

## SGI Europe

## Sporting Goods Intelligence

News and analysis of the international market



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## Foot Locker closes its German Runners Point chain

Confirming in part a report aired on a German TV channel, **Foot Locker** said it "intends to consolidate our **Runners Point** business into our other operations in Europe," after a year-long assessment of its operations and the competitive landscape in Europe. The TV report said that all the remaining Runners Point stores in Germany, Austria and Switzerland would be closed, affecting about 1,500 employees, but Foot Locker subsequently told a German news agency that the closure will only affect about 720 persons, indicating that Runners Point employs around 170 of them at its head office and 550 at its stores.

A spokesman told us that it's still too early to say whether any of them will be converted to the group's Foot Locker or **Sidestep** format, perhaps rehiring some of the personnel.

Founded by **Karstadt** in 1984 as a spin-off of its **Karstadt Sports** chain, which has also changed ownership in the past years, Runners Point consists of a network of stores specializing in running shoes and apparel that Foot Locker acquired in 2003. It had more than 200 stores at the time, but their number has been steadily reduced over the years. The merchandising has been revisited at least once in the last few years ago, adding more lifestyle items.

After closing 27 stores in the previous 12 months, Foot Locker still had 81 Runners Point stores in operation as of last Feb. 1 with a total net selling area of 105,000

square feet. It also had 77 more lifestyle-oriented Sidestep shops measuring a total of 75,000 sqft, after 12 closures and nine openings in the previous 12 months. Runners Point's website indicates that it now has 76 stores in Germany, three in Austria and three in Switzerland. We could not determine how many Foot Locker stores there are in the region.

A spokesman for Foot Locker confirms that the reorganization will also impact the personnel at Runners Point's long-standing headquarters in Recklinghausen, which is due to be closed, with the remaining operations in the German-speaking countries being managed directly from **Foot Locker Europe's** office in the Netherlands.

## Sportmaster inks a partnership with an online store

Russia's biggest sporting goods retailer has signed a partnership agreement with the big Russian online fashion store of **Lamoda**, under which **Sportmaster** will soon begin selling sports and outdoor footwear and apparel through its marketplace. Sportmaster said it was planning to only offer goods under its private **Demix** and **Outventure** brands through the Lamoda internet platform, which was created by one of **Zalando's** investors as a Russian clone of the German e-tailer.

Demix is the most successful private label of Sportmaster. The relatively accessible brand accounted for nearly 5 percent of overall sales in Sportmaster stores in 2019, according to the Russian consulting agency **Infoline**

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### Others

Adidas, Aec'teryx, Decathlon, Eagle Creek, Fedas, Fibo, IOC, Nike, Puma, Schöffel, UA, Zalando.

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**Analytics**, which estimates the range to consist of around 2,200 products in different categories. In 2019, Sportmaster launched a new retail chain under Demix name selling exclusively Demix branded products. Outventure is Sportmaster's own brand of outdoor shoes and apparel.

**Ilya Titarenko**, director of Sportmaster's distribution department, said his company decided to partner with Lamoda because these days Russian citizens can only order sporting goods over the internet due to the continuing lockdown associated with the Covid-19 pandemic.

While the chain has its own web store, Lamoda is the first marketplace with which Sportmaster has signed a partnership. As we previously reported, Decathlon has partnered with other marketplaces in Russia and Kazakhstan.

Lamoda says it is selling 20,000 sporting goods items from 120 different brands, experiencing a growing interest among the bigger market players in the country's emerging online segment.

In particular, Russians have been increasingly buying sneakers online, even before the coronavirus epidemic. Russia's biggest online store, **Wildberries**, has reported a 60 percent hike in the sales of this product during the retail lockdown in April. Sales have also gone up for some other categories of footwear. For instance, its sales of rubber shoes tripled during the past month.

Russian provinces and small towns with a population of fewer than 9,000 residents have been driving up the demand, Wildberries said. This could be explained by the rather soft quarantine measures introduced in the most rural regions of Russia, where citizens are allowed to leave their homes without having a digital pass, which has been mandatory in Moscow or St. Petersburg during the past few weeks.

Sales of sneakers have jumped by 72 percent during the quarantine, Lamoda estimates, adding that **Nike** was one of the brands that have benefited the most from this trend. In contrast, sales of fitness and outdoor shoes have reportedly slumped in Russia because of the Covid-19 pandemic.

The combined sales of sneakers and training shoes in Russia amounted to 234 billion rubles (€2.92bn-\$3.15bn) in 2019, according to research conducted by **Brand Monitor**, but a third of the market consisted of counterfeit shoes.

## Zalando sees 2020 revenues up by 10-20%

**Zalando** issued a new full-year guidance which takes into account the impact of the Covid-19 pandemic and sees gross merchandise volume (GMV) and revenues up by 10-20 percent. The forecast nearly doubled the share price from its mid-March level up to a record since a year ago. The company noted that its projected growth rate was significantly above the expected increase for the overall fashion industry. It's certainly going to be higher than the growth of the sports apparel and footwear sector, which the German-based e-tailer is covering as well.

Zalando expects sales growth to be fueled by an accelerated consumer shift from offline to online as well as brands transferring more business to e-commerce. Over the past three weeks, 50 new partners joined its Partner Program, among them **Vaude**, **American Eagle Outfitters**, and **Next Group's** brand **Lipsy London** because of the retail lockdowns imposed by the pandemic,

In the first quarter, the Partner Program's share of overall GMV grew by 4.4 percentage points year-over-year.

In the first months of 2020, Zalando saw significant growth in categories like fashion for kids, sports clothes and accessories, as well as beauty products. Increasingly, customers were shopping for sustainable fashion. In March, almost 30 percent of Zalando's clients bought "more sustainable fashion," and the company said that this segment makes up around 10 percent of its GMV. It plans to increase the share to 20 percent by 2023.

Zalando predicted posting an adjusted Ebit of between €100-200 million in 2020, down from €224.9 million a year earlier. It will continue to invest in its European logistics network and technology infrastructure and plans to invest between €230-280 million this year compared with €306.5 million in 2019. It expects to continue having a negative net working capital in 2020. Last year, the negative net working capital amounted to €147.7million.

In the first quarter, Zalando raised by 13.9 percent to €2 billion and revenues by 10.6 percent to €1.5 billion. The top line was driven by the offprice segment, which grew by 35 percent year-over-year.

Demand was affected in March by lockdown measures in various markets, but in April customer demand started to recover and GMV grew at a double-digit pace compared to last year.

Adjusted Ebit in the first quarter was a negative €98.6 million, against a positive €6.4 million a year earlier, after the company booked an inventory write-down of €40 million as a result of the revision of its sales expectations for the current season.

In the quarter, the number of active customers grew by 17 percent to almost 32 million. On average, they ordered 4.7 times with Zalando during the last 12 months. The number of new customers continued to grow, and the rate of the increase reached 39 percent year-on-year in April.

The Euro May 22 rates	
Czech Koruna	27.17
Danish Krone	7.457
Hungarian Forint	348.2
Norwegian Krone	10.98
Polish Zloty	4.515
Pound Sterling	0.895
Swedish Krona	10.55
Swiss Franc	1.061
U.S. Dollar	1.092
Brazilian Real	6.066
Canadian Dollar	1.531
Chinese Yuan	7.781
Japanese Yen	117.3
Russian Ruble	77.71

## Facebook wants to become a shopping platform

In response to the current corona crisis with the worldwide closure of many physical shops, Facebook has started to integrate a shopping function into its main social network, as it has already been doing on **Instagram**. **Mark Zuckerberg**, founder and chief executive of Facebook, said in a livestreamed video on May 19 that he wants to help small and medium sized retailers to meet the 2.6 billion Facebook users around the world where they are, especially if they don't have their own online store.

The new tool, called "Facebook Shops," will allow retailers to easily create online shops that can be accessed via Facebook and Instagram. The stores will show up on the consumer's tablet or smartphone on Facebook business pages, Instagram profiles and through targeted ads. The retailers will be able to set up free of charge "storefronts" on Facebook and Instagram, which will be working for this purpose with third-party services such **Shopify**, **#BigCommerce** and **#WooCommerce**.

The system supports live shopping via video livestreaming and give the option of using Augmented Reality (AR) functions to try out products such as sunglasses or cosmetics. It also allows connections with the different registered **Facebook Businesses** to send messages from Facebook Shops via WhatsApp, Messenger or Instagram Direct to retailers, asking questions, getting support, tracking deliveries and - in the future - paying right away within a chat if the bank details are stored on the Facebook account, so payment can be made via the app. The online network is also working on the integration of bonus point programs.

