

SGI Europe

Sporting Goods Intelligence

News and analysis of the international market



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Industry stocks leap by 46%, led by sports retailers

The sporting goods sector continues to be in good health, based on the judgement of investors on the world's stock exchanges. The 85 public companies presently operating in the sector, including vendors and retailers, saw their combined stock market capitalization rise by 46.2 percent in 2019 at a currency-neutral, weighted average rate, reaching a level of \$537.6 billion – more than two and half times the level of \$209.4 billion attained by the sector ten years ago.

Our industry continued to progress faster than the stock market last year in all the regions, particularly in Europe. European-based sporting goods stocks surged by 64 percent to a total market capitalization of \$104.9 billion in 2019, driven by **JD Sports Fashion's** 140 percent jump and aided by increases of 56.7 percent by the **Adidas Group** and 60.1 percent by **Puma**. Their strong appreciation offset a 21.7 percent decrease by **XXL ASA** of Norway. Comparatively, Britain's **FTSE 100** index and the German **DAX** went up last year by only 12 percent and 25 percent, respectively.

With a stock market capitalization of \$10.7 billion, which compares with only \$659 million ten years ago, JD has become the tenth most valuable stock in the industry, thanks to its increasing global reach and its strong collaboration with the major sports brands in the more premium, lifestyle-oriented segment of the market.

As shown in the chart on page 3, **JD** came right after **Puma** and **Moncler**. Both JD and its smaller British arch-rival, the **Frasers Group** formerly called **Sports Direct International**, performed much better than they had done in 2017.

JD's stock market capitalization is now higher than that of **Marks & Spencer**. It has overtaken **Foot Locker**, which is still bigger than JD in terms of sales. Among the majors, only China's **Li Ning** and Brazil's **Grupo SBF**, which owns the **Centauro** chain of sports stores, scored better than JD in our industry last year.

In contrast with what happened in 2018, when **Nike's** 13.3 percent increase in value helped to pull the sporting goods industry's total market capitalization up by 10.1 percent, the Swoosh under-performed the market slightly in 2019. Its market value rose by only 34.3 percent last year but Nike continued to dominate the industry, representing 23 percent of the total market capitalization, more or less like ten years ago, but down from a 30 percent share in 2018.

With its apparently stronger focus on margins, **Adidas** reduced the gap with Nike slightly last year, after a 7.2 percent drop in market value the year before. Adidas' progress continued in the last few days with its share price reaching a new record of €311.45 at the opening of the **Frankfurt Stock Exchange** this morning, for a market capitalization of €62.4 billion. Nike's share price has been trending down slightly after reaching a record of \$102.39 on Jan. 9.

Vol. 31 - N°1+2 - Jan. 10, 2020

- Sports industry stocks outperform p 1
- **Speedo** goes direct in the U.S. p 4
- Russian **Sportmaster** enters Denmark .. p 4
- **XXL** hires new CEO after poor results p 5-6
- **Decathlon's** German expansion p 6
- **Adidas** launches skiwear p 6
- A growing ski market p 7-8
- Brands donate for Australian fire p 9
- A look at **Ispo's Sports Week** p 9
- **Nike, Adidas** and our emotions p 9
- **SGI Europe's** thoughts on the future p 10

Corporate

Adidas, Hurley, Kettler, Sport24, Thule p 8, Zalando

Management & Distribution

Boardriders, Giant, Hummel, Lululemon, Reef, Salming, Sequential Brands, VF Foundation, Wilberries p 5

Retail

Iberian Sports Retail Group

Results & Statistics

Deporvillage, JD, Sport 2000, Tradeinn

Others

Acid, Adidas, Asics, Brunswick, Canyon, Dunlop, Nike, Polartec, Sympatex, Puma, Skechers, Sport 2000, Wilson, W.L. Gore

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News and analysis of the international market

By the end of 2019, Nike and Adidas were followed in **SGI's** annual stock chart by **VF Corp.**, **Lululemon** and **Anta Sports Products**, and all three outperformed the market. **Amer Sports** is no longer on the chart following its acquisition by **Anta** and other investors. We have also removed this time **Brunswick Corp.**, because it's no longer in the fitness equipment business. On the other hand, we have replaced **Belle International** with **Topsports** and added a new American public company, **Peloton**, as well as **MAP Active** from Indonesia and Grupo SBF and **Vulcabras** of Brazil.

