts double-digit growth for 2019

After the progress made in the past four years, the **Wintersteiger Group** has again reported strong growth for the 2019 financial year. The total turnover of the diversified Austrian-based engineering group increased

News and analysis of the international market

by 14 percent to €182 million, achieving an Ebitda margin of more than 10 percent.

Growth was achieved by all the business units of the company. In the Sports area, Wintersteiger says it further consolidated its leading position in the ski and snowboard maintenance machinery sector with a sales increase of €5 million to €74 million. In this area, where it is catering to the growing trend toward equipment rentals, it also develops and sells systems for the hygienic drying of sports goods and work clothes.

After several years of stagnation, the Seedmech business field, which specializes in solutions for seed breeding, managed to increase its turnover by €10 million to €41 million. The turnover in the Woodtech business field grew by €4 million to €34 million in 2019. In the Metals sector, sales went up by €3 million to €33 million

Part of the overall growth last year came from a few acquisitions outside the Sports segment that generated extra revenues of €9 million.

Wintersteiger is not planning any major new acquisitions at this stage but is interested in complementary operations with an annual turnover of around €10 million that it can buy with its cash flow.

Noting that it has enough capital, and little indebtedness, to withstand the Covid-19 crisis, the management claims that it can benefit from it because its clients will appreciate its flexibility, renting new models instead of purchasing them.

Founded in 1953, the group employs more than 1,000 people worldwide.

While sales tumble, Shimano's profits soar

Shimano said its sales for the first quarter were down by 12.3 percent from the year-ago period to ¥76,920 million (€662.5m-\$721.1m), hampered by lockdowns around the world

in response to Covid-19. However, the company's net earnings jumped by 95.6 percent to ¥19,663 million (€169.4m-\$184.3m), mainly due to strong foreign exchange gains and a favorable comparison base with the year-ago quarter, when the company had faced a charge of ¥2,359 million (€20.3m-\$22.1m).

The gross margin inched up by 0.2 percentage points to 38.9 percent and the operating income dropped by 22.3 percent to ¥12,658 million (€109.0m-\$118.7m).

In the bicycle components segment, Shimano's revenues fell by 15.4 percent to ¥58,858 million (€507.0m-\$551.9m) and operating earnings tumbled by 26.1 percent to ¥10,298 million (€88.7m-\$96.6m).

Discussing the market situation for bicycles, the group said that sales of bicycles, especially e-bikes, were strong during the period in Europe, supported by the mild winter weather. However, sales declined sharply from the middle of March due to the impact of coronavirus, while distributors' inventories increased rapidly. The same pattern was seen in North America.

In China, bike sales were sluggish due to Covid-19, but distributor inventories generally remained at an appropriate level. In the Brazilian market, sales were tending toward recovering after stagnating due to political instability, but they slowed in late March as more restrictions were imposed. In the Argentina, where the currency's depreciation continues, sales remained stagnant.

In Japan, sales of community bicycles for commuting to work and school were weak. The same happened with medium to high-end sports bicycles, but e-bikes performed well.

Shimano's **Deore XT** and **SLX** high-end MTB components and its **GRX** gravel adventure components stood out. The **ShimanoSteps** components for sport e-bikes also did well.

The group's fishing tackle segment fared better, with sales inching down by only 0.3 percent to ¥17,976 million (€154.9m-\$168.6m), and operating income increasing by 1.1 percent to ¥2,391 million (€20.6m-\$22.4m).

The company said that retail sales of fishing products increased in Japan, as demand from families was stimulated by a warm winter and stable weather conditions from the start of the year, but consumer sentiment declined in March as the virus outbreak started to spread. The company said that sales of new Shimano products in this segment, such as **Metanium** and **Twin Power**, remained solid.

Overseas, sales were robust in Europe and the Americas until March, when governments ordered people to stay at home. Sales in China have been recovering as the turmoil caused by coronavirus began to abate. In Australia, sales were sluggish throughout the period due to the damage caused by the bushfires and flooding, as well as Covid-19.

In the Others segment, Shimano's sales were down by 2.6 percent to ¥75 million (€600,000-\$700,000). The operating loss in this segment expanded to ¥30 million (€260,000-\$280,000) from ¥5 million.

The company decided not to release any full-year guidance due to the current uncertainty.

Callaway's sales and profit plunge

Callaway Golf Co. saw sales for the first quarter decline by 14 percent to \$442.3 million, weighed down by the impact of Covid-19 on its golf equipment and softgoods businesses, including the recently acquired **Jack Wolfskin** brand. Currency fluctuations negatively affected revenues by \$4 million. The gross margin decreased by 2.0 percentage points to 44.2 percent, due to the pandemic, currency fluctuations, increased tariffs on imports from China, and costs associated with transitioning

the North American distribution center to a new facility in Texas.

The management said that, through early March, its operations continued to deliver strong results. But in March, social distancing measures and lockdown restrictions significantly slowed retail sales. The company is now focusing on reducing costs and enhancing liquidity. It achieved a reduction of about 20 percent in planned operating expenses and capital expenditures through efforts to reduce discretionary spending and infrastructure costs on a worldwide basis, including voluntary reductions in compensation for the members of the board of directors, the chief executive and senior management. Overall, it expects to cut capital expenditures down to \$33 to \$38 million for 2020, from \$55 million last year.

As of March 31, 2020, the company had over \$250 million in cash and availability under its credit facilities, as it added \$40 million of loan commitments during the quarter. On May 4, Callaway completed the issuance of \$259 million of 2.75 percent convertible senior notes due in 2026.

By region, the company believes it gained share in both Europe and Asia during the quarter, while ceding some share in the U.S., primarily due to the timing of product launches. E-commerce performed well everywhere.

The U.S. recorded a 13 percent decline in revenues to \$217.5 million during the quarter. Sales slipped by 24 percent to \$96.7 million due to store closures. In Europe, held the number one share position in golf hardgoods through February, which is the last month for which data is available. A bright spot was Japan, where revenues rose by 6 percent to \$77.3 million, but sales in the rest of world plunged by 25 percent to \$50.7 million. The management believes that the Asian business will recover faster than expected in the second quarter, especially in China, where the golf and apparel businesses were down significantly at the beginning of the year but both

have rebounded well, exceeding expectations in April.

Golf club sales declined by 4 percent to \$251.2 million, while ball sales dropped by 35 percent to \$40.4 million, as Callaway delayed the launch of the new Chrome Soft launch into March, when retailers closed down. Apparel sales dipped by 20 percent to \$77.3 million, despite a good performance from **TravisMathew**. Gear and other sales plunged by 24 percent to \$73.3 million.

EBITDAS, which excludes interest, taxes, depreciation and amortization as well as stock compensation, declined to \$58 million, against \$79 million last year. Net income tumbled by 41 percent to \$28.9 million.