The idea of adding a shopping function to a social network as a mobile-first shopping experience has been around for some time, says Zuckerberg, but given the current retail lockdowns, the development of Facebook Shops has been "drastically accelerated." It should have been probably implemented soo-

ner, considering the fact that many retailers have been allowed to reopen their stores and that some of them have used instead internet marketplaces like that of **Zalando** to remain connected with customers.

The installation of Facebook Shops is intended to be free of charge for retailers. Fees are only due in principle for payment functions, which are already possible for certain other Facebook apps in the U.S. The primary objective is to cover costs, Zuckerberg continued. With the data, however, the online network could continue to improve its ability to bring advertisers to the right addressees for their ads. Zuckerberg sees the added value for Facebook in the fact that advertisements from the merchants will increase the online network's revenues. "Our business model here is ads," Zuckerberg said. "So rather than charge businesses for shops, we know that shops are valuable for businesses. They're going to in general bid more for ads and we'll eventually make money that way."

Reportedly, Facebook Shops is already operational in the U.S. and Germany, and it will be more widely available in the coming months. We could not determine at the time of going to press whether it has started up anywhere else.

## Odlo has a new owner

**Monte Rosa Sports Holding AG**, a company based in Switzerland, has acquired **Odlo International**, the Swiss producer of functional sports underwear, together with all its national subsidiaries, from **Herkules Fund III**. The transaction was completed on Wednesday, May 13, for an undisclosed price.

Odlo was founded in 1946 in Oslo by a Norwegian cross-country ski champion, **Odd Roar Lofterød**, who managed the company until 1979. His successor and son, **Odd Roar Lofterød Junior**, together with his then partners **Victor Villiger** and **Didi Serena**, realized in 1986 that the future of a sports brand lies not in specialization but in the globalization of marketing and production. They moved the business to a more central location

in Switzerland, founding **Odlo International AG** in Hünenberg.

They also diversified Odlo's activities, creating a group that took over **Gentic** in Germany and a company in Norway that launched a cross-country skiwear line named after the Norwegian cross-country ski champion **Björn Daehlie**, which is now the property of **Active Brands**. With Serena, Odlo also managed a Swiss distribution company, **Trisport**, and launched another brand of ski clothing named after another Norwegian champion **Lasse Kjus**. Serena and his partners subsequently pulled out, taking over those two operations. Renamed as **Kjus**, the latter brand was acquired by **Acushnet** last July.

Backed up by an investment fund, **Tower Brooks**, Lofterød Jr. managed Odlo until 2009 and died in September 2012 in Oslo after a long illness. **Herkules Capital**, a Norwegian private equity company that also owned **Didriksons** for a while, became the majority shareholder of Odlo in mid-2010. Today, the company employs about 800 people at several locations. The Odlo brand, which is according to its own statements the market leader for functional sports underwear in Germany, Switzerland, France, Austria and Italy, is sold in more than 35 countries worldwide. Its annual turnover has been reported at more than €100 million.

Monte Rosa is owned by **Hugo Maurstad** and **Christian Casal**. Maurstad has managed a number of investments in the sports and leisure industry, including the **Rossignol Group** (**Rossignol**, **Dynastar**, **Lange**, **Look**), **Helly Hansen**, **Navico** (**Simrad**, **B&G**, **Lowrance**), **SATS**, **XXL Sport Retail** and **Dale of Norway**. He is a Norwegian citizen and previously lived in Switzerland.

Casal, the former head of **McKinsey Switzerland**, brings extensive experience in corporate management and turnaround processes. He is a Swiss citizen and lives in his home country.

Maurstadt commented that he and his partner see many similarities between the investments that have been made in Helly Hansen, Rossignol and Odlo International: a globally recognized

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brand with a strong position in its core markets and segments. The return to its roots is expected to strengthen Odlo's position as the leading outdoor base-layer brand in Europe.

**Knut Are Høgberg**, who has been the chief executive officer of Odlo International since mid-2018, said he is pleased to welcome Monte Rosa to the Odlo team, especially as the new owners have decided to take this step despite the current difficult business environment due to the Covid-19 pandemic.

## Wintersteiger acquires control of a maker of ski lockers

**Wintersteiger** – the Austrian provider of machines for ski repair and maintenance, software for ski rental, and equipment and furnishings for ski shops – is acquiring a 51 percent stake in another Austrian company, **Steurer**. The company boasts some 5,000 clients around the world, including ski shops, hotels and mountain railway stations. Founded in 1963, it generated a turnover of €8.3 million last year.

Steurer's ski lockers and other products will henceforth be sold under the Wintersteiger brand, but its 40 employees in the city of Altsch will continue producing and installing them. Steurer's chief executive, **Andreas Seidl**, will remain on board as managing partner alongside Wintersteiger's head of business for field sports, **Daniel Steininger**.

According to a press release, the acquisition is intended to bolster Wintersteiger as a provider of turnkey packages. The company acquired a German start-up, **Kenomix Data Solutions**, in late January and a majority stake in a field trials company, **Trial Equipment** of the U.K., last April.

As previously reported, Wintersteiger enjoyed a 14 percent rise in revenues in 2019 and is seeking now, during the pandemic, to turn its "high equity ratio and low debt levels" to advantage. Its chief financial officer, **Harold Kostka**, said last month that, while not looking to make

major acquisitions, Wintersteiger would still "seek out and buy" smaller, complementary companies with about €10 million in annual revenues.

## VF claims it can hike through the Covid storm easily

In releasing its financial results for the fourth quarter ended on March 31, the management of **VF Corp.** insisted that the company is in a better position than some of its competitors to navigate through the "storm" caused by the coronavirus pandemic for several reasons, including good liquidity, a flexible and sophisticated supply chain and a three-year-old digital transformation program, which is being boosted now, absorbing 80 percent of its capital expenditures.

The management even indicated that it could take advantage of interesting new opportunities to acquire "attractive assets" which have been weakened by the disrupted Covid-19 environment.

The company still expects to generate free cash flow of \$600 million during the current financial year in spite of lower revenues, which will likely register a decline of slightly more than 50 percent for the quarter ending on June 30 alone. It has cut forward orders by between 20 and 30 percent.

## A tough quarter

After booking 9 percent organic growth in the previous nine months and despite a strong start in January, VF's revenues fell by 11 percent to \$2,102 million in the quarter ended on March 31, with a drop of 10 percent in constant currencies. Extraordinary charges including a \$323 million impairment for **Timberland** pushed the group into a net loss of \$483.8 million for the quarter, up from \$128.8 million in the year-ago period.

Excluding charges, VF suffered a 70 percent decline in adjusted net earnings to \$40 million. The gross margin fell by one percentage point to 53.9 percent on an adjusted basis, due in part to strong inventory clearance activity, and the

adjusted operating margin went down by 3.5 percentage points to 4.1 percent.

Together, the group's four biggest brands – **The North Face**, **Vans**, **Timberland** and **Dickies** – experienced a drop of 10 percent on a currency-neutral basis during the fourth quarter. Sales declined by 6 percent at Vans, by 13 percent at TNF and by 18 percent at Timberland.

Regionally, Asia-Pacific was hit the hardest with group sales falling by 22 percent including a drop of 31 percent in China. The U.S. was down by 10 percent. Sales in the EMEA region fell by 5 percent and they are expected to remain weak, normalizing by year-end.

During the quarter, Vans performed best in Europe, where the sale decline in local currencies was limited at 2 percent because of a 30 percent increase in digital wholesale revenues. Higher sales of apparel were offset by a 7 percent drop in footwear. The Heritage and Progression segments of Vans' collection went down. The brand's sales through its own digital and physical retail channels in Europe were off by 12 percent in the quarter but recovered in April.

Timberland's sales declined by 8 percent in the U.S., by 18 percent in EMEA and by 34 percent in Asia-Pacific, with **Timberland Pro**, outdoor shoes and apparel performing better than other portions of its product portfolio. In the EMEA region, the brand's wholesale revenues fell by 19 percent, dragged down by the important Italian market, where the coronavirus crisis was particularly severe. Retail sales were off by 15 percent in Europe, but digital was flat and up in April.

TNF's wholesale revenues declined by 17 percent across the world, but its digital sales increased by 10 percent. The brand's total revenues suffered steep declines of 23 percent in the U.S. and 26 percent in Asia-Pacific, but they went up by 4 percent in EMEA, lifted by the U.K. and German markets, particularly in January and February. The Mountain Lifestyle and Urban Exploration ranges performed the best in the region.

E-commerce jumped by 44 percent at TNF in the EMEA region during the



quarter, helping it to book a 9 percent increase in total direct-to-consumer (DTC) sales. The growth reached a triple-digit rate in April.

### ***More over the internet***

In line with its consumer engagement strategy, VF has been accelerating its investments in the digital channel in terms of marketing and sales. It is focusing in particular on ease of shopping over the internet. From next month on, European customers will be able to pick up orders placed over the internet at a specific store, which American customers can do already.