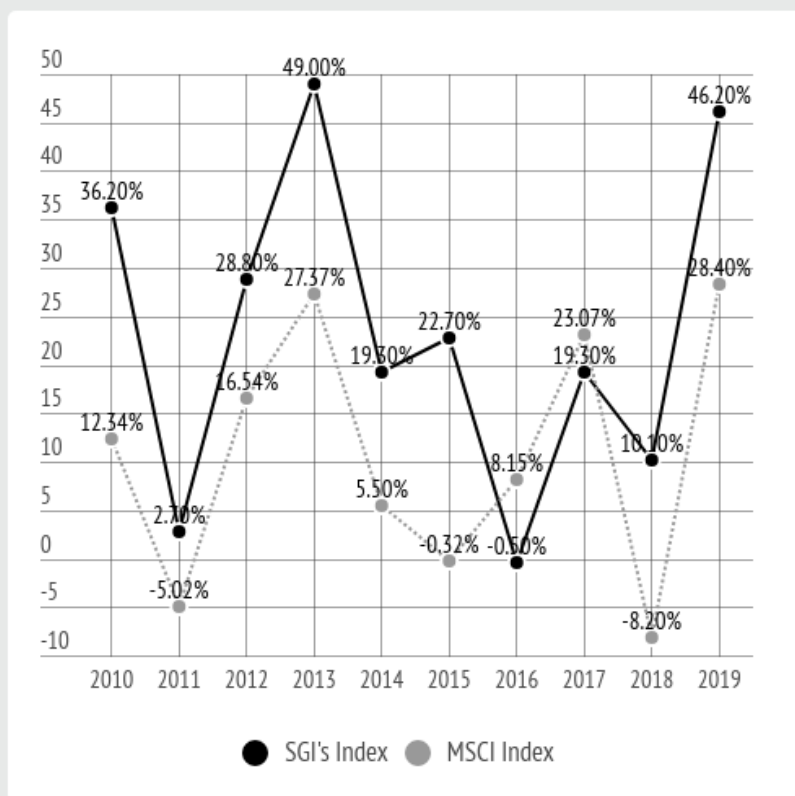
As in previous years, we have built up our exclusive chart by entering the share prices of each company at the end of 2018 and 2019 and converting them into U.S. dollars at the exchange rate of the last trading day of the year. We have then calculated the increase or decrease in the share value of each company in the local currency between the two dates, multiplying it by the number of fully diluted outstanding shares on both dates and excluding treasury shares. The figures in local currencies are weighted by market capitalization in order to allow comparisons and to calculate the overall performance of the sector.

Not surprisingly, the bigger companies grew more than the smaller ones in terms of market valuation last year. A total of 37 stocks topped \$1 billion in market capitalization at the end of last year, up from 25 in 2018, with 28 winners and only nine losers. Among the 38 others, 19 gained in value and 19 declined. Eight out of the ten small-

The Euro Jan. 10 rates	
Czech Koruna	25.26
Danish Krone	7.473
Hungarian Forint	333.9
Norwegian Krone	9.871
Polish Zloty	4.247
Pound Sterling	0.849
Swedish Krona	10.55
Swiss Franc	1.082
U.S. Dollar	1.110
Brazilian Real	4.542
Canadian Dollar	1.451
Chinese Yuan	7.680
Japanese Yen	121.6
Russian Ruble	68.00

SGI's Sporting Goods Index vs. MSCI Index

% Changes from 2010 to 2019



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est stock recorded declines including two licensors, **Sequential Brands** and **Apex Global Brands**, but the **Iconix Brand Group** made a strong recovery.

Including Lululemon, whose vertical business model helped pushed up its market value by 87.5 percent, sporting goods retailers performed better than the vendors last year, thanks no doubt in part to their growing omni-channel orientation. Helped by Topsports' IPO and strong gains at JD, Frasers and Grupo SBF, which offset declines at XXL and three American shoe retailers – **Designer Brands** (former **DSW**), **Caleres** (former **Brown Shoe Co.**) and **Genesco** – their combined market cap-

italization grew last year by 63 percent to \$78.2 billion.

Investors apparently took into account the potential benefits of strategic decisions like JD's acquisition of **The Finish Line** in addition to the latest results. In the latest trailing four quarters on record, the retailers' sales went up by 6 percent to \$29.6 billion and their net profits increased by 36 percent to \$1.65 billion.

Among vendors, Nike, Adidas and other footwear-based companies performed in line with the overall market, with their share price appreciating by 48 percent to \$306.1 billion as their net