The management did not release any guidance for the full year, but warned that many portions of the business are currently operating on a limited basis due to various government orders, which will significantly impact second-quarter financial results. It expects one-time expenses of about \$6 million in 2020. However, it believes that golf will come back quickly, as the **National Golf Foundation** estimates that 80 percent of golf courses in the U.S. will be open by mid-May. It is also starting to see some signs of recovery in Germany and the DACH region, where lockdown restrictions are easing.

Fitbit returns to profits thanks to U.S. coronavirus aid

Despite a difficult first quarter, with sales hit by the Covid-19 crisis, **Fitbit** managed to return to profit. It was helped by a \$145 million tax benefit from operating loss carrybacks as part of a government program to help companies through the coronavirus pandemic. Net income reached \$20.3 million, compared with a net loss of \$79.5 million a year ago.

Fitbit's revenues declined by 31 percent to \$188.2 million in the

quarter, weighed down by a 26 percent drop in the number of devices sold to 2.2 million units. There was only one product introduction in the quarter, as compared to three for the same quarter in 2019. The product launched was the **Charge 4**, a health and fitness tracker with Sleep tools, Fitbit Pay and built-in GPS. The average selling price declined by 11 percent to \$81, due to an increase in reserves for product returns, rebates and promotions, and price protection during the coronavirus pandemic.

Fitbit Premium, a paid membership in the Fitbit app that uses consumers' data to deliver personalized guidance, saw revenues rocket by 195 percent. **Fitbit Health Solutions** reached revenues of \$27 million.

During the quarter, smartwatch revenues represented 54 percent of Fitbit's total sales, compared with 42 percent for the year-ago quarter. Trackers made up 42 percent of total revenues, compared with 57 percent last year. Revenues from accessories and other products accounted for 4 percent of sales.

Sales outside the U.S. accounted for 46 percent of revenues and were off by 37 percent to \$86 million. In EMEA, they dropped by 35 percent to \$57 million. U.S. sales went down by 24 percent to \$102 million, and they tumbled by 30 percent in the rest of the Americas. Fitbit's business in Asia-Pacific fell by 47 percent to \$18 million.

Overall, Fitbit's gross margin contracted by 3.7 percentage points to 29.2 percent, negatively impacted by higher reserves associated with the coronavirus pandemic.

As previously reported, the company is partnering with **Stanford Medicine**, **Scripps Research Institute** and others to research how wearables data can detect, track and contain infectious diseases.

Meanwhile, **Google's** deal to buy the company for \$2.1 billion, announced

News and analysis of the international market

late last year, is still under intense scrutiny from regulators in Europe and the U.S. Many commentators believe that the U.S. Department of Justice could block the deal altogether due to concerns that it would substantially lessen competition, as the health and other biometric data that Google would obtain through Fitbit would make its data empire too big. In a blogpost, **Rick Osterloh**, Google's senior vice president in charge of devices & services, argued that the merger could "help spur innovation in wearables and build products to benefit even more people around the world."

An excellent quarter for Garmin in Outdoor and Fitness

Garmin's fitness division had a stellar performance in the first quarter. Revenues in this segment soared by 24 percent to \$180.3 million, as the group benefited from the home fitness boom due to the lockdowns in place in many countries. Sales were driven by advanced wearables and **Tacx** indoor bike trainers. The gross margin in the segment declined by 0.2 percentage points to 50.2 percent, while its operating income jumped by 71 percent to \$31.0 million.

In the Outdoor division, Garmin's sales climbed by 14 percent to \$175.1 million, driven by higher sales of adventure watches. The gross margin gained 0.8 percentage points to 64.1 percent, while operating income progressed by 12 percent to \$47.2 million.

The company's aviation and marine segments went up by 10 percent and 22 percent, respectively, while the auto segment declined by 17 percent.

Overall, Garmin's revenues rose by 12 percent to \$856 million. The gross margin improved by 0.2 percentage points to 59.2 percent, and the operating margin progressed by 0.9 percentage points to 20.7 percent. Net income increased by 15 percent to \$161.2 million.

The company has taken steps to strengthen its supply chain and has accelerated efforts to increase its mix of online sales with business partners and on **garmin.com**. The management pointed out that the company has plenty of inventory to capture market share.

The group has withdrawn its previous guidance for 2020, citing uncertainty in the current coronavirus context, but signaled that interest in outdoor activities was likely to increase, as they are compatible with social distancing guidelines while governments around the world ease restrictions. At the moment, it is seeing continued strong sell-through in countries that have allowed some outdoor activities, but not in those where strict self-confinement measures are still in place.

Thule grants warrants after a small sales drop

While withholding the payment of dividends to save cash because of the Covid-19 epidemic, **Thule Group's** annual meeting approved an incentive program for executives and key employees after the company reported a relatively small 7.5 percent decline in sales during the first quarter of 2020, with drops of 13 percent in the Americas and 5.7 percent in Europe and the rest of the world.

The incentive program will allow the participants to draw up to 2,090,000 warrants for new shares representing about 2.03 of the diluted equity. The shares will be issued by Thule at market value prior to the 2021 annual meeting. The subscription price will correspond to 118 percent of the volume-weighted mean value of the company's shares on Nasdaq Stockholm between April 29 and May 13, 2020. Participants may receive an addition to their gross salary corresponding to their investment as a retention bonus.

In reported terms, Thule's revenues fell by 4.9 percent in the first quarter to 1,744 million Swedish kronor (€162.9m-\$177.0m). The operating profit dipped by 4.9 percent as well, but adjusted for currency fluctuations, the operating margin fell by 0.4 percentage points to a still honorable level of 18.7 percent. Net earnings declined marginally to SEK 241 million (€22.5m-\$24.5m).

Sales and profits improved significantly at the start of the quarter, except for the effects of reduced travel in Asia, but they fell after the lockdowns ordered in Europe and parts of North America in March. In Europe, the biggest drops were felt in France, Italy, Spain and the U.K., where the most drastic measures were implemented. Only the Active with Kids grew in the quarter in Europe as well as in North America, thanks to the launch of a new stroller. The business developed well in Brazil but not in the rest of Latin America.

Temporary layoffs and remote working have been implemented throughout the organization. **Magnus Welanders**, Thule's chief executive, said he was optimistic about the longer term because of the company's leading position in products for an active life close to home, with a clear exposure to "staycation" trends.

Hanesbrands' results affected by coronavirus, but PPE brings new business

Hanesbrands, the parent company of **Champion**, said that its results for the first quarter ended on March 28 were disrupted by the effects of the Covid-19 crisis, with an unprecedented drop in sales and profit in the last two weeks of the quarter. Quarterly sales of \$1.32 billion represented a 17 percent decline as compared to the first quarter a year ago.