The group is also banking on its loyalty programs for consumer analytics and the frequent launch of innovative products, like now in China. These programs currently have between 7 and 8 million members at TNF and some 12 million members at Vans in the U.S. The numbers are also growing in Europe with 300,000 new members for its Vans Family program in the U.K. alone since last July.

Customers have responded well, especially in North America, to the "Shoe Box Challenge," a creative online contest launched by Vans. TNF's donations to medical workers have led to strong traffic on its website, with more than 80 percent of visitors being first-timers, and even stronger conversions.

The brand has donated more than \$7 million to the fight against Covid-19. In the U.S., 3.1 million pieces of personal protective equipment are in line to be supplied by the group.

Sales over the internet grew by 9 percent in the latest quarter. A chart shown to investment analysts indicated that sales over the internet were up at a triple-digit rate in the Americas in April, while sales at its brick-and-mortar stores were down by nearly 90 percent because of retail lockdowns in the region. Own e-commerce was up by about 20 percent in China and the EMEA region while sales at the group's physical stores were off by around 30 percent and 90 percent, respectively. In March, while the group's physical

stores recorded a drop of around 40 percent in all three regions, sales over the internet rose only in China, at a rate of around 30 percent.

In the last financial year, total DTC sales accounted for about half of the group's total turnover. E-commerce represented 20 percent of total revenues including sales through the wholesale partners' web stores, and 12 percent of revenues when it comes to own e-commerce.

Asked about a possible downsizing in the brick-and-mortar retail channel, the management pointed out that it has a certain flexibility in its lease contracts for physical stores with landlords, which allows it to turn around about one-quarter of its store fleet every year.

### ***Vans stood out in the financial year***

For the full financial year, VF's revenues from continuing operations were up by 2 percent to \$10.5 billion, but on an adjusted basis, excluding acquisitions and divestitures, they were 3 percent higher than in the previous year in dollars and 4 percent higher in local currencies. The Active segment generated 6 percent higher sales in constant dollars, including a rise of 11 percent for Vans. Outdoor segment revenues increased by one percent on a currency-neutral basis, with TNF up by 5 percent. Also in local currencies, digital revenues went up by 17 percent and sales in China grew by 14 percent.

The group's adjusted gross margin showed an increase of 0.7 percentage points to 55.5 percent for the year. The operating margin declined by 2.8 percentage points to 12.8 percent. Net earnings fell by 46 percent to \$679.4 million.

In reported dollars, the Active segment generated 4 percent higher revenues of \$4.92 billion and one percent higher operating income (Ebit) of \$1,136.8 million for the year. In the Outdoor segment, sales were flat at \$4.64 billion and Ebit declined by 5 percent to \$516.1 million.

Cash flow from continuing operations rose by about \$800 million and the company returned \$1.7 billion to sha-

reholders through share repurchases and dividends – both of which have been suspended since Covid-19 struck the industry. As reported, VF has taken quick action to improve its liquidity, notably through a \$3 billion bond offering which has helped create a treasure chest of \$5 billion.

Inventories were 10 percent higher than a year earlier at the end of the financial year. However, the disruption caused by Covid-19 is expected to lead VF to engage in ongoing promotional activities for the balance of this year, especially through markdowns and higher sales at outlet stores for its weaker brands in the first half.

### ***Under Armour sees drops of 23% in Q1 and up to 60% in Q2***

**Under Armour** reported a 22.8 percent hit on its revenues for the first quarter of 2020, down to \$930.2 million, blaming about 15 percentage points of the decrease on Covid-19 and warning that they might drop by between 50 and 60 percent in the second quarter. Unlike its peers, the company is more dependent than other sports brands on the U.S. market, which has been largely locked down, and to a lesser extent on China, where the market is slowly getting back to normal.

Sales declined by 28 percent in North America and by 12 percent elsewhere during the first quarter in local currencies. They went up by 4 percent in the EMEA region and by 11 percent in Latin America, but they fell by 32 percent in the Asia-Pacific region. The improvement in EMEA was largely attributed to a shift in the timing of wholesale shipments, a positive factor that was offset by an estimated coronavirus-related drop of 10 percent.

By category, revenues were down by 22.8 percent for apparel, by 28.3 percent for footwear and by 17.4 percent for accessories. Licensing revenues declined by 8.0 percent, while revenues from Connected Fitness went up by 8.9 percent, generating a lower profit mar-

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gin of 3.6 percent as compared to 11.3 percent in the same period a year ago.

For the balance of the year, the business is expected to improve gradually, but while claiming that its balance sheet is well managed, the company warns that it will face various challenges including a slow return to normal consumption levels and a highly promotional environment as brands and retailers rebalance their inventories. The company believes that the inventory overhang in the market will peak during the current quarter before order cancellations for autumn/winter merchandise readjust the supply chain. Under Armour's own inventories were up by 7 percent at the end of the first quarter.

Under Armour reported a huge net loss of \$589.7 million for the first three months of the year, compared with net income of \$22.5 million a year earlier. This came after extraordinary pre-tax restructuring and impairment charges of \$436.5 million including \$301 million for the shutdown of the brand's New York flagship project, \$84 million for asset writedowns and \$51 million in goodwill charges on operations in Latin America and Canada. On an adjusted basis, the net loss was \$152 million.

In constant currencies, Under Armour's total revenues were down by 22 percent in the first quarter. Direct-to-consumer revenues went up by 14 percent to \$284 million, representing 31 percent of total revenues and partly offsetting a drop in wholesale revenues of 28 percent.

The gross margin actually improved by 1.1 percentage points to 46.3 percent as compared to the previous year, despite coronavirus-related discounting and a negative foreign currency impact. This is because of a major inventory clearance program that was carried out in the first quarter of 2019.

On the other hand, operating expenses went up by 8 percent due to higher marketing activities and legal expenses, resulting in an adjusted operating loss of \$122 million before restructuring and impairment charges. This compares with an operating profit of \$35.2 million in the year-ago period.

The regional operating results were positive in EMEA, showing a margin of 2.7 percent on revenues of \$137.9 million, down from an operating margin of 9.1 percent in the year-ago period. The results were negative elsewhere, deteriorating the most in Asia-Pacific, which generated an operating loss of \$36.8 million on sales of \$95.7 million against income of \$19.8 million a year earlier. China represents a little more than half of Under Armour's revenues from the region.

Like other companies, Under Armour gave no precise guidance for its 2020 results. Its stock price fell sharply, coming close to its 52-week low. After releasing its quarterly results, the company announced an amendment to its credit facility, which probably helped the stock price to go up again slightly.

### Mizuno's profit drops by 23%, but Europe improves

Lower sales of running shoes, combined with a weak home market for golf and other sporting goods, weighed on Mizuno's sales for its fiscal year ended on March 31. The Japanese group's revenues declined by 4.7 percent from the previous year to 169,700 million yen (€1.45bn-\$1.62bn). The gross margin narrowed by 0.6 percentage points to 40.7 percent, while net income plunged by 23.0 percent to ¥4,600 million (€39.6m-\$43.0m).

In Japan, sales were down by 5.2 percent to ¥118,000 million (€1.01bn-\$1.11bn) due to a shrinking and competitive sports market, a mild winter and temporary store closures related to Covid-19.

In the EMEA region, sales remained flat at ¥15,200 million (€130.0m-\$140.0m) with good sales in golf, running and indoor sports categories. After two years of operating losses, the Japanese group began to make a profit in the region last year, with a strategy focusing on profitable sales. The operating profit there improved to around ¥400 million (€3.4m-\$3.7m) as compared to ¥300 million in the previous financial year.

In the Americas, Mizuno's revenues rose by 7.8 percent to ¥19.4 million (€167.2m-\$181.32m), with strength in golf and running. In Asia/Oceania, revenues went down by 16.1 percent to ¥17,200 million (€148.2m-\$160.7m) as the retail business in China was converted to a licensing model, while the brand was impacted by the boycott of Japanese products in South Korea.

In terms of products, all categories were down for the year, with footwear dipping by 5.9 percent to ¥49,700 million (€428.3m-\$464.4m), apparel by 9.7 percent to ¥48,600 million (€418.8m-\$454.0m) and equipment falling by 1.0 percent to ¥39,100 million (€336.9m-\$365.3m). Service/Other rose by 1.2 percent to ¥32,400 million (€279.2m-\$302.7m).

The management intends to continue to strengthen its teamwear and indoor sports business in Europe.

### Acushnet posts lower-than-expected sales and profits

The first-quarter results of Acushnet, the American golf company controlled by Fila Korea, did not meet analysts' expectations. Sales declined by 5.8 percent to \$408.7 million, or by 4.6 percent in constant currencies, due to a decrease in Titleist golf ball sales and FootJoy golf wear, hampered by Covid-19. As with Callaway Golf, which benefited from its acquisition of Jack Wolfskin last year, the evolution of Acushnet's turnover would have been worse without its takeover of Kjus.