Global Industry Stock Market Performers

Company	Exchange	Currency	Market Capitalization in Millions			Change Local
			2019 US\$	2019 Local	2018 Local	
Nike	NYSE	US\$	158 150	158 150	117 742	34.3%
Adidas Group	Frankfurt	Euro	64 139	57 340	36 591	56.7%
VF Corp	NYSE	US\$	39 802	39 802	28 308	40.6%
Lululemon	Nasdaq	US\$	30 185	30 185	16 102	87.5%
Anta Sports	HKEX	HK\$	24 058	187 390	100 634	86.2%
Garmin	Nasdaq	US\$	18 546	18 546	11 955	55.1%
Shimano	Tokyo	JPY	15 253	1 632 610	1 439 014	14.8%
Puma AG	Frankfurt	Euro	11 431	10 219	6 382	60.1%
Moncler	Milan	Euro	11 307	10 109	7 282	38.8%
JD Sports Fashion	London	GBP	10 723	8 150	3 395	140.1%
Under Armour	NYSE	US\$	9 200	9 200	7 557	21.7%
Peloton	Nasdaq	US\$	7 967	7 967	8 100	-1.6%
TopSports	HKEX	HK\$	7 498	58 404	52 700	10.8%
Li Ning	HKEX	HK\$	6 943	54 079	18 396	194.0%
Shechers	NYSE	US\$	6 770	6 770	3 622	86.9%
Columbia Sportswear	Nasdaq	US\$	6 765	6 765	5 803	16.6%
Canadian Tire	Toronto	CAD	6 724	8 734	9 341	-6.5%
Gildan Activewear	NYSE	US\$	6 015	6 015	6 280	-4.2%
Hanesbrands	NYSE	US\$	5 371	5 371	4 520	18.8%
Feng Tay	Taiwan	TW\$	4 773	143 273	117 223	22.2%
Yue Yuen	HKEX	HK\$	4 760	37 076	40 102	-7.5%
Deckers	Nasdaq	US\$	4 724	4 724	3 726	26.8%
Dick's SG	NYSE	US\$	4 350	4 350	3 067	41.8%
Alpargatas (S.A.)	Brazil	BRL	4 344	17 519	7 848	123.2%
Foot Locker	NYSE	US\$	4 077	4 077	6 006	-32.1%
Canada Goose	NYSE	US\$	3 946	3 946	4 813	-18.0%
Fraser's Group	London	GBP	3 228	2 453	1 277	92.1%
Asics	Tokyo	JPY	3 067	332 328	280 817	18.3%
Yeti Holdings	NYSE	US\$	3 014	3 014	1 250	141.1%
Crocs	Nasdaq	US\$	2 874	2 874	1 735	65.6%
Fila Korea	Korea	KRW	2 786	3 227 276	3 269 920	-1.3%
Wolverine WW	NYSE	US\$	2 729	2 729	3 024	-9.8%
Fox Factory	Nasdaq	US\$	2 680	2 680	2 236	19.9%
Giant Manufacturing	Taiwan	TW\$	2 662	79 889	54 196	47.4%
Acushnet Holdings	Nasdaq	US\$	2 443	2 443	1 575	55.1%
Thule	Stockholm	SEK	2 383	22 293	16 730	33.3%
Callaway	NYSE	US\$	1 995	1 995	1 446	38.0%
Grupo SBF	Brazil	BRL	1 833	7 393	2 583	186.2%
Fitbit	NYSE	US\$	1 741	1 741	1 235	41.0%
G-III Apparel	Nasdaq	US\$	1 602	1 602	1 377	16.3%
Compass Diversified	NYSE	US\$	1 489	1 489	746	99.6%
Fenix Outdoor	Stockholm	SEK	1 445	13 514	9 915	36.3%
Super Retail Group	Australia	AUD	1 397	1 999	1 388	44.0%
Xtep Int'l	HKEX	HK\$	1 335	10 400	9 441	10.2%
Camping World	NYSE	US\$	1 299	1 299	1 024	26.9%
			537 644	Average Change		46.2%

Company	Exchange	Currency	Market Capitalization in Millions			Change Local
			2019 US\$	2019 Local	2018 Local	
Stella Holdings	HKEX	HK\$	1 275	9 930	7 363	34.9%
Designer Brands	NYSE	US\$	1 129	1 129	1 985	-43.1%
MAP Active	IDR	IDR	1 087	15 107 120	9 356 032	61.5%
Caleres	NYSE	US\$	963	963	1 193	-19.3%
Zumiez	Nasdaq	US\$	891	891	489	82.3%
Johnson Health Tech	Taiwan	TW\$	858	25 756	9 821	162.3%
Sturm, Ruger	NYSE	US\$	822	822	929	-11.5%
Accell Group	Amstrdm	Euro	783	700	501	39.8%
Johnson Outdrs	Nasdaq	US\$	773	773	587	31.7%
Genesco	NYSE	US\$	704	704	894	-21.2%
GoPro	Nasdaq	US\$	676	676	636	6.3%
China Dongxiang	HKEX	HK\$	650	5 062	7 063	-28.3%
Mizuno	Tokyo	JPY	647	70 128	61 958	13.2%
Vulcabras Azaleia	Brazil	BRL	561	2 263	1 771	27.8%
Shoe Carnival	Nasdaq	US\$	529	529	517	2.3%
Amn Outdoor Brands	Nasdaq	US\$	511	511	701	-27.1%
Hibbett SG	Nasdaq	US\$	486	486	262	85.5%
Vista Outdoor	NYSE	US\$	433	433	654	-33.9%
Clarus	Nasdaq	US\$	404	404	302	33.6%
361 Degrees	HKEX	HK\$	377	2 937	3 370	-12.9%
Symphony	HKEX	HK\$	363	2 825	3 063	-7.8%
Tilly's	NYSE	US\$	357	357	320	11.6%
Sportsman's Whse	Nasdaq	US\$	347	347	188	84.6%
XXL	Oslo	NOK	316	2 777	3 548	-21.7%
BasicNet	Milan	Euro	313	280	231	21.1%
Delta Apparel	AMEX	US\$	217	217	120	81.1%
Rocky Brands	Nasdaq	US\$	217	217	193	12.5%
Eagle Nice	HKEX	HK\$	208	1 617	1 399	15.6%
Dorel Industries	Toronto	CAD	149	194	565	-65.7%
Escalade	NYSE	US\$	142	142	165	-13.8%
Lafuma	Paris	Euro	141	126	160	-21.0%
Rapala	Nordic	Euro	119	106	117	-9.3%
Kingmaker	HKEX	HK\$	85	664	1 145	-42.0%
Pegasus Intl	HKEX	HK\$	75	585	731	-20.0%
Big 5 SG	Nasdaq	US\$	65	65	56	16.1%
Nautilus Group	NYSE	US\$	52	52	325	-84.0%
Mainland Headwear	HKEX	HK\$	49	385	446	-13.7%
Sequential Brands	Nasdaq	US\$	22	22	51	-56.0%
Iconix Brand Group	Nasdaq	US\$	16	16	6	164.0%
Apex Global Brands	Nasdaq	US\$	4	4	8	-42.1%
			537 644	Average Change		46.2%