The first quarter of last year included \$94 million from the **C9 Champion**

mass program and the **DKNY** intimate apparel license. Excluding these exited programs, as well as the impact of Covid-19 and foreign exchange rates, sales for the first quarter of 2020 would have increased by 1.6 percent at constant currencies. Operating profit and adjusted operating profit were \$34 million and \$63 million, respectively, down from \$150 million and \$171 million a year ago. The company estimated the impact of the pandemic in terms of reduced revenues at around \$181 million, with a negative impact on operating profit of around \$86 million.

The impact of the pandemic was particularly strong on the international front, considering that about 1,000 out of the 1,200 directly managed stores of the group, including Champion stores, are located outside the U.S. On the other hand, the group's sales over the internet grew by 5 percent during the quarter, accelerating toward the end of it.

Including Champion's operations outside the U.S., the group's international segment saw sales and operating earnings decline by 14 percent and 48 percent, respectively. In local currencies the rates of the decreases amounted to 11 percent and 47 percent. Prior to the impact of the pandemic, the International segment constant-currency sales were in line with expectations.

In the U.S. Activewear segment, sales in the first quarter, when rebased for the C9 Champion program exit, decreased by 10 percent. Prior to mid-March, this segment had a higher-than-expected performance, with continued consumer demand for the Champion brand.

On the bright side, the company's operating cash flow improved by more than \$100 million during the quarter despite the pandemic. Also, the company is now producing more than 320 million cloth face coverings as well as more than 20 million medical gowns for the U.S. government. Moreover, Hanesbrands is ramping up production to launch a cotton face mask business for consumers and B2B

customers. The company expects personal protective garments for consumer, commercial and governmental markets to become an ongoing product line, with sales of more than \$300 million in 2020 and the potential to further expand in the future.

Drop-shipping & online sales help Beachbody

Killick Datta, the legendary sporting goods industry executive who is now the global licensee of **Beachbody** for apparel and footwear, had told us at the **Ispo** show in Munich earlier this year that he was forecasting sales of \$50 million this year for the line, after reaching a turnover of \$27 million in 2019. He is now confident that the line, which was first launched in the autumn of 2018, will exceed that forecasts because Covid-19 is boosting home fitness and training and because a big part of Beachbody's business is now coming from drop-shipping and online sales in the U.S. and Asia.

Based in California, Beachbody is regarded as a leader in the health and fitness industry. Datta is the chief executive and a major shareholder of **Global Brand Partners** (GBP), a company based in Singapore that has been its licensee for the brand's shoes and clothing since 2017 (*S&P Europe* Vol 28 No. 9+10 of 2017). GBP also operates its own subsidiary in the U.S. and has offices in Los Angeles, Portland, London and Ho Chi Minh City.

Sales are growing rapidly now in the U.S. after just 18 months in the market, thanks in part to the use of drop-shipping with retailers like Dick's Sporting Goods, Roadrunner Sports, Gov X and other clients, more than offsetting the loss of the brick-and-mortar business, which was small for Beachbody last year anyway. With the retail lockdown spreading in the U.S., these and other retailers have been taking orders online and getting the products shipped directly to their customers from GBP's warehouse in Los Angeles. Customers pay the retailer who in turn pays GBP.

GBP had already started to work well with Dick's and other retailers like **Scheels** and **Amazon** in the U.S. with the autumn/winter 2019 Beachbody collection. It has also been doing well with other key accounts such as **JD Sports** in the U.K., **Xebio** in Japan, **Planet Sports** in Indonesia and **Marathon Sports** in Hong Kong. Retailers' orders for spring/summer 2020 had gone up sharply, but with many physical stores closed in large parts of the world, many customers have used GBP's available inventory to buy its products based on the drop-shipping model or directly on GBP's fast-growing online store, the **GearUp.Shop**, where sales have already increased by more than 250 percent as compared to a year ago.

Meanwhile, GBP has opened its first physical Gear Up store featuring all its Beachbody products in Singapore, where the company's head office and global logistics and distribution center are located. According to Datta, many of GBP's distributors in Asia and the Middle East are planning to replicate the store concept along with its webstore to offer omni-channel options in each of their markets.

Thanks to the strong connections that Datta established with many major distributors during his senior management roles at **Nike**, **LA Gear**, **Brooks**, **Skechers**, **Diesel** and **Wolverine Worldwide**, GBP's Beachbody line is now sold in 48 countries around the world. His latest recruits are **Groupe Royer** in France, **Sennek Oy** in Finland, **Falaknaz Sports** in Dubai and **FL** in Italy. The latter is a joint venture operation run by **Enrico Pesallaccia**, another sporting goods industry veteran who previously worked with Datta and held senior positions at **Fila**, **Sixty Group** and **Hush Puppies**.

Bucher + Walt offers drop-shipping in Switzerland

Drop-shipping can give brands a competitive advantage during the

News and analysis of the international market

retail lockdown ordered by several governments to reduce contamination from the coronavirus. As previously reported, the current guidelines in Switzerland have been strongly criticized by the nation's sporting goods retailers' association, **Asmas**.

Bucher + Walt, the Swiss distributor who bought **Dakine Europe** last year, is offering a free drop-shipping option to all its retail partners in Switzerland, due to current retail lockdown in the country. All the orders placed by end consumers through Bucher + Walt's internet platform can be delivered from its warehouse directly to any address throughout Switzerland.

The end customer receives a delivery note without the price of the product and the retailer receives the invoice directly from the distributor, which will only charge the shipping costs, without adding service fees until the lockdown ordered by the government is lifted.

For its own shop for boat supplies in St. Blaise, the company offers, in addition to the classic online ordering service

for customers, the option of picking up the products on site in a pick-up box.

Bucher + Walt was planning to introduce its drop-shipping service gradually through the middle of 2021, starting with core shops and key accounts. It has decided to accelerate the program and to extend it to all retailers in Switzerland for all the brands in its portfolio, including Dakine. In 2021, new drop shipment functions including a click & collect option will be made available for full integration in the company's program with its retail partners.

The service was meant to be part of a program intended to help retailers to develop their omni-channel capabilities and to boost store visits. For example, it ran a successful geo-localization test for Dakine with 30 shops during the past winter. The company is planning to launch a new internet platform in the summer.

The company agreed to take over Dakine's European operations last year because it was the brand's best distributor in Europe. It was involved in product development for the brand, which is being rejuvenated under **Marquee Brands'** new

ownership. It was also involved in marketing through story-telling initiatives with **Blue Tomato**, **Amazon** and other key retail clients.

Frank Heissat, the industry veteran who has remained in his position of Dakine Europe's chief executive, based in France, told us at **Ispo** that Bucher + Walt was also chosen because of its superior logistics, IT and customer service. The company has been handling on average orders for some 4,500 items per day, using EDI as much as possible and ensuring good deliveries.