The management of Acushnet expects the virus to have a significant impact on sales in the second quarter and has not released a guidance for the full year, but it remains optimistic that opening golf courses across the U.S. will boost demand in the coming weeks. The company is drawing down \$200 million under its revolving credit facility to cope with the impact of the coronavirus epidemic in Europe and North America.

It said all segments performed well until mid-March, when the coronavirus pandemic hit the U.S. and Europe. Its sales in South Korea and Japan have started to recover and its Chinese manufacturing joint venture for FootJoy golf shoes has become fully operational. Ball manufacturing operations have been suspended for eight weeks now, and the company hopes that they can be resumed by the end of May. Manufacturing facilities for Titleist golf clubs and gloves in Thailand have remained open, and so have its online sales operations.

In terms of dollars, the company's U.S. turnover dropped by 8.4 percent during the quarter, but EMEA progressed by 7.5 percent, primarily due to the acquisition of Kjus, which benefited from the recent launch of a new **Gemini** rainwear technology featuring a reversible rain jacket to provide the option for both warm and cold weather protection. Acushnet bought the Swiss brand of snow and golf apparel during the third quarter of last year.

Sales grew in Korea, progressing by 9.2 percent, as the country managed to control the pandemic without putting lockdown restrictions in place. However, Japan's revenues were down by 9.3 percent in constant currencies.

While golf ball sales plunged by 24.1 percent, clubs rose by 2.7 percent. Golf gear inched down by 1.8 percent and FootJoy decreased by 6.5 percent. No breakdown was given for Kjus.

Overall, the gross margin contracted by 2.0 percentage points to 49.2 percent, and adjusted Ebitda fell by 17.8 percent to \$52.8 million, indicating a decline in the adjusted Ebitda margin of 1.9 percentage points to 12.9 percent. Net income tumbled by 75 percent to \$8.9 million.

## Heavy losses for Yue Yuen

As China struggled with the coronavirus outbreak early in the first quarter, **Yue Yen Industrial Holdings** was strongly impacted by government measures to contain the spread of the disease. The world's largest shoe manufacturer

posted a net loss of \$56.3 million for the period, against net income of \$75.5 million for last year's first quarter. This includes a \$33.7 million loss on fair value changes on financial instruments, partly offset by a one-off gain of \$11.4 million on the disposal of a joint venture.

Revenues dropped by 20.6 percent to \$1,969 million, hit by lower Chinese retail sales and sluggish footwear demand due to lockdown restrictions, including many store closures.

The manufacturing segment saw revenues fall by 9.6 percent to \$1,169 million, while pairs shipped decreased by 12.5 percent to 71.5 million. This was mostly due to delayed deliveries amid lower operating efficiency at some of the group's manufacturing facilities in China and other countries. The group's factories in China only reopened in February. The virus also adversely affected the supply chain, resulting in a shortage of certain raw materials. As a result, the gross margin in manufacturing narrowed by 2.5 percentage points to 15.7 percent. However, the average selling price rose by 4.1 percent to \$16.36 per pair.

Sales of athletic footwear progressed by 2 percent to \$1,034 million, but that was offset by a 54.7 percent decline in casual/outdoor shoes to \$104.1 million, a 17.2 percent drop in sport sandals to \$30.4 million and a 17.5 percent fall in soles, components and other categories to \$92.0 million.

Retail sales in China by the company's **Pou Sheng** subsidiary tumbled by 27.5 percent to \$708.1 million, hampered by the government's lockdown and store closures in February and March.

Stores began to reopen in the middle of March, and about 99 percent of the group's directly operated and sub-distributor doors are now open, but the management said that traffic is still much slower than before the pandemic, and that it may take some time to fully recover. Pou Sheng's gross margin fell by 3.1 percentage points, to 30.7 percent.

Looking at the rest of the year, Yue Yuen forecasts some challenging months ahead, as the spread of Covid-19 to the

U.S. and Europe is affecting global consumer demand for footwear. In addition, government lockdowns and other social distancing measures being imposed in various Southeast Asian countries are expected to further hinder the operating efficiency of the group's manufacturing facilities in this region.

## Dorel rides well on higher demand for bikes

**Dorel Sports**, the bike division of **Dorel Industries**, is one of the few businesses that managed to grow through the pandemic. It registered revenues of \$188.2 million for the first quarter, representing a 2.0 percent increase from the same quarter a year earlier, driven by strong performances at the **Cycling Sports Group (CSG)**, whose brands include **Cannondale** and **GT**, and **Pacific Cycle (PCG)**, which comprises brands like **Mongoose** and **Schwinn**.

PCG's growth accelerating particularly in the last two weeks of March as consumer demand for bikes spiked amid the pandemic lockdowns, and ahead of the Easter holiday period. The management attributed this to the fact that many people were using bikes to exercise or as a way to avoid public transport. The business unit's growth was offset by weakness at **Caloi**, the Brazilian subsidiary of the group, due to lower demand caused by price increases aimed at offsetting the devaluation of the Brazilian real, as well as store closures related to Covid-19.

However, Dorel Sports' profitability was derailed by the pandemic, which eroded about \$6.0 million of the operating results, ending the quarter with an operating loss of \$0.6 million, versus an operating profit of \$4.5 million last year. Many bicycle factories in Asia were forced to close for four to six weeks, reducing supply. Though demand remained strong, there were some constraints in the ability to realize sales as many countries locked down their retail operations.

A return to profitability is anticipated for the second quarter. The manage-



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ment expects second-quarter sales to remain strong where consumers can access bicycles, including mass retailers and e-commerce, two channels that have been experiencing exponential increases. Through April, PCG's sales increased significantly versus the prior year. CSG's North American business is expected to deliver sales growth, while European revenues are expected to decline due to ongoing lockdowns. Caloi's sales should decline as many of its key customers are expected to remain closed through the quarter.

Dorel Industries, which also includes the **Dorel Juvenile** and **Dorel Home** divisions, reported third-quarter revenues of \$580.8 million, down 7.2 percent against last year's first quarter, and a net loss of \$57.8 million compared to a net loss of \$8.3 million last year.

## Oberalp and Schöffel hold virtual sales meetings

The current restrictions on international travel and social contacts are leading companies such as **Oberalp** and **Schöffel**, as well as the organizers of trade exhibitions like the **European Eff-tex** trade shows or the **Outdoor Retailer Summer Market** in the U.S., to adopt a new "virtual" format for their traditional events. Regarding OR, it has been confirmed that it will be held between June 24 and 26 as an interactive online show under the name **Thin Air Outdoor Media Show**, in partnership with an innovative provider, **Gearmunk**.

Both Schöffel and Oberalp held their first "virtual" sales conventions earlier this week. Schöffel's 100 percent digital sales meeting was held on May 19 and 20, involving with roughly 130 participants from about 15 different countries in all the major markets, or more than originally expected. **Peter Schöffel**, head of the eponymous family-owned German firm, said it was "a big success." Everything went well, he told us, including the presentations, the subsequent webinars and one-to-one meetings via teleconferencing. The

company quickly created an extensive program with product presentations, video contributions, webinars, discussions and live broadcasts across national and continental borders.

The venue for the digital sales meeting, which was held in German and English, was the Textile and Industrial Museum of Augsburg, a city not far from Munich. Schöffel's products were the central focus. Digital "working sessions" were held with the participants to communicate the brand idea, areas of application and unique selling points.

Schöffel provided photo and video material produced prior to the event in the Austrian Salzkammergut region. Participants were able to discuss the products in individual sessions after the presentation. In the past, a classic fashion show had always been an important part of Schöffel's sales meetings, so the company built a 7-meter long "white box" especially for this purpose.

Schöffel sees several advantages in digital sales meetings, including a higher quality of contents and presentation as well as greater control over program sequences. The material produced has a modular structure and is designed to support physical and online retailing both in the sell-in and sell-out phases. In addition, a digital meeting can bring together all participants – including designers in various European countries and employees in Asia – in a flexible and ultimately sustainable way. A video in German is available on the website of our *Outdoor Industry Compass*.

We have not been able to check how Oberalp's first virtual convention went. It was scheduled to take place on May 20 at 5 pm, on the eve of a religious holiday held in various countries. It was mainly meant to present to distributors and buyers in many countries the latest products for the spring/summer 2021 season by its brands: **Salewa**, **Dynafit**, **Wild Country**, **Evolv** and **Pomoca**. The program included a conference on "The future of mountain sports," made accessible with simultaneous translation to both professionals and consumers, focusing

on the various constraints deriving from the current health crisis.