Share price and currency conversion rates are as of Dec 31, 2019 and Dec 31, 2018
For companies that went public in 2019, 2018 number reflects market cap at IPO.

(Local Market Cap - Weighted)

News and analysis of the international market

earnings rose by 52 percent to \$7.62 billion on 5 percent higher revenues of \$97.6 billion.

Solid gains at VF and Moncler, plus a rebound at **Under Armour**, could not prevent the sports apparel sector – excluding Lululemon – from recording an increase in market capitalization of only 28 percent to \$85.4 billion. The apparel companies' net income rose by 20 percent to \$1.42 billion on 6 percent higher sales of \$21.4 billion.

Equipment companies scored a higher increase of 38 percent in market capitalization to \$66.5 billion, aided by strong results for **Garmin**, **Yeti**, **Giant Bicycle**, **Acushnet** and **Callaway Golf**. Nevertheless, in the previous trailing four quarters, their sales rose by only 3 percent to \$19.4 billion, generating a combined net loss of \$151 million, compared with a profit of \$650 million in the prior 12 months, due to big impairment charges for **Vista Outdoor**, **Fitbit**, **GoPro** and **Nautilus**.

As shown in the chart on page 2, which we've compiled to compare our index with the **MSCI Global Investable Market Index**, the sporting goods industry repeatedly outperformed the global economy in the last ten years except for the 2016-17 period, when industry stocks in the U.S. scored less well than the **Dow Jones Industrial Average**. The main reason then was a series of adjustments in the American supply chain due to the disruption of the traditional retail environment, which culminated in the bankruptcy of **The Sports Authority**.

Pentland buys Speedo's North American business

We were wondering in our last issue what **Pentland Group** had in mind for its next investment after it sold some of its shares in **JD Sports Fashion** for \$177.6 million (€208.6m-\$232.0m), while retaining control of the profitable U.K.-based sports retail chain. The company owned by the family of **Stephen Rubin** and his son **Andy** had first invested in JD in 2004, paying \$10 million for a stake of 11 percent, and it is now

worth \$8.07 billion (€9.48bn-\$10.5bn) on the **London Stock Exchange**.

Pentland announced yesterday that it has agreed to buy the perpetual rights to the **Speedo** brand in North America and the Caribbean and the related operations from **PVH Corp.** for \$170 million in cash, uniting all the brand's operations around the world under a common umbrella just in time for the **Olympic Games** in Tokyo, where it will enjoy a lot of public exposure.

Speedo has not been growing much lately, reaching a global turnover of about \$566 billion in 2018, with its sales declining slightly to \$230 million in the U.S. and rising by 2 percent in the rest of the world.

PVH said it was divesting the business to concentrate on its main global brands, **Calvin Klein** and **Tommy Hilfiger**. The group had inherited the North American Speedo license by acquiring **Warnaco** in 2013.

Pentland has long coveted global control of Speedo, the world's leading swimwear brand and the biggest one in its portfolio ahead of **Berghaus**, **Canterbury**, **Ellesse** and **Mitre**. It first invested in Speedo in 1990 by acquiring a significant stake in **Authentic Fitness**, a subsidiary of Warnaco that had the exclusive license for North America.