Its vast product portfolio enables major cross-selling opportunities in its relations with more than 2,000 retailers in Switzerland. It operates several brand websites and four web shops. It is very active on social media.

Besides Dakine, Bucher + Walt is a Swiss wholesale distributor for more than 100 brands including **Henri Lloyd**, **Garmin**, **Humminbird**, **Spy**, **TSG**, **Globe**, **Liquid Force**, **Lewmar**, **Ronstan**, **Seldén** and **Jobe**. The family business started in 1966 with the importation of nautical fittings, followed by action sports gear. It subsequently added electronics.

News Briefs & Short Stops

Corporate

Clarus Corp., the American holding company of **Black Diamond Equipment** and other operations, said it has canceled its planned acquisition of an American case maker, **SKB**, by mutual agreement with the sellers as a result of the uncertainties created by the coronavirus pandemic. Clarus would have had to pay \$85 million in cash and transfer 1,153,846 of its own shares to the sellers under a definitive agreement signed on March 12. Furthermore, to save more cash, Clarus' board of directors has decided to temporarily replace its quarterly cash dividend with a stock dividend. Shareholders will be entitled to receive 69,662 shares on May 22 with a market value of about \$743,991, based on their closing price on April 30.

Citing the "significant pressure and the financial and operational impacts" caused by the Covid-19 pandemic on **Dakine's** business, **Marquee Brands** said it has decided to close down its Hood River headquarters in

Oregon and to move its remaining operations to the office of **JR286** in Torrance, California. The move will result in the elimination of 39 jobs, according to *The Portland Business Journal*. JR286 is the company that was contracted by Marquee Brands to operate Dakine after its acquisition at the end of 2018.

The **Iconix Brand Group** has agreed to sell its equity in **Umbro China** to **HK Qiaodan Investment**, generating cash of \$62.5 million in the transaction, which is expected to close on or before Sept. 15. Umbro China is currently owned by a subsidiary of Iconix in Luxembourg. The deal covers the rights to the 100-year-old brand in Mainland China, Hong Kong, Macau and Taiwan. The proceeds will help reduce Iconix' debt, which stood at \$646 million at the end of last year. The group made a loss of \$111.5 million in last year on revenues of \$149.0 million, after a loss of \$100.5 million in the previous year. Besides Umbro, Iconix owns many other brands including **Danskin**, **Pony** and **Starter**, and most of its revenues come from royalties on licenses.

To save cash, **JD Sports Fashion** is suspending its annual dividend as all its stores in the U.K., the rest of Europe and the U.S. are now closed because of the coronavirus crisis. The U.K.-based retailer's executive chairman, **Peter Cowgill**, is taking a pay cut of 75 percent, while members of the board and senior executive are reducing their compensation by 25 percent or more. The company, which is controlled by **Pentland Group**, is also deferring the payment of bonuses and other incentives for the financial year ended on Feb. 1. It is further delaying the publication of its annual results to July 7. They had been previously postponed to May. The company said it would reconsider bonuses and incentives at some point after its stores have re-opened and resume dividends when conditions allow it.

After a more in-depth review of **JD Sports Fashion's** acquisition last year of the **Footasylum** chain in the U.K., Britain's Competition and Markets Authority (**CMA**) announced on May 6 its decision to block it, arguing that it would lead to a "substantial lessening of competition nationally," with higher prices and less service for customers. In view of the coronavirus epidemic, the anti-trust authority said that JD should be given sufficient time to re-sell Footasylum. To back up its claim that the two chains should be allowed to continue to compete against each other, the CMA cited a survey of 10,000 customers showing that JD would be the best alternative for two-thirds of them if they were not be able to shop at a Footasylum store. Responding to the CMA's decision, JD issued a strong statement where it "fundamentally disagrees," noting among other things that the competition in the market has become more intense with the coronavirus lockdown. It claims it will continue after the crisis is over with more physical stores closing down because of the growing DTC efforts of the big brands, placing smaller retailers with few online resources like Footasylum at risk. It added that few buyers would be likely to rush to take it over, aside from **Mike Ashley's Sports Direct**, and that they might want to pare it down. JD said it will consider a formal challenge of the CMA's ruling in the Competition Appeal Tribunal.

Joining forces, **Lenzing** and **Palmer's Textil**, an Austrian producer of lingerie, have set up **Hygiene Austria**, a company for the production of high-quality protective masks for the domestic (Austrian) and European markets. After investments of several millions of euros in a modern factory at Wiener Neudorf, the production and sale of the masks is expected to start sometime in May with a capacity of 12 million masks per month, building up to an output rate of more than 25 million units per month over the next few weeks. Lenzing, the Austrian fiber manufacturer, holds a controlling stake of 50.1 percent in the company and Palmer's has the balance of the shares.

Schwabe & Baer Entwicklungsgesellschaft, which manufactures high-quality skis and ski equipment under the

brand name **Indigo**, among others, filed for insolvency at the Munich district court on April 14. Under the supervision of the restructuring expert **Rolf Pohlmann**, the provisional insolvency administrator, operations will continue and the company will be put on a restructuring course. According to the brand founders and managing directors **Thorsten Schwabe** and **Gregor Baer**, one of the reasons for the insolvency was the insufficient revenue from the business with licensed products in the medium price segment. The outbreak of Covid-19 and the associated business closures then caused sales to collapse. Given the profound know-how of Schwabe and Baer, the established customer relationships and the special market position of Indigo, Pohlmann is currently optimistic about the prospects for a realignment. Together with Schwabe and Baer, he is looking for an investor, and the first interested parties have reportedly already been found. Schwabe & Baer also holds a licence from the sports fashion company **Bogner** for high-quality winter sports articles such as skis, ski poles, snowboards, ski helmets and glasses. In addition, the company produces and distributes ski and bicycle helmets as well as sports glasses for **O'Neill** and **St. Moritz** as well as, more recently, for the **FC Bayern München** soccer team under corresponding licensing agreements. The company was founded in 2003 and is based in Unterföhring near Munich, Germany.

Moody's has downgraded **Pure Fishing**, the company previously owned by the former **Jarden Corp.** that groups together fishing tackle brands like **Abu Garcia**, **Berkley** and **Shakespeare**. The company's debt reached 9 times Ebitda last year, after running into a negative cash position following a 6 percent decline in its revenues. While its revolving credit is only maturing in 2024, the rating agency expects that its leverage will increase to 13 times Ebitda this year because of the Covid-19 pandemic.