In addition to product presentations for the professionals, made available via on-demand video, the "**Oberalp Virtual Convention**" was due to feature 360° showroom tours and live chats. Participants were given access look books and training clips online. The event was due to start with a one-hour "live opening" by the brand managers, simultaneously translated with subtitles. Directly after the opening, brand and product specialists were going to answer individual questions in chat rooms. For this purpose, 20 Oberalp representatives were going to be made available for virtual exchanges around the clock for 48 hours, allowing partners from all time zones to ask their questions in person.

The group's new annual sustainability report for 2019 was also going to be presented on May 20 during the virtual convention, followed by live chats with Oberalp's CSR team. The report, which is called "**Contribute**," documents all procedures on 90 pages. Together with the sustainability report, a brochure is being published for the first time this year, giving retailers and end consumers concrete tips on how to improve their sustainability performance.

We would like to note that the Italian mountain sports company, based in South Tyrol, was one of the first exhibitors to pull out of the **OutDoor** show in Friedrichshafen, preferring to spend the money on a big sales convention in a little Austrian village close to the Italian border. It subsequently invested in a smaller stand at the **Ispo** shows in Munich. Furthermore, Salewa has decided to reduce the number of new models in its 2021 collection and to offer again some of the same models presented for the current season in order to help its distributors and its retail clients through the Covid-19 pandemic.

We suspect that many other companies are replacing their traditional sales meetings for the presentation of their spring/summer 2021 collections with online conventions.



## News Briefs & Short Stops

### Corporate

**Asics Ventures**, an investment subsidiary of **Asics**, has taken a stake in **Seevix Material Sciences**, an Israeli start-up that develops and produces synthetic spider silk. Seevix was established in 2014. The company manufactures a patented man-made spider silk, called SVX, backed by more than ten years of research at the Hebrew University. SVX is said to possess natural spider silk's features like strength and elasticity. It is also sustainable, as it is manufactured by means of a single-step production process that allows reductions in production time and costs. Asics' **Institute of Sport Science** will collaborate with Seevix to develop sporting goods that utilize the SVX spider silk.

**Centric Brands** has filed a voluntary application for Chapter 11 bankruptcy protection, with the support of **Blackstone** and other secured lenders who are providing \$435 million in debtor-in-possession financing. The company said the proceedings will not impact its decision to reopen relevant locations. Centric Brands is a licensee for more than 100 sports, fashion and entertainment brands including certain apparel products of **Spyder** and **Under Armour**.

**Li & Fung** will be delisted from the Hong Kong Stock Exchange after Friday, May 15. The Chinese sourcing giant has been trading there publicly since 1973. Shareholder endorsed a proposal to allow the founding family to take the company private, with only 2.85 percent of the votes cast against it. A statement issued by the company indicated that its goal is still to "create the supply chain of the future," in line with a three-year plan announced two years ago. It added that this "remains more relevant than ever with the digital disruption to retail and the ongoing uncertainties of the US-China trade war, compounded by the dramatic impact of Covid-19 on retail supply chains." Li & Fung was already taken out of Hong Kong's Hang Seng Index at the beginning of 2017, due to falling sales and earnings. Its market capitalization increased by about 20 percent in the past month and is now at a level of 10.59 billion Hong Kong dollars (€1.3bn-\$1.4bn).

**Mavic**, the French-based producer of bike components, is again up for sale, according to *sportguide.com*. Candidates to the takeover have been given until June 2 to express their interest in the company, which was divested by **Amer Sports** in mid-2019. Mavic was placed in receivership at a French court in Annecy on May 2 after a net loss of €12.8 million in 2019 on sales of €70 million, compared with a loss of €9.1 million on sales of €88 million in 2018. The company has reportedly suffered lower OEM orders for its wheel rims. They are made at four factories in France, Bulgaria and Romania, only one of which belongs to it. The issue is complicated by the fact that the current owner of Mavic turns out to be a company called **M-Sports**, registered in Delaware. At the time of its sale, which occurred shortly after Amer was acquired by a consortium led by **Anta Sports**

**Products** of China, Mavic's employees were told that the new owner was **Regent LP**, the investment company that also bought **Accell North America** in August. **Gary Bryant**, the former executive of **Arc'teryx** who was placed at the head of Mavic in September 2017 is no longer running it.

**Maynards Europe**, the global liquidation and auction specialist, working in conjunction with U.S.-based **Heritage Global Partners**, are to sell the entire manufacturing equipment of two unique production lines established by **Adidas**. The facilities were previously a part of a pilot flexible-design manufacturing project, called **Speedfactory**, for small runs of custom-designed sports shoes installed by **Oechsler Motion**, an independent production partner with operations in Ansbach, Germany and Atlanta in the U.S. They are no longer used as Adidas has refocused its strategy, transferring some of the technology to suppliers in the Far East after less than two years of operation. The stand-alone machinery includes laser marking and cutting tables, industrial sewing machines, heel forming machines, shoe assembly cells and other general-purpose equipment for the textile and shoe industry from manufacturers such as **Pfaff**, **Strobel**, **Eurolaser**, **Ring** and **Bielomatik**. The online auctions for the equipment will be closing on June 10 and June 11.

**Under Armour** has committed to the **PayUp** campaign, an initiative that urges fashion brands to pay their garment factories for orders that are both completed and in production, and yet cancelled or delayed because of the coronavirus pandemic. The campaign was launched by **Remake**, a workers' rights organization, at the end of March. Another 13 brands and retailers have already agreed to pay for such back orders, including **Nike**, **Adidas**, **VF Corp.** and **Uniqlo**.

**Under Armour** has obtained a revision to its credit agreement with **JP Morgan Chase** that reduces its required debt/Ebitda ratio but forces it to maintain a minimum liquidity of \$450 million through the end of 2021. Also, the aggregate revolving credit facility has been cut from \$1.25 billion to \$1.10 billion, charging a slightly higher interest rate. The debt/Ebitda ratio required under its covenant gives UA a maximum leverage of 4.5 times through the third quarter of 2021, declining to 4.0X in the subsequent quarter and to 3.5X from 2022.

**VF Corp.** is exploring virtual reality as part of its strong investments intending to become "hyperdigital." **Cemtrex** has announced that it has received an order from VF to create a virtual reality (VR) application. The VR application, which is due to be delivered within the current quarter, aims to create better retail experiences for customers as well as to provide training solutions for VF's employees and its retail partners. The application will be built on **Oculus Quest**, the VR headset created by **Oculus VR**, which is a division of **Facebook**. Cemtrex describes VF's order as a "long-term opportunity" to work with the group to roll out VR applications that can be scaled across its brands and retail touchpoints.

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The **Altor Fund** has been confirmed as the largest investor in **XXL ASA**, owning 23.82 percent of the leading Nordic sporting goods retailer's shares, as a result of an equity increase of 400 million Norwegian kroner (€36.5m-\$39.7m), which ended on May 18. Together with an offshoot, **Altor Invest**, the Norwegian fund was allocated a total of 19,551,041 shares. **Dolphin Management**, a company controlled by **Øivind Tide- mandsen**, now holds 14.60 percent of the company, after being allocated 16 million shares. Other shares have gone to two other members of the board of directors and to two key executives: **Stein Eriksen**, XXL's chief financial officer, and **Es- pen Terland**, IT director. Following the equity increase, XXL's capital consists of 252,436,658 shares

### Executive Changes

**Katie Becker** has joined **Arc'teryx Equipment** as the Canadian outdoor brand's first vice president in charge of creative operations. Becker comes from **Adidas**, where she had worked for 12 years, most recently as senior global design director. Prior to that, she held various design positions at **Merrell**, **Helly Hansen** and **O'Neill**. In her new role at Arc'teryx, Becker will lead the development of a creative strategy involving consumer touchpoints and product focus areas in support of the brand's global business initiatives. Becker will join the company's senior leadership team in North Vancouver, Canada, and report directly to **JonHoerauf**, president of Arc'teryx. The announcement of the new position and the appointment of Becker come after the brand made known its intention to develop its product range beyond its core outdoor apparel offering. Last year, the brand opened its first lifestyle concept store in its Canadian home province of British Columbia and entered the adventure travel industry with the launch of the first **Arc'teryx Trips** program. Arc'teryx is part of **Amer Sports**, the Finnish group which was acquired by a consortium led by **Anta Sports Products** in April 2019.

**Higg Co.**, the developer of the **HiggIndex** for the measurement of the sustainability of textile products, has hired **Del Hudson**, a former executive of **Nike**, as its new vice president of marketing and communications. Hudson spent 20 years at Nike on communication and sustainability at various locations. He then headed the North American office of the **Ellen MacArthur Foundation**, a U.K.-based think-tank on the circular economy.

**Sami Kiiski** is resigning at the end of July as the chief executive of **Halti**, a leading Finnish producer of ski and outdoor clothing. He did not say at this stage what he is going to do next. Halti has launched a search for his successor. Kiiski became the company's CEO in 2016, taking the place of **Jukka Vuori**. Apparently, Kiiski is leaving Halti in good shape. Last year, it reportedly generated an operating margin of 9.6 percent on 12 percent higher sales of €25.6 million.