Pentland had just come out of another major deal by selling **Reebok** for around \$700 million, with a huge capital gain from its initial investment of \$77,500 for a 55 percent stake. It soon after bought 80 percent of Speedo's Europe subsidiary, and then acquired **Speedo Australia** and the parent company, **Speedo International**.

Speedo was founded in Sydney in 1914 by a Scottish milkman, **Alexander MacRae**, who made a fortune by making underwear and selling socks to the Australian Army. Its swimwear was named Speedo in 1928 after a contest among his staff. Warnaco took the rights for North America in the 1950s in exchange for an Australian license for its **White Stag** skiwear line.

Russia's Sportmaster buys the Danish chain by the same name

Sport Danmark, the company that owns the Danish loss-making **Sportmaster** chain of sporting goods stores, was sold on Dec. 23 by **Nordic Capital** to a company in Singapore, **Sportmaster Operations Pte.**, created by the Russian **Sportmaster Group** in 2012 to oversee its development in China and to conduct acquisitions in Western Europe.

The price paid for the transaction has not been disclosed. The company in Singapore was also used by the leading Russian sporting goods retailer a few weeks earlier for the previously reported takeover of **Go Sport Polska**, which operates 34 sporting goods stores in Poland and was previously owned by the French **Go Sport Group**.

Also known locally as **Sport-Master** and operating a total of 89 stores, the Danish **Sportmaster** is the biggest sporting goods retailer in Denmark. Its sales of 1,148 million Danish kroner (€153.6m-\$170.6m) in 2018 gave it a market share of 19 percent in the country, but they generated losses of more than DKK 120 million (€16.1m-\$17.8m) for Sport Danmark's parent company, **Sporting Nordic Holding**, which took over the chain in 2012. It has been unable to get the business to deliver a decent profit since then.

Nordic Capital took over Sport Nordic Holding in 2012, but never managed to get the business moving. Besides its Sport-Master stores, it runs seven sneaker shops under the name **Rezet Sneaker Store**, following the acquisition of the banner in 2015. Earlier last year, Nordic Capital had to inject DKK 35 million (€4.7m-\$5.2m) into the company. At the same time, **Nordea** surrendered a debt of DKK 125 million (€16.7m-\$18.6m). As previously reported, while refinancing the Danish chain, Nordic Capital placed it under the management of a new chief executive, **Sofie Lindahl-Jessen** (*SGI Europe* Vol. 30 N° 19+20 of June 4, 2019).

Evidently, the Russian Sportmaster group is looking for growth outside its national borders as it has already reached a share of more than 20 percent in the domestic market. With total revenues of more than \$2 billion in the domestic market, including some revenues from wholesale distribution, it operates over 515 stores in more than 230 cities, predominantly in Russia and Ukraine. It also has some stores in Belarus and Kazakhstan, and it is reportedly entering Uzbekistan, another member of the former Soviet Bloc (see the next story in this issue). Its expansion into China, which began in 2014, has been rather challenging.

We could not determine whether the similarity in the names of the Russian and Danish retail companies was a factor in the takeover. The Russian Sportmaster was born in 1992, after the liberalization of the country's economy, starting as a distributor for **Kettler** and other foreign sports brands.

The Danish Sportmaster was founded in 1979 by a group of 16 hardware store owners who decided to diversify into the sporting goods business through a network of independent sports stores. They adopted Sportmaster as their common banner in 1978, forming a cooperative buying group that was subsequently affiliated with **Sport 2000 International**.

In 2007, the retailers affiliated with Sportmaster and its main rival, **Intersport Danmark**, started negotiations to sell their stores to an Icelandic investment bank and to a London-based private equity fund, but the subsequent financial crisis prevented the finalization of the deal.

Sportmaster reportedly emerges in Uzbekistan

The leading Russian sporting goods retailer is to open three stores in Uzbekistan, starting in March, in three of its shopping malls in Uzbekistan's capital city of Tashkent, said a local real estate operator, **The Tower MMG**. The new stores will occupy 1,100 to 1,270 square meters each.

Ilya Titarenko, director of the distribution department of **Sportmaster**, said that the group has not yet made a firm decision to enter the market but is keeping an eye on it because of the high share of its young population, which is increasingly engaged in sports and outdoor activities, with fast economic growth and a growing social openness to the modern culture of consumption.

Sportmaster has stores in other former Soviet republics – Belarus, Ukraine and Kazakhstan – as well as in China. As reported elsewhere in this issue, it is moving strongly into Western Europe with the acquisition of the **Sport-Master** chain in Denmark, after its takeover of **Go Sport's** stores in Poland.

Wildberries moves into Poland

Incidentally, **Wildberries**, the largest online retailer in Russia for all kinds of products, has just created a subsidiary in Poland, launching a dedicated web store and opening a first pick-up point for click-and-collect orders, which should be followed by about 100 more in due time.