As reported earlier, **WearColour**, a Swedish brand of anoraks, ski jackets and pants with distinctive color blocking that also owns the **Void Cycling** trademark, filed for bankruptcy on Feb. 11 at its own request with the Gothenburg District Court. Now Swedish media report that **Tenson**, one of the iconic Scandinavian outdoor brands founded in 1951, is acquiring both brands. It's no surprise. Tenson has been owned since 2016 by a Dutch investment group, **Nedvest**. **Fredrik Abrahamsson**, the co-founder of WearColour, was hired last year by Tenson to oversee the company's sales and marketing efforts to reboot and rejuvenate the 70-year-old outdoor fashion brand. In April 2019, **Tomas Solin** and **Thomas Nord** joined Tenson from **Salming Sports** as the brand's new CEO and creative director, respectively. Together with **Fredrik Johansson**, formerly WearColour's global sales manager and now acting as a consultant, Abrahamsson, Solin and Nord will take charge of WearColour, which will change its name back to **Colourwear**, the original brand name, and Void Cycling. The first Void products under the new management are expected to hit the market in May, Colourwear will follow in September.

News and analysis of the international market

Like other U.S. companies in our sector and others, **Wolverine Worldwide** is resorting to a bond offering to help raise more cash as security against the impact of Covid-19. The company announced on May 6 that it is offering \$300 million worth of senior notes due in 2025 to repay borrowings under its revolving credit facilities. The notes will yield interest of 6.375 percent. The announcement came after **Standard & Poor's** downgraded Wolverine's debt and unsecured notes because of the likely impact of Covid-19 on its results.

Like other U.S. companies in our sector and others, **Wolverine Worldwide** is resorting to a bond offering to help raise more cash as security against the impact of Covid-19. The company announced on May 6 that it is offering \$300 million worth of senior notes due in 2025 to repay borrowings under its revolving credit facilities. The notes will yield interest of 6.375 percent. The announcement came after **Standard & Poor's** downgraded Wolverine's debt and unsecured notes because of the likely impact of Covid-19 on its results. While the digital channel now represents about 30 percent of the group's revenues, S&P forecasts that orders placed by its wholesale clients could drop by as much as 50 percent in 2020. Further disruption could come from key clients not surviving the recession, resulting in weaker cash generation. On the other hand, **Moody's** reaffirmed its corporate rating, indicating that the company has good liquidity and credit availability, and that its financial leverage could improve from 5 times at the end of this year to 3.6 times in 2021. We have already reported on the measures taken by Wolverine to face the crisis. Nevertheless, the company said on April 29 that its board of directors has declared a quarterly cash dividend of 10 cents per share, the same as in the previous quarter, reflecting an annual dividend of 40 cents a share.

Colnago has been sold to **Chimera Investments**, an investment fund registered in Abu Dhabi, which has acquired a majority share in the Italian bike company. The iconic brand was founded in 1954 by **Ernesto Colnago** in Cambiago, near Milan, where the company is still headquartered. While the strategic direction is now the prerogative of Chimera Investments, the staff and manufacturing are expected to remain in Cambiago under the new ownership.

Executive Changes

Pentland Group has announced **Jim Gerson's** return as president of **Speedo North America**, effective June 1. The announcement comes on the heels of Pentland's acquisition of the Speedo North America business from **PVH Corp.** in early April. Gerson previously held that role, from 2010 to 2016. Prior to that, he was president of **Reef** and held senior vice-president roles for **The North Face** and **Jantzen**.

JD Sports Fashion has blocked the nomination of **Kate Smith** as a non-executive director of a rather successful British e-tailer, **Boohoo**. The big British sports and outdoor retailer didn't say why it was withholding its consent, but one reason seems to be the fact that Boohoo has been developing strongly its activewear segment lately. Smith is well-known in the European sporting goods and outdoor sectors. She ran the European operations of **The North Face** with excellent results from March 2017 until she retired in mid-2018 and moved back to England, where she has been a non-executive director of JD since May 2019. She previously managed **Adidas U.K.** and **Reebok's** Northern European operations. Boohoo said that it wanted her on its board to capitalize on her "commercial insights."

Andreas Kiesewetter, 43, is taking the place of **Uwe Schlager** at **Northwave** as country manager for Germany and Austria. Kiesewetter has worked for the company's German subsidiary for five years.

Melanie Lauer has joined the executive board of **Trisport** to help the development of the **Kettler** brand of fitness equipment in the areas of marketing, logistics, procurement, finance and operations. Lauer, who comes from **Conrad Electronic**, will serve as one of the Swiss company's general managers alongside **Stefan Christen**, who has been running it since 2009. He will concentrate on sales and product management. The boost of the management function follows Trisport's acquisition last year of the rights for the Kettler brand all over Europe, with the exception of the U.K.

Retail

Kathmandu, the new owner of **Oboz** and **RipCurl**, said its sales over the internet jumped by between 250 and 300 percent in April because of the coronavirus lockdowns, with the domestic Australian market growing the most. Only two of its 327 stores are now closed, and the company says its liquidity is in good shape following an equity increase earlier this year. It has cancelled or deferred orders based on reduced demand.

Both **Intersport** and **Decathlon** have set up a form of "drive-in click and collect" service in France, calling it simply "drive." Customers place their order online and collect the merchandise in the parking lot of their local store, receiving it directly at their car with maximum distancing. Intersport, which reopened its e-commerce website and reinstituted home delivery in late April, is offering the service at 200 stores in France and plans to extend it to a hundred more by May 11 – the day when France plans to lift part of its quarantine. Decathlon is offering the service at 50 stores, among them those in Caen-Mondeville, Marseille La Valentine, and Villeneuve d'Ascq Campus. Intersport's "drive" customers have seven days to collect their merchandise. Decathlon's have 48 hours. Customers who lack a credit card may

pay in cash, as French law stipulates. The system has also be adopted by **Kiabi**, an apparel retail chain belonging to the same group that controls Decathlon. The government's terms and conditions for business under the Covid-19 quarantine are available online at www.francenum.gouv.fr.

Intersport Germany has announced that about two-thirds of the customers who have made a purchase on its online store in the last couple of weeks made another purchase at a later point. About 370 affiliated retailers are already connected to the platform, achieving sales in a range around €50 million via the platform in the past few weeks. The short preparation time before their stores were allowed to re-open on April 21 was not a problem for most retailers, as they had prepared themselves for this scenario. However, *Textilwirtschaft* was told that talking to the suppliers has proven sometimes more difficult for them than talking to the banks, especially when it came to cancelling orders for the next autumn/winter season.

On Running, the Swiss brand of running shoes, has expanded its sales area at **Jelmoli**, Switzerland's largest department store, which is more like a shopping mall of more than 4,000 square meters with concessions, located on Zurich's prestigious Bahnhofstrasse, close to the central railway station. The On store in the sports section on the fourth floor of Jelmoli's "House of Brands" in Zurich is now covering 140 square meters and will be the brand's biggest store on a global level. The opening was initially planned for March, but it was postponed to May 11 due to a nationwide retail lockdown triggered by the coronavirus epidemic. On will present there its limited-edition **Cloudnove** running shoe model, which will only be available at selected retailers worldwide.