After **Trisport**, which has been the exclusive importer of **Kettler** in Switzerland for 40 years, acquired the fitness

equipment patents of the insolvent German brand and the trademark rights for its distribution in Europe in mid-January, the company has appointed **Melanie Lauer** as its new joint chief executive. Lauer will be working as executive manager for Trisport/Kettler together with **Stefan Christen**, who has been managing the company since 2009. She will be responsible for marketing, logistics, purchasing and finances as well as the company's operative business, which was taken care of by **Dr. Peter Rutishauser**, chairman of the supervisory board, on an interim basis. Lauer was previously working for **Conrad Electronic**, where she was responsible for the international B2B marketing from 2013. In 2017, she was appointed as vice president international B2B. Stefan Christen remains responsible for sales and product management.

**Birgit Haderer** will be leaving **Zalando**, the German-based e-tailer. In her position as chief financial officer, Haderer was closely involved in Zalando's expansion. Previously working for **Goldman Sachs**, she set up and eventually led Zalando's financial department. In 2014, she managed Zalando's IPO, which, at a value of \$668 million, was the biggest initial public offering for a German tech company since **Telekom's** in 2000. Haderer will have a similar function at **Personio**, a Munich-based software company.

### Retail

**Decathlon** has started to offer a "Scan & Go" option in its German stores. It makes use of **MishiPay** mobile technology that allows customers to scan and pay for items by simply using their smartphones. The system thereby minimizes the contact with both check-out devices and the store staff. Customers can freely exit the store thanks to the MishiPay app, which automatically disables the RFID security tag on the chosen products. The technology is already available at Decathlon stores in Berlin, Munich, Cologne, Plochingen and Schwetzingen. More locations will be added every week.

As of May 14, all of **Nike's** owned stores and more than 95 percent of its partner stores in Greater China and South Korea were open, although some still have shortened hours. Store traffic there remains low, according to Nike, but overall retail traffic and conversion rates are rising and digital demand is strong. Most of its owned stores and its wholesale partners' stores in the rest of the world closed in mid-March, driving down wholesale revenues and building inventory. This will have a material effect on the current quarter's results for Nike Direct and wholesale operations in North America, Latin America, EMEA and Asia-Pacific. To compensate for the effects of quarantines, Nike has been boosting its consumer-focused digitalization, seeking to create engagement through mobile commerce and apps, while increasing its digital fulfillment capacity. It has begun to reopen stores in about 15 countries, including Germany, France, the Netherlands, Brazil and the U.S. About 40 percent of its owned stores have reopened in EMEA, 15 percent in Asia-Pacific and Latin America, and five percent

in North America. The pandemic's full effect on Nike's operational and financial performance remains uncertain for now, the company said.

**Zalando** has opened a new outlet store in Mannheim, making a total of nine such off-price physical stores in Germany. The store covers 1,400 square meters. The opening was initially planned for April, but was postponed due to lockdown regulations in Germany, where only stores with a sales surface of up to 800 square meters were initially allowed to open. Zalando plans to add five more outlet stores by 2022. The off-price segment, which also includes Zalando's online shopping club, "Zalando Lounge," and over-stock offers, accounts for about 10 percent of Zalando's total revenues. The segment's sales increased by 32.6 percent to €659.3 million in 2019 as compared to the previous year. In the first quarter of 2020, they rose by an additional 35 percent from the year-earlier period.

### Results & Statistics

**Airesis**, the Swiss holding company of **Le Coq Sportif** and **Movement Skis**, reports a net loss of 11.4 million Swiss francs (€10.8m-\$11.8m) for 2019, compared with a loss of CHF 891,000 in the prior year. Consolidated revenues rose by 3 percent to CHF 157.5 million (€149.7m-\$162.6m). Le Coq Sportif, in which Airesis now has a stake of 77 percent, booked a net loss of €10.2 million, compared with a profit of €863,000 in the prior year. The French sports brand's sales went up by 6.9 percent to €132.3 million, lifted by a 23 percent jump in apparel, which overtook footwear sales for the first time. The gross margin declined by five percentage points to 45 percent. Including the licensees' sales, wholesale-equivalent revenues reached €238,000. Movement had a rather stable net loss of CHF 271,000 (€257,527-\$279,889) on 4 percent higher sales of CHF 10.0 million (€9.5m-\$10.3m). While Le Coq's Ebitda turned negative at €2.1 million, compared with positive Ebitda of €5.4 million in 2018, the group's ski brand had positive Ebitda of CHF 630,000 (€598,621-\$650,811).

The **Iconix Brands Group**, which owns a host of brands including **Umbro**, booked an impairment charge of \$13.7 million for the first quarter, attributing it to the recent and future effects of the coronavirus pandemic on Umbro and four other brands in its portfolio. The charge inflated the company's net loss for the period to \$21.5 million. In the same quarter a year earlier, an extraordinary gain of \$19.9 million had led to a net profit of \$17.9 million. The group's revenues declined by 22 percent to \$27.9 million. The men's segment fell by 38 percent to \$6.7 million, with lower revenues from the **Buffalo** and **Umbro** brands. International revenues decreased by 12 percent to \$11.5 million, due in part to weakness in Europe and Latin America. The management says it has cut costs by more than \$10 million on an annualized basis since the start of the Covid-19 pandemic. It has also signed 41 new license deals since the start of 2020, which are set to generate additional annual revenues of around \$24 million.

**Canadian Tire Corp.** reports that **Helly Hansen** booked a 7.3 percent sales decline in the first quarter ended on March 28, largely due to the sharp decline of the Norwegian kroner against the U.S. dollar, which led to a foreign currency loss of \$7.0 million for the Canadian group. In constant currencies, Helly Hansen actually grew by 0.6 percent. Investors were told that Helly Hansen lost momentum in the last weeks of the quarter as increasingly stricter physical distancing measures in Europe and North America "paralyzed" it. Across the group, which bought Helly Hansen two years ago and is the biggest sporting goods retailer in Canada through various banners, consolidated sales declined by 2.7 percent to \$2.76 billion, leading to a net loss of \$12.2 million, 87.5 percent below the level of the year-ago period.

**Giant** saw its revenues in the first quarter decline by 9.3 percent on an annualized basis to \$444.5 million. The net income before taxes dropped by 16.9 percent to \$27.4 million. Sales of e-bikes and traditional bikes in many European countries were hit by strict shutdowns in connection with the coronavirus pandemic. The outlook for 2020, however, is more positive as governments are easing the restrictions, and consumers are generally more conscious of the need to pay better attention to their well-being and health. Furthermore, the governments in many countries are now encouraging citizens to modify their behavior and ride bicycles for commuting.

Late last year, **Apex Global Brands**, previously called **Cherokee Global Brands**, signed several new licensing and distribution contracts for **Hi-Tec** with partners in Europe, North America and Asia. In Europe, Hi-Tec is now present in major retail chains such as **Urban Outfitters** and **Foot Locker**. Initially known as a footwear brand, Hi-Tec has diversified its product range under its new ownership. It launched its first men's and women's wear ranges a year ago, using streetwear trends with a sporty appeal to propel sales. Nevertheless, the group's revenues for its fourth fiscal quarter ended on Feb. 1 fell by 10 percent to \$5.5 million, as royalties from **Hi-Tec** and **Magnum** declined internationally. The management blamed this on the uncertainty surrounding Brexit and exchange rate fluctuations. The company also blamed the decline on the non-renewal of Apex's Cherokee license in South Africa and of its **Tony Hawk** license in Canada. The group's adjusted Ebitda decreased to \$2.4 million from \$3.1 million for the year-ago period, leading to a net loss of \$1.1 million, compared with net income of \$0.2 million. For the full fiscal year, revenues were down by 14 percent to \$21.0 million, due in part to reduced royalties from the company's licensees in Europe. The adjusted Ebitda decreased to \$7.8 million from \$9.8 million for fiscal 2019. The net loss remained flat at \$11.5 million. More in The Outdoor Industry Compass.

**Intersport Germany** recently published an interesting report on buying behavior in the midst of the coronavirus crisis, based on a survey of 300 consumers. According to it, 41 percent of the respondents were exercising more



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during their confinement than before the lockdown. However, not all the consumers that were exercising more also wanted to spend more money for sports. One out of ten people intended to spend more money for sporting goods products in 2020 and one out of five - or 22 percent of the sample - was planning to spend less money for these products. As many as 70 percent of the respondents said that they will not change their buying behavior with regard to sporting goods products. Running and fitness were the most successful segments for Intersport Germany in April, representing about half of the affiliated retailers' total sales. The bike category and fun-wheels, comprising items such as inline skates and longboards, both increased by 12 percent. The outdoor segment, which normally represents about 25 percent of the retailers' turnover at this time of the year, accounted for only 14 percent of their sales. One out of two people state that they did not feel at ease in the current shopping environment, despite or because of the safety measures imposed by the German government.