As part of this first market entry into the European Union, Wildberries has signed important agreements with local suppliers including **4F**, a big Polish sports brand that has more than 200 points of sales and a presence in over 600 multi-brand sport shops in 36 countries worldwide. The brand is also a sponsor of eight Olympic committees including those of Poland, Serbia, Croatia and Latvia.

As of today, Wildberries is operating in Belarus, Kazakhstan, Armenia and Kyrgyzstan, along with Russia. Poland is the first country outside of the common space of the Eurasia Economy Union where the Russian online retailer intends to begin operation. Last year, Wildberries unveiled plans to launch a big distribution center in Slovakia to expand its operation to the eastern part of the European Union.

Wildberries became the biggest non-food retailer on the Russian market last year, with its total sales rising by 94

percent to more than €3.1 billion. The company sells 2.6 million different products from 15,000 companies and gets an average of 750,000 orders per day. It has been constantly looking for opportunities to expand the product range.

Another new chief executive for XXL

After issuing yet another profit warning for the fourth quarter of 2019, the board of directors of **XXL ASA** announced earlier this week that it has appointed **Pål Wibe** as the new chief executive of the company, which is the largest sporting goods retailer in the Nordic countries.

Wibe is a Norwegian manager with a strong background in discount retail. He has been the CEO of a low-priced chain of variety stores, **Europris**, since March 2014. He previously served for nearly seven years as CEO of a Norwegian discount retail chain for consumables of any kind, **Nille**. He holds an MBA from the **University of California at Berkeley**.

Tolle Grøterud, who has served as interim CEO since December 2018, will remain in the company's management team, taking on the responsibilities that he previously had for strategy and investor relations, and also handling sustainability.

Grøterud was appointed interim CEO at the end of 2018 as XXL announced disappointing fourth-quarter results along with the departure of a brand-new CEO, **Ulf Bjerknes**, after just two months in the role. This former CEO of **Rottefella** and the **Swix Sport Group**, took over as CEO in October 2018 after nine months with XXL, when **Fredrik Steenbuch** left the company after a difficult year.

When Grøterud took the role of interim CEO, the company's founder, **Øivind Tidemandsen**, took a more operational and strategic role in daily operations. Late last year, **Huga Maurstad** replaced Tidemandsen as XXL's chairman after the **Altor** private equity fund became its largest shareholder through a private placement intended to refinance the company (**S&P Europe** Vol. 30 N° 37+38 of Nov. 8, 2019).

News and analysis of the international market

In announcing the appointment of the latest new CEO, XXL said that Tide-mandsen will now resume his position as a regular board member and serve as an adviser to the management team when and where needed.

XXL issues another profit warning

XXL issued a profit warning last week, citing particularly weak trading conditions in December and at Christmas. It said poor winter conditions in the big cities where it operates, combined with large price cuts from competitors, contributed to a sales drop of 12 percent on a comparable basis in the quarter.

The company estimates that total operating revenues in 2019 will be below expectations at around 9.0 billion Norwegian kroner (€912.2m-\$1.0bn), down 5.3 percent from the previous year.

The management said it has continued to focus on reducing the level of the group's inventories. Combined with lower sales, XXL has substantially reduced its purchases, but this negatively affected the bonuses received from suppliers. In turn, this affected Ebitda, which are expected to have been in the range of NOK 870 to NOK 900 million (€88.2m to €91.2m-\$98.6m to \$102.0m) for the year. They cannot be compared with the previous year's Ebitda due to the implementation of IFRS 16 accounting guidelines.

It was yet another weak quarter for the company after months of difficulties that started in 2018, when XXL admitted that the group ended up losing money because of poor execution with overly aggressive price discounts, especially in the domestic Norwegian market.

Meanwhile, several analysts have released damning reports about XXL lately. **Oliver Schüller Pisani** from **Nordea Markets** believes that XXL needs to raise new equity on the stock market. **Petter Nyström**, an analyst for **ABG Sundal Colliers**, estimates that earnings per share fell by 30 percent last year as compared to 2018.

At the end of the third quarter, the company's net debt was estimated to have reached around NOK 1,870 million (€189.5m-\$211.8m), placing the company in danger of breaking the covenants that it had agreed with a bank consortium last June. The covenant called for the debt/Ebitda ratio to decline from 4.5 times in the second quarter to 4.25 times in the third and fourth quarters, and to 3.5 times going forward.

The bank consortium has now agreed to a debt ratio of 4 times Ebitda for the new financial year, after being presented with a new refinancing program that included a private placement of new shares worth around NOK 400 million (€40.5m-\$44.8m) from its largest shareholders.

XXL said it has initiated actions to improve the company's financial situation in the near term. The focus is now on improving the balance between sales growth and the gross margins, while at the same time reducing inventories. In addition, it is implementing several cost initiatives.

XXL will present its final figures for fourth quarter and the last financial year on Feb. 7, 2020.