Bikester opened its first brick-and-mortar Nordic shop in Stockholm on March 13. The 725-square-metre store is located at Uddvägen 5 in the Sickla shopping district. **Internetstores**, the German-based online retailer of bike and outdoor products which is Bikester's parent company, said that the new physical store is part of the company's multi-channel strategy. The shop also offers customers the option to order online for pick-up in-store.

Results & Statistics

In line with its previous warning, **GoPro** reported a turnover of \$119 million in the first quarter, more than half the \$243 million level of the year-ago period. The transition to a more efficient and profitable direct-to-consumer model reduced operating expenses mitigating the decline in the gross margin, which was went down to 33.1 percent from 34.2 percent. On an adjusted basis, the Ebitda loss increased to \$41 million from \$1 million. The net loss grew to \$64 million from \$50 million.

Intersport España, which reopened its e-commerce site on March 21, has just announced a 500 percent year-on-year increase in online sales for the month of April. The Covid-19 quarantine has catapulted the home fitness category to the forefront. Yoga mats, fitness bands, chin-up bars, dumbbells and the like accounted for 55.17 percent of the month's sales – 48 percentage points more than in April 2019. The quarantine actually saw online sales decline early on, but things turned around in the first week of April, and since then, according to Spanish cooperative's chief executive, **Xavier Alomar**, they have outperformed Black Friday. Demand for other products – notably for children and for running – has started to recover since April 26, when those 14 and older were allowed back outside for an hour a day, and on May 2, when the ban on outdoor sports was lifted. Intersport España expects such demand to continue rising gradually as we approach the "new normal." Alomar believes that omnichannel retail will play "an even greater role after Covid-19." Many of the group's stores, as he noted to *CMDsport*, are already equipped with electronic tablets, which enable stores to offer a wider selection and search through the inventory of other Intersport stores.

In a business update for the first quarter, **Stella International** said it recorded a fall in manufacturing revenues and shipment volumes, due to the delayed resumption of production at its factories in China after the Lunar New Year owing to the coronavirus outbreak. The management also blamed seasonal orders pattern with more customers requiring shorter lead times compared to the same period last year. The Chinese shoe manufacturer's revenues were down by 15.8 percent from the year-ago quarter to about \$263.2 million. First-quarter revenues from manufacturing operations decreased by 16.4 percent to \$256.7 million, with shipment volumes down by 13.4 percent to 11.0 million pairs. The average selling price dropped by 3.7 percent to \$23.3 per pair, which was mostly driven by changes in the group's product mix and customer mix. Looking ahead, the company said it will focus on implementing various defensive measures to safeguard operational stability, while improving its manufacturing efficiency and cost control. The management hopes this will restore capacity in a more advantageous and margin-accretive manner when demand normalizes. Stella will also continue to enact its long-term strategies, such as growing capacity in Southeast Asia. Earlier this month, following **Don Lee's** retirement, Stella appointed **Andrew Tam** as chief financial officer. Prior to joining, he was a member of the senior management for **Li & Fung's** corporate finance.

Johnson Outdoors' earnings for its second fiscal quarter, ended on March 27, declined by 7 percent from the year-ago period to \$20.4 million. Total revenues were down by 8 percent to \$163.1 million, but the gross margin improved by 1.6 percentage points to 46.1 percent, thanks to stronger pricing and an improved mix. The Diving

News and analysis of the international market

segment contracted by 29 percent to \$14.3 million, because of the impact of Covid-19 on dive markets across Europe, Asia-Pacific and North America. Revenues from the Fishing segment fell 3 percent to \$134.0 million. The Camping division saw sales decline by 7 percent to \$8.8 million. The Watercraft Recreation segment tumbled by 38 percent to \$6.1 million. The management expects the next quarter to be significantly affected by the coronavirus. However, it said its healthy cash position will be beneficial as these challenges are worked through.

Yue Yuen Industrial has warned investors that its results for the first quarter of 2020 will show a net loss of \$50 million to \$70 million, compared with a gain of \$75 million in the year-ago period, because of the disruption of its supply chain and the lockdown of the Chinese retail stores that belong to its **Pou Sheng** subsidiary. Manufacturing revenues went down by 10 percent during the quarter. The group has moved much of its production outside China, where most of its facilities were closed during the coronavirus outbreak, but factories in other countries have been affected by shortages of raw materials and other inputs coming from China. Most of Yue Yuen's Chinese plants are now operating again, but they have been brought to a standstill in some other countries where local governments have ordered shutdowns because of the pandemic. Meanwhile, Pou Sheng suffered a sales decline of 25 percent in the local currency, down to the equivalent of about \$700 million, as the majority of its stores were closed in February and the beginning of March. By now, 98 percent of them have resumed operations, but the company warned that consumer spending and the business momentum may need some time to fully recover.

Legal & Institutional

Customs officials in Hamburg have confiscated and destroyed over 1,300 pairs of fake branded sports shoes. They were found together with so-called "no-name products" in a sea container that arrived from China on Feb. 20. Without revealing the brand names, the officials said they found about 400 different shoe models from their current collections. The shoes were seized and, after consultation with the various trademark owners, destroyed under the local customs' supervision. The organization for Economic Cooperation and Development, OECD, speaks of a global market with counterfeit products worth several billion US dollars each year. In 2018, customs officials in the European Union seized goods worth almost €740 million.

The trademark infringement lawsuit that **New Balance** filed in Massachusetts in August 2019 against **Authentic Brands Group** over use of the letter "N" on footwear and apparel by the brand **Nautica** has been settled. All claims against Nautica have been dismissed without prejudice, and each party will be covering its own court costs and attorneys' fees. The court will retain jurisdic-

tion should any dispute arise from the settlement. Both the damages sought in the lawsuit and the other terms of the settlement remain undisclosed.

New Balance has won in a copyright case against **New Barlun**, a Chinese firm that was using an "N" symbol that resembled New Balance's signature logo on shoes and apparel. The Shanghai Pudong People's Court has ordered New Barlun to pay damages of 10.8 million yuan (US\$1.54 million) to New Balance, as the Court found that the "N" symbol that was used by the Chinese firm would mislead consumers. This particular case was filed by New Balance in 2016, but the two companies have been involved in other legal disputes for 16 years.

Nike has obtained the dismissal of **Kawhi Leonard's** lawsuit over the "Klaw" logo. Leonard plays for the Los Angeles Clippers of the National Basketball Association (NBA). The so-called Klaw logo is easily identified with the player himself, as it is meant to symbolize his distinctly large hands. According to Nike, Leonard did share a sketch of a logo design with the company back in 2011, but the final logo came out meaningfully different, claims Nike. Leonard had demanded the court to declare him the owner of the logo but U.S. District Judge **Michael W. Mosman** has ruled that the logo belongs to Nike in that it is indeed significantly different from Leonard's initial sketch. Meanwhile, Leonard left Nike after signing a new endorsement contract with **New Balance**, in 2018. He can now appeal the defeat to the U.S. Court of Appeals but in the meantime, the logo is a Nike property and the player cannot license it to New Balance or other companies with whom he has endorsement deals.