Store closures due to the pandemic pushed **Clarus Corp.**'s sales for the first quarter down by 12 percent to \$53.6 million. The parent company of **Black Diamond**, **Pieps** and **Sierra Bullets** saw its net income tumble to \$36,000, compared with \$3.8 million for the three months ended on March 31, 2019. This included an 18 percent drop in domestic sales to \$25.0 million and a 7 percent slide in international sales to \$28.5 million. Overall, direct-to-consumer sales advanced by 16 percent. Black Diamond, the biggest brand of the group, saw revenues decline by 13 percent to \$45.8 million, hit by store closures in Europe and North America in March. Leading up to that point, revenues for the brand had gone up by double digits. The apparel business was flat. The group's gross margin contracted by 1.5 percentage points to 34.6 percent, due to inefficiencies and logistics problems caused by the pandemic, along with foreign exchange headwinds. The adjusted Ebitda margin dropped by 5.0 percentage points to 6.8 percent. More in *The Outdoor Industry Compass*.

Despite headwinds from Covid-19, robust sales at **Hoka One One** and **Teva** helped limit the damage for **Deckers Brands'** revenues in its fourth fiscal quarter, ended on March 31. The group's quarterly sales declined by 4.9 percent to \$374.9 million, or by 4.5 percent in constant currencies, while net income fell by 32.9 percent to \$13.6 million. Hoka's sales jumped by 51.8 percent to \$101.9 million, driven by online sales and new products. The management said the brand's digital presence is its core strength and represents the ultimate access point. The number of retained and newly acquired customers nearly doubled year-over-year in the brand's global direct-to-consumer business. Teva also did well, climbing by 12.5 percent to \$59.6 million. But for the group's biggest brand, **Ugg**, sales dropped by 17.9 percent to \$196.3 million, weighed down by Covid-19 restrictions. For the full fiscal year, Deckers' sales grew by 5.6 percent to \$2,132 million, while net income jumped by 4.5 percent to \$273.2 million. Ugg was down by 0.8 percent, Hoka jumped by 58.0 percent and **Sanuk** fell by 38.1 percent, while Teva inched up 0.4 percent. More in *Shoe Intelligence*.

### Legal & Institutional

The **Federation of European Sports Retailers (Fedas)** has developed a plan of action to improve the protection of employees, customers and particularly vulnerable persons in the retail sector from coronavirus infection. The concept was developed under the leadership of **Peter Bruggmann**, vice president of Fedas and president of the **Swiss Sporting Goods Retailers' Association (Asmas)**. In a first step, it is to be used in Switzerland, Germany and Austria, and to be subsequently applied in other countries. In addition, Fedas wants to encourage retailers through the **#sportbleibt** or **#sportstays** campaign initiated in Germany and rolled out in many other countries. Fedas describes the current crisis as threatening the existence of many companies. According to **Michael Nendwich**, who runs Fedas as well as the Austrian Sporting Goods Industry Association (**VSSÖ**), sales losses for retailers of up to 50 percent this summer and up to 30 percent for the 2020/21 winter season are possible, especially in tourist regions.

**Decathlon** has reopened its 24 small **Decathlon City** stores in Spain in two stages, while offering click & collect at 74 of its larger stores in the country. Spain's Ministry of Health has revised its initial guidelines for stores re-openings in Phase 1 regions. By the estimate of the Spanish daily *El País*, about 70 percent of Spain is currently in Phase 1 of the country's "de-escalation" of the Covid-19 lockdown. Madrid, Barcelona, certain other populous cities and their surrounding areas remain in the preparatory Phase 0. The initial draft of the Ministry's Phase 1 guidelines – issued on May 9 and entering into force two days later – limited re-openings to stores of up to 400 square meters, as long as they could meet hygiene criteria. This measure, which resembles what originally happened in Austria and Germany last month, was criticized by Spain's **National Association of Large Distributors (Anged)**, which saw it as discriminating against bigger stores – the very ones, it argued, best suited for social distancing. In response, the ministry has extended the relaxation to larger stores as of May 18. There are also guidelines for Phase 1 regions that permit training for athletes in professional leagues and the re-opening of athletic High Performance Centers and venues for individual and outdoor sports.

The **International Olympic Committee (IOC)** and the **World Health Organisation (WHO)** have announced a new cooperation agreement that reiterates their joint commitment to promoting healthy lifestyles, including physical activity, sport and active recreation, as a tool for better health conditions across the globe. The agreement was signed by the IOC's president, **Thomas Bach**, and the WHO's director general, **Tedros Ghebreyesus**, at the WHO headquarters in Geneva on May 16. Bach emphasized how the coronavirus crisis has further highlighted the importance of sport and physical activity for physical and mental health. The IOC is calling on the governments of the world to include sport in their post-crisis support programs, Bach said, considering the key role that sport can play in disease prevention.



## Product

**Allied Feather & Down**, the down supplier and maker of bedding, is switching a large portion of its bedding production over to face masks. The company will be using the tightly-woven cotton that it normally employs for pillows and comforters to make washable two-layer face masks. Allied has also partnered with **Fuze Biotech** to treat the masks with a proprietary fiber infusion that creates a protective barrier.

**Havaianas** has launched a full-fledged collection of beachwear, T-shirts and other textile products for spring/summer 2020 on its website in Europe. The Brazilian brand of rubber shoes has also teamed up with **Eastpak** on a range of co-branded products. The collaboration has resulted in four items in the bright colors of Havaianas' "Brasil" sandals. The collection includes a backpack, a trolley, a belt pouch and a toilet bag, each of them bearing the logos of both brands as well as small details in a rubber material.

**Icebreaker**, a brand of VF Corp., is partnering with a start-up on the development of a smart armband designed to monitor the wearer's temperature, which could become a key tool in the post-coronavirus world. **Nightingale Med-Tech**, the company behind the armband idea, was only formed on May 1. The prototype of the Nightingale Bio-sensor, which has the size of a matchbox, fits into Icebreaker's merino wool armband. The device automatically assesses body temperature every six minutes.

**Polartec** has contributed an enhanced version of its high loft fleece made from merino wool to a new product line by **Salewa**, the Italian mountain sports brand. In the newly designed fabric, the layers of merino wool are connected to both sides of a synthetic core. This is said to produce an advanced performance fabric that combines the natural performance of wool with the superior structural integrity of a synthetic material. The synthetic core is meant to offer greater durability, faster drying times and shape retention. The enhanced fabric is featured in Salewa's **Pedroc Hybrid 2** Polartec Alpha Jacket and **Pedroc Hybrid Wind** Polartec Alpha Jacket.

**Sun Mountain**, the American brand of golf bags, carts and apparel, has introduced a new range of bags made from recycled plastic bottles. It takes around 25 recycled half-liter plastic bottles to form the fabric of each **Eco-Lite** stand bag, while it takes 30 to make the cart bag in the same Eco-Lite series. Both versions will be available from July, each one of them in five color combinations,

Two Swiss textile companies, **Schoeller Textil** and **Forster Rohner**, have developed a washable mask to meet the criteria of the **Swiss** National Covid-19 Science Task Force, establishing a short supply chain and improving on disposable masks from an ecological perspective. Schoeller is supplying the fabric, a two-layer weave of polyester that is hydrophilic on the inside and hydrophobic on the outside.

It contains 60 percent recycled fibers and is itself recyclable. It was developed through **wear2wear**, a partnership of companies seeking to close the textile loop. Schoeller has refined the masks for comfort, using special cotton-like yarns for feel and permeability and have had its staff conduct field tests while at work. Forster Rohner is doing the manufacturing, with its embroidery machines and using various sewing techniques, in the city of St. Gallen. Through a subsidiary, **Jakob Schlaepfer**, Forster has also developed prints to expand the aesthetics beyond white and solid colors. The resulting masks can be worn for up to seven days in a row without washing and have passed the spray, filter and breathing activity tests of the Swiss Federal Laboratories for Materials Science and Technology (Empa). The masks are available for purchase through Jakob Schlaepfer's website.

## Marketing

A large majority of brands involved in the sponsorship of sports and entertainment events in Europe (72 %) are planning to extend their sponsorship deals despite the uncertainty caused by the coronavirus pandemic. The recent survey by the **European Sponsorship Association** (ESA), entitled "Sponsorship Sentiment Tracker," also found that more than half of the respondents actually expected a greater appetite for live events once the pandemic recedes, with e-sports and digital in general as key tools for the recovery of the sponsorship industry. The study surveyed more than 150 senior professionals among rights holders, brands and agencies.