Decathlon Germany will open a third logistics center and its largest store

We underestimated the size attained by **Decathlon** in Germany in publishing our annual European retail charts on Oct. 18. Decathlon said it reached a turnover of €528 million in the country in 2018, building the chain into the largest integrated sporting goods retailer in Germany after steady progress in the previous three years. At €259 million, its sales were less than half as high in 2015. They subsequently grew to €333 million in 2016 and €435 million in 2017, in tune with the expansion of its store network and its online sales.

After 16 new store openings in 2019, Decathlon Germany ended a very successful year with a total of 80 doors, compared with only 26 at the end of

2015. More or less until 2010, the French retailer had a tough time in the market, due in part to its disruptive low-priced format and intense adverse lobbying by traditional retailers with the local urban planning authorities.

With Decathlon's reported medium-term objective of 130 to 150 stores, this year will see around 10 further store openings in Germany, with locations already confirmed in Hamburg-Langenhorn, Fulda and Erding as well as Weiterstadt near Darmstadt. This last one will be a 7,500-square-meter unit, the company's largest in the country.

Steady growth in the number of retail outlets has made the expansion of Decathlon's logistics operations inevitable. The company has chosen to locate its third German distribution center in Berlin because it already has a strong presence in the German capital, operating eight stores there, and needs to meet the requirements of other branches in northern and eastern Germany.

In keeping with its business model, Decathlon's stores carry no inventories, but the company says it wants to guarantee fast delivery processes and flexible adjustments with reliable, self-organized logistics in order not to lose the necessary proximity with the customer. Its two other existing German distribution centers are located in Dortmund and Schwetzingen.

Construction will start this spring on a total of 45,000 square meters of warehousing and office space in the new **VGP Park Berlin** in Ludwigsfelde, a city to the south of Berlin in the district of Teltow-Fläming, in the industrial area of Brandenburg Park. In phase one, 30,000 sqm will be built for stocking the merchandise and 5,000 sqm for offices, social rooms and service centers. In phase two, another 10,000 sqm warehouse will be completed. The new logistics center in Berlin plans to start with a team of about 300 employees in the first year.

Adidas launches a skiwear line

Confirming a report in **Süddeutsche Zeitung**, Adidas says it is planning to enter

the snow sports market with a line of winter sports apparel for cross-country and alpine skiing, ski touring and snowboarding for the autumn/winter 2020/21 season. It will be launched under its growing sub-brand for outdoor products, **Adidas Terrex**, which is already a partner of the **German Ski Federation**.

Last summer, the Big a made a big statement in the ski sector by announcing a multi-year sponsorship contract with Mikaela Shiffrin, the 24-year-old American ski champion who has already won two **Olympic** gold medals, five **World Championships** and 60 **World Cup** races. Adidas noted that she also trains with other types of sports, such as trail running, hiking, yoga and gymnastics. Adidas had two German ski champions under contract before, **Magdalena Neuner** and **Laura Dahlmeier**. Its new contract with Shiffrin is to address a much bigger audience in the U.S. and internationally.

In commenting on the diversification of Adidas Terrex into winter sports, an Adidas spokesman points out that the sub-brand already pursues a multi-brand approach for summer sports with products for hiking, trail running, climbing and cycling.

Run by **Tim Janaway**, **Adidas Outdoor** is an independent business unit within the **Adidas Group**, and its sales have been growing quickly following a series of recent initiatives in the areas of product development and marketing. It uses the Adidas logo as a trust mark and its products are available on the **adidas.com** website.

As we reported last year in our outdoor-specific publication, **The Outdoor Industry Compass**, we estimate that Adidas' total sales in the outdoor sector are probably higher than €400 million a year, making it the fifth-largest outdoor brand after **The North Face**, **Columbia**, **Patagonia** and **Salomon**. All of those brands have winter sports apparel collections.

The decision to offer a skiwear line may have something to do with the Adidas Group's strong focus on China, which will host the **Winter Olympic Games** in 2022. It was planning to open dedicated

Adidas Terrex flagship stores in Beijing and Shanghai, catering mainly for young customers. Similar stores are planned for Moscow and Seoul.

For the Adidas brand, skiwear is not really a new category. **Adidas Originals** had a line of snowboard garments many years ago. Luxury skiwear has been offered under the **Adidas by Stella McCartney** label. On the other hand, Adidas has historically covered more sports categories than **Nike**. Up to a certain point, it developed products for more or less all the Olympic sports.

In 1997, Adidas made a big move into snow sports under the management of the late **Robert Louis-Dreyfus** with its acquisition of Salomon for the equivalent of about €1.2 billion, but actually, it was mainly to enter the golf segment through its **TaylorMade** subsidiary. The diversification didn't work out and Adidas sold Salomon without TaylorMade to **Amer Sports** in 2005 under the management of **Herbert Hainer** for about €500 million. It's interesting to note that a Chinese brand of sports shoes like Adidas, **Anta**, is now the main shareholder of Amer.