The British government released a statement on April 23 saying it "will temporarily ban the use of statutory demands and winding up orders where a company cannot pay their bills due to coronavirus." High street shops and other companies will be "asked to pay what they can" during the pandemic. As *Reuters* reports, the **British Retail Consortium** and **British Property Federation** had written to chancellor **Rishi Sunak** a few days previously to request government aid for commercial tenants. The same government statement also quotes the communities secretary, **Robert Jenrick**, who remarked on the flipside of the problem, as landlords too are short of revenues. The government, he said, is "working with banks and investors" to ameliorate the situation. Retailers that have withheld rent for the March quarter include **JD Sports** and **Primark**.

Product

Going in the same direction as **Veja**, the French brand of sustainable footwear that launched its first running shoes at the **Ispo** show in Munich earlier this year, **Allbirds**, the brand that focuses on environment-friendly footwear, has now released its first running shoe. The **Tree Dasher** is made from sugarcane, eucalyptus and me-

rino wool. The shoe features a dual-density sugarcane **SweetFoam** midsole. The upper is made from eucalyptus trees certified by **FSC** (Forest Stewardship Council) and Merino wool goes around the heel counter.

Nike is launching its first indoor cycling shoe, at a time when an unprecedentedly large number of people are working at home. The **SuperRep Cycle** is the newest release from the Nike SuperRep footwear family, which also includes the **Air Zoom SuperRep** and the **SuperRep Go**. The new Nike SuperRep Cycle was launched in Europe on May 1 on nike.com. This will be followed by a Member release in North America on May 26, and a global release on June 1.

Since April 20, **Oeko-Tex** has waived the licence fee for the **Standard 100** certification of mouth and nose masks in order to support the safety of the general public during the period of Covid-19. This measure follows the recently announced process changes for certificate renewals during the corona pandemic. The adjustment provides an important service to face mask manufacturers while ensuring continued sustainability and public safety from harmful substances during the crisis.

Galvin Green, the Swedish golf apparel brand, is launching a range of products that are made entirely from recycled materials. All seven styles of its **Insula** warm layer garments, which include 24 sweaters in total, are now made from **bluesign** approved fabric. All of the brand's **Gore-Tex** waterproof garments also make use of bluesign-approved fabric. The company said that its goal is to have almost the entire range fully sustainable in the near future. As part of its sustainability efforts, Galvin Green introduced last year a limited **Upcycle Edition** range of high-performance garments, made from fabric left over from its main production runs.

Marketing

Forbes has declared **Kanye West** a billionaire. The American financial magazine attributes the American rap singer's success chiefly to the **Yeezy** brand of footwear and apparel, which is developed and marketed in collaboration with **Adidas**. *Forbes* featured West on the cover of its issue for Aug. 31, 2019, but had upset him by never including him on its annual "**World's Billionaires**" list – for lack of documentation, according to *Forbes*. West has claimed to be worth \$3 billion. *Forbes* comes to a different conclusion. It estimates West's royalties from Yeezy to have been \$140 million for 2019. At a multiple of 10, his stake in the brand would be worth \$1.4 billion. "But it's a private, highly illiquid \$1.4 billion," says the magazine. "Our rule-of-thumb for private assets like that is to lop off at least 10%. That's \$1.26 billion."

Macron is the new technical sponsor of the **Tigers Tübingen**, a German basketball team that plays in the 2 Basketball Bundesliga. The Italian sportswear company will

provide the team with all their technical apparel as well as a line of merchandising products. The agreement will be effective at the beginning of the 2020/21 season.

Umbro will be the new kit supplier for **England Rugby** in a new four-year deal, effective Sept. 1. It will be the first involvement with professional rugby for Umbro, which will take over from **Canterbury of New Zealand**, a brand owned by **Pentland** that has been England Rugby's official supplier for eight years. From Sept. 1, Umbro will provide England Rugby's men's teams, senior women's, sevens and age-grade teams with match kit, training wear and off-field kit. In addition, Umbro will be offering rugby fans a range of supporter wear for men, women and children. According to reports in the *Daily Mail*, Umbro's new partnership with England Rugby is worth £20 million (€22.8m-\$24.7) over the four-year period. Umbro countered a big offer from **Adidas** in October, according to *Sportsmail*. Canterbury has posted a video on social media to thank the England team for its partnership, featuring a montage of memories from the past eight years. The brand noted it will continue to be committed to the game and to England fans who will still be able to wear Canterbury jerseys as it will be the official apparel partner of the British & Irish **Lions** for the tour of South Africa in 2021.

Erreà has presented a special new shirt that **Pescara Calcio 1936 (Pescara)**, a football club that is in Italy's **Serie B** division, will be wearing in the next season. What is special about the shirt is that it was designed by a six-year-old boy, **Luigi D'Agostino**, after the club launched a design contest for its young fans to help ease the boredom of Italy's coronavirus lockdown. D'Agostino participated in the contest and won. Erreà, the Italian supplier of team sports jerseys that is Pescara's kit sponsor, has also unveiled the shirts of the other two kids who reached the final.

Trade Shows & Other Events

The 2020 edition of the **European Fishing Tackle Trade Exhibition (Efttex)**, originally scheduled for June 11-13 in Prague, has been postponed until next year. It will be taking place at the same venue at a still undetermined date. Speaking to *Angling International*, **Olivier Portrat** – president of the **European Fishing Tackle Trade Association (Eftta)**, which runs the show – has taken the Czech government to task for its tardiness in cancelling Efttex despite a decision to keep the Czech border closed until July. Eftta wanted a decision on the show by March, so that it could proceed with refunds. It is now following a different policy, honoring all stand bookings for the postponed show and deferring payments until 2021.

As Germany has a ban on major events until Aug. 29, logistics will preclude opening the **Eurobike** show on schedule, just two days later, to run Sept. 2-5. Instead, there will be a one-off **Eurobike Special** show – a "pure B2B concept," not

News and analysis of the international market


open to the public – on Nov. 24-26. A videoconference on Sept. 1, described as an “additional industry-wide digital exchange of ideas,” will happen as planned.

Prowinter, the Italian B2B event trade show for alpine resort operators, has gone digital this year because of the coronavirus. The **Prowinter Startup Award** chose its winners on the digital platform Zoom on April 23. The winners, selected from 100 applicants and six finalists, are **Glide Nano** (Prowinter Audience Award) and **RideOn Vision** (Prowinter Jury Award). The show's **Ski Rental Summit** was digitized on April 30 on Zoom, bringing together ski rental operators to discuss the latest developments in the rental segment of winter sports, including regulations, product quality, training and safety.