**Tom** and **Phil Beahon**, who founded **Castore** in Liverpool four years ago, say they want to partner with five leading football clubs across Europe in the next 10 months. "All these clubs will be challengers, who are perceived externally as underdogs but who themselves relish the battle and have both the belief and expectation that they will be successful," they said, announcing a new sponsorship deal with the **Rangers**, the football club based in Glasgow that plays in the Scottish Premiership. The new five-year deal, which is reportedly worth £20 million (£22.4m-\$24.5m), is set to start with the 2020/21 season. The team was previously sponsored by **Hummel**. Castore is said to be backed by strong investors including one of the wealthiest British families. **Andy Murray**, the Scottish tennis star, became an investor in the brand last year.

**Hummel** has agreed to a three-year deal as the new kit sponsor of **Everton**, the English football club that competes in the Premier League. The agreement is reportedly worth more than double the expiring contract with Umbro, which called for fees of between £4 and £5 million per year. The club has been supplied by Umbro since 2014.

**Kelme** has signed a £10 million (£11.3m-\$12.3m) kit deal with **Watford**, a professional football club that competes in the **English Premier League**. The news was first unveiled by *The Athletic* on May 10. The new four-year deal with the

News and analysis of the international market

Spanish sports brand will replace the current contract with **Adidas**, which expires at the end of the current season, after a three-year partnership. The new deal, which starts with the 2020/21 season, reportedly represents a fivefold increase on the previous contract.

**Sotheby's** has auctioned an autographed pair of **Michael Jordan's** sneakers, worn in his rookie season, for \$560,000 to an unnamed buyer. The sale establishes a new record for sneakers at the auction house. The **Nike Air Jordan 1s** match the colors of Jordan's team, the **Chicago Bulls**. According to Sotheby's, they were created for Jordan during negotiations for a sponsorship deal with Nike. They differ from the publicly available sneaker in their materials and the color of the laces.

If the football season is resumed in the U.K., as has already happened in Germany, the **Liverpool** team will be allowed to continue wearing the **New Balance** jerseys until the end of the season. The English team was close to winning the title before the coronavirus pandemic struck. **Nike** was set to take over the contract with Liverpool on June 1. According to the *Daily Mail*, the Swoosh has agreed to let the five-year contract be extended until the end of the season in exchange for "significant compensation."

**Wilson** has signed a multi-year deal with the **National Basketball Association (NBA)** to supply official game balls for it and its related leagues. Wilson is replacing **Spalding**, which has supplied the NBA's balls for past eight years. Before that, Wilson had been the official supplier since 1946. No details have been disclosed about the price of the new contract, but we can assume that the new Chinese owners of Wilson's parent company, **Amer Sports**, wanted it because the NBA has a big clout in China, where basketball is the second-largest team sport after global football. The new deal will take effect on staggered dates varying by league. Balls for the NBA itself will make their debut in 2021, with the start of its 75th-anniversary season. Balls for the **NBA G League** and the **NBA 2K League** should come out next year, with the **Women's National Basketball Association (WNBA)** to follow in 2022. Wilson was supposed to start supplying balls to the **Basketball Africa League (BAL)** in March, for its inaugural season, but the league's first tip-off has been postponed over the Covid-19 pandemic. No new date has been set.

### Trade Shows & Other Events

**Fibo** will take place as planned in Cologne at the beginning of October, but only as trade show, without the usual large attendance by the general public. It will be held from Thursday Oct. 1 to Saturday Oct. 3, eliminating the traditional Sunday opening for consumers. As usual, the **European Health & Fitness Forum (EHFF)** will take place on the day before the show, on Sept. 30. **Reed Exhibitions** confirmed this after the local state government announced its decision to allow trade shows to be held after May 30. The February edition of the show was postponed to Oc-

tober because of the coronavirus outbreak. The focus of the new trade-only version of the world's largest fitness fair will be on topics, event formats and exhibition areas that are especially relevant to trade visitors. However, consumers will be able to participate virtually through a **FIBO@Home** experience featuring videos of the exhibitors, livestreaming, interviews and workouts on demand. A total of 350 exhibitors are expected at this special edition of Fibo in October, compared with 1,105 in 2019. The show welcomed a total of about 145,000 visitors including 80,000 industry professionals.

### CSR & Sustainability

**Adidas** is launching the **#HomeTeamHero Challenge** to support the Covid-19 pandemic's essential workers. For every hour of app-tracked exercise from May 29 to June 7 Adidas will donate \$1 to the **Covid-19 Solidarity Response Fund** of the **World Health Organization (WHO)**. The objective is to reach one million hours. The app makers taking part include **Garmin**, **Zwift**, **Polar**, **Suunto**, **JoyRun** and Adidas itself, whose **Running** and **Training** apps are expanding their selection of workouts led by its sponsored athletes. Adidas has already donated €3 million directly to the fund and is adding €2 for every item priced above €20 purchased online.

**Arc'teryx Equipment** has joined 155 multinational companies in a statement jointly issued by the **Science Based Targets Initiative**, the **UN Global Compact** and the **We Mean Business** coalition that urges governments to include climate action in their strategies to rebuild the economy after the coronavirus epidemic. The other signatories include **Adobe**, **AstraZeneca**, **Bayer**, **Burberry**, **Capgemini**, **Colgate Palmolive**, **H&M**, **Inditex**, **Nestlé**, **O. T. Sports Manufacture**, **PVH Corp.** and **Salesforce**, among others. Arc'teryx has recently pledged to reduce its greenhouse gas emissions by 65 percent by 2030. The Canadian outdoor company has its targets approved by the Science Based Targets Initiative, a climate-friendly partnership between the UN Global Compact, the **World Resources Institute**, **CDP** and the **World Wide Fund (WWF)**. Arc'teryx is also a founding signatory of the **UN Fashion Industry Charter for Climate Action**, as well as a member of the **Outdoor Industry Association's** Climate Action Corps.

**Eagle Creek**, the producer of travel bags and backpacks from southern California, is donating thousands of face masks to independent retailers in Europe. From next week, the company's European retail partners will receive 2,400 masks intended not for resale but for the staffs of retail stores, in order to minimize the risk of infection between them and customers during consultations.

**Nike** is collaborating with the **ZDHC Roadmap to Zero Programme** and the **Water Environment Federation (WEF)** on a new training program that aims to improve water and wastewater management in the textile supply chains around the world. The organizations are collaborating on

further developing the WEF training manual, exams and trainer's kit for the ongoing training of wastewater operators. The WEF will also start translating its training documents into Mandarin and Vietnamese, in addition to Spanish. Nike helped develop the curriculum and supported the translations. The sports brand will use the materials as part of the ongoing water conservation efforts across its own supply chain.

**Puma** has collaborated with **Central Saint Martins**, the London-based arts and design college, on a new collection that focuses on sustainable technologies in textile manufacturing. The **Puma X CSM** collection comprises a range of footwear, apparel and accessories that use environmental-friendly dyeing technologies such as "Dope Dye" and digital printing. These technologies are said to have resulted in a reduction in water consumption of up to 17.4 percent, depending on the product. Dope dyeing uses less chemicals, energy and water as compared to conventional wet processing, since one step in the dyeing process is eliminated. Digital printing is also said to help reduce waste and chemicals. The collection uses cotton from the **Better Cotton Initiative**, a non-profit that promotes better standards in cotton farming and practices.

**Under Armour (UA)** is making special face masks that require no sewing to support the healthcare professionals at the nearby **University of Maryland Medical System (UMMS)** in their fight against the coronavirus pandemic. UA's global headquarters is located in Baltimore, Maryland. The sports brand is also working on face shields and hospital gowns for the state's medical system.

### Obituary

**Pascal Aymar**, a well-known and influential figure in the sports and outdoor sector, passed away on May 6 due to a heart attack. Based in the region of Annecy, the 63-year-old Frenchman was active lately as a consultant, as a vice president of the **Outdoor Sports Valley (OSV)**, the French trade association. After a stint in the toy industry at **Hasbro**, Aymar spent 37 years in our sector, starting with positions of increasing responsibility in Europe and Asia at **Adidas**, **Reebok**, **Salomon** and the **Scott Sports Group**. He ran for a while the European operations of **Coalision**. In 2012, Aymar diversified into academics, launching and running university-level courses on our industry at the management schools of **EM Lyon** and **Inseec**, and helping to coordinate the publication of a book in French and English on "The Global Sport Economy." **Eugenio Di Maria**, founder of **SGI Europe** and *The Outdoor Industry Compass*, collaborated in some of these projects at his request. As an expert in the sector with a great sense of empathy, Aymar was one of the "wise men" chosen by the **European Outdoor Group** to conduct a series of interviews to help determine whether the European **OutDoor** show should be moved from Friedrichshafen to Munich.

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