The ski market is apparently growing in the long term

Manufacturers' deliveries of skis, boots and bindings to the trade grew for the third year in a row during the winter 2018/19 season, according to an annual study recently released by the **Federation of the European Sporting Goods Industry (Fesi)**. Some analysts expect the trend to continue to be positive for the next few years.

Globally, Fesi estimates that total volumes went up by around 10 percent in 2018/19 as compared to the prior season, with growth of 16.9 percent for skis alone to a total of 3.7 million pairs.

In Austria – the second-largest market for alpine skis after the U.S. during the season, ahead of France and Germany – manufacturers were able to deliver a total of 432,656 pairs of alpine skis, or 12 percent of the world's total, according to the **Austrian Association of Sporting Goods Manufacturers and Suppliers**

(**VSSÖ**). This compares with only around 392,000 pairs in the previous season.

Fesi's winter sports committee indicates that similar trends were observed in other European markets except the U.K. In the European Union, the biggest gains were recorded in Italy, Spain and Sweden.

On a continental basis, Europe is traditionally the strongest sales market, with an estimated 48 million alpine skiers, followed by North America, the Asia-Pacific region, South America, and the Middle East & Africa.

For the ongoing season, VSSÖ expects new growth, especially in the ski-rental sector. In the last season, 60 percent of the skis sold in Austria were already used for rental. More and more people, especially in tourist regions, are renting skis or ski sets, with boots and bindings, for their holidays or the entire season. At the same time, customers are becoming more demanding. According to the VSSÖ, they are paying more attention to high-quality and, therefore, to more expensive equipment.

The increase in the rental sector can be observed in all countries where alpine ski tourism is economically relevant. The worldwide demand for touring skis has also been growing consistently in recent years. In Austria, according to VSSÖ, sales of touring ski boots in particular more than doubled in only two years.

The online publication **Business Wire**, citing a market research report by **Technavio**, reports that the size of the ski-equipment market is expected to post a compound annual growth rate of over 1 percent during the 2019-2023 period. The increasing number of skiers globally is one of the primary reasons for market growth. According to the same source, the number of people visiting ski resorts has increased significantly in recent years, thanks to rising interest in skiing.

In the U.S., one of the countries with the highest number of ski resorts, the total number of visitors to skiing regions increased by about 11 percent from 2018

News and analysis of the international market

to 2019, and the rising number of skiers and ski resorts will help drive the growth of the ski-equipment market going forward.

In developing economies with big populations, such as China and India, the popularity of alpine skiing has increased over the last few years, triggered partly by various government initiatives or major upcoming events, such as the 2022 Beijing Winter Olympics. The Indian government has announced plans to construct new skiing areas in the country's mountainous regions, which should enhance the sport's availability and thus its popularity.

It remains to be seen how the current ski season will perform in the end. In the Central Alps, the Rocky Mountains and even Japan, snowfall has so far lagged behind expectations. Against the background of the climate-change discussion, consumers are questioning the practice of skiing more now than ever before. Recent statistics that we have come across suggest that younger people are growing less attracted to snow sports, even to snowboarding. The VSSÖ sees potential for more positive trends, especially in terms of sustainability, and also in the area of safety.

Half of Spain's snow sports retailers are gone, but...

There is some general good news for Spain's ski sector. Thanks to this past Christmas, the 2019/20 ski season is off to a strong start. The main ski lodges in Spain and Andorra have seen skiers' numbers increase. The **Aramón** group had its second-best start ever, with 325,000 skiers, and **Sierra Nevada** saw 140,000. The same figure was up by 56 percent at **La Molina** and by 20 percent at **Grandvalira** and **Vallnord**. The ski resort of **Baqueira Beret**, while not reporting figures, has declared itself satisfied.

Better yet, this has translated into higher sales at snow sports stores, according to CMDsport. Twinner Deportes Skiman of Zaragoza has just had its best Christmas since 2007, and its management believes that certain customers have grown tired of buying or renting

online and are now seeking the kind of advice that only an in-store staff can provide. On the flipside, **Patrick Sport** cautions that ski conditions have not been uniform throughout Spain, as the Central System and Cantabrian Range lack snow. Sales have improved, but the sector needs some snow fast to keep things moving in the right direction. The recent record high temperatures throughout the world are certainly not helping the snow sports market.

Snow sports presented a very different commercial landscape in Spain before 2008, when the market for mortgage-backed securities collapsed and sent the world into recession. The preceding construction boom had introduced a whole new type of consumer to the joys of snow, and physical retail stores flourished. In particular, there was a spike in the market with the young, who took to snowboarding.

The recession brought this pleasant glide to a halt, as shown in the data collected by Spain's **Association for Ski and Mountain Tourism (Atudem)**. Spain's ski lodges drew 5.52 million skiers