SportScheck cancelled the start of its **Run Challenge** series of running events in Germany, which is sponsored by **Under Armour**. There will be no race in Bremen due to the coronavirus. The Run Challenges in Hamburg, Cologne and Berlin will take place in the second half of this year. The planned events in Augsburg, Hamburg, Dresden and Munich had already been placed on hold. In the meantime, all participants were invited to log in for Under Armour's digital challenge in order to prepare for the next round of SportScheck's running events. The SportScheck Run Challenge was launched via the retailer's MapMyRun app on May 1, inviting runners to compete in various categories until Nov. 15 and win prizes such as tickets for SportScheck's running event or products by Under Armour. We expect that many companies will do the same in lieu of their traditional international sales meetings for spring/summer 2021 products. Due to the current situation and the uncertainty about future legal restrictions associated with the coronavirus, the German retail organization **Sport 2000** is replacing its **Sneaker Order Show**, scheduled for June 4-5 in Mainhausen, as well as the **Order Show 4 / Running Special** (June 14-16) with virtual events. It's still uncertain whether the **Outdoor Professionals Show** (July 5-7), **Order Show 5** (July 19-21) and **Order Show 6 / Teamsport Special** (Sept. 13-15) will take place as planned.

CSR & Sustainability

Löffler, the Austrian-based brand of sports clothing, is giving face masks free of charge to the first 500 people who place an order on the company's web shop. Löffler currently produces about 3,000 face masks per day at its headquarters in Ried. Löffler, which belongs to the **Fischer** group, is also supporting regional health institutions with donations of face masks.


 The **Microfibre Consortium** (TMC) shared preliminary results from the first phase of its product development research and testing program with its members, on the occasion of a recent forum. The consortium and its research partner, the University of Leeds, said that data now confirm that fiber fragmentation, contrary to the

findings of earlier research papers, is not purely related to fiber composition but more complex than previously thought. Researchers have been able to demonstrate that fiber fragmentation is affected by materials, fibers, yarn structure, fabric structure and finishing processes. This is why it is not possible to simply state that one fabric type is worse than another while ignoring this complexity. When comparing two fabrics at the moment of testing, which initially appear to be the same in that they were both made of knitted filament polyester, fabric B was found to have over 30 times more fiber fragmentation than fabric A. It is therefore necessary to fully understand how fabric material and structural factors influence fragmentation – a complexity the TMC is working on. The TMC was founded as a stand-alone organization in November 2018, following the formation of **The Outdoor Microfibre Consortium** by the **European Outdoor Group** (EOG) in 2017. Headquartered in the U.K., the TMC facilitates the collaborative development of practical solutions for the textile industry to minimize microfiber release to the environment from textile manufacturing and the product lifecycle. Today, the TMC has 40 members from across the sports and outdoor, sportswear, luxury fashion and home textiles sectors.

Nike is donating about 140,000 pieces of footwear, apparel and equipment – worth \$5.5 million – to hospitals and clinics in response to the Covid-19 pandemic. Medical personnel at the Veterans Health Administration and at hospitals in Chicago, Los Angeles, Memphis and New York City will be receiving 30,000 pairs of the **Nike Air Zoom Pulse**, Nike's first “shoe designed for the healthcare athlete.” Another 2,500 pairs are going to hospitals in Spain, Germany, the U.K., Italy, France and Belgium. The donations are being handled by **Good360**, a non-profit organization in the U.S. specializing in “product philanthropy.” Nike has otherwise donated 1,100 **Sportswear** kits — drawstring bag, water bottle, hat or headband, and socks — to healthcare workers in New York City and about 4,000 pairs of shoes and 3,500 pieces of **Dri-FIT** apparel to a dozen or so hospitals and shelters in Europe. The Nike-owned brand **Converse**, meanwhile, has donated 2,600 pairs of shoes in and around Boston, some of them to hospital staff working in environmental services and food services.

Silhouette International, the eyewear manufacturer headquartered in Linz, Austria, has supported the Austrian Red Cross with 20,000 pairs of glasses of its **Evil Eye** brand, which has taken the place of its former licensed **Adidas Eyewear** collection. Some 5,000 pairs of glasses were distributed to the Red Cross employees in Upper



indicates that the article was already featured in our **Outdoor Industry Compass** /  indicates that the article was already featured in **The Outdoor Industry Compass**, but this is a new version with additional contents.

Austria; the remaining 15,000 pairs will be shared in the remaining Austrian federal states. The glasses can be used, for example, by the mobile sample collection teams and the staff in the Covid-19 drive-in test stations. At the moment, Silhouette's production facility at the headquarters in Linz is working on a special version of the Evil Eye models **epyx-x** and **epyx-y** with clear lenses, which will be given to the Red Cross in about three weeks.

Canada Goose has announced its commitment to reach 90 percent **bluesign** approved fabrics by 2025. The pledge is part of the Canada Goose's Sustainable Impact Strategy. The brands who commit to being a bluesign system partner have their supply chain thoroughly assessed to ensure that their products and processes meet the stringent bluesign criteria. Bluesign guidelines involve the industry workforce, the end consumers and the environment.

11teamsports, the German multi-channel retailer, has launched a charity collection together with **Leon Goretzka** and **Joshua Kimmich**, the well-known football players of **Bayern Munich**. The collection comprises three products - a jersey, a hoodie and a shirt - that are available via 11teamsports' online store. Apart from the value-added tax, all sales of the limited charity collection will be donated to the **#WeKickCorona** campaign, which was launched by Goretzka and Kimmich in March. 11teamsports has assumed the design, sales and logistics of the special collection. So far, the **#WeKickCorona** campaign has collected about €3.9 million for the fight against Covid-19. More than 3,000 people have associated themselves with the campaign, among them many other well-known sportsmen. More than 200 charitable, social and medical institutions have already been supported through the campaign.

O'Neill has used this year's Earth Day on April 22 to draw attention to the sustainably produced **O'Neill Blue Label** collection. The surf and snowwear brand is committed to protecting the oceans by producing O'Neill Blue swimwear from marine waste. Products that consist of at least 30 percent sustainably produced materials bear the blue label. At the moment, 55 percent of its clothing collection is in this category. This includes 100 percent of its bikinis, which are made from recycled nylon obtained from fishing nets and other waste materials. In addition, 40 percent of the swimwear collection for men is made of recycled polyester from PET bottles.

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Finn Carlsen finn@spobro.com

Charlotte Steadman charlotte@spobro.com

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Please contact us at the UK Head Office:

Finn Carlsen finn@ismsearch.com

Charlotte Steadman charlotte@ismsearch.com

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Tel. +49-89 127 10822 www.sgieurope.com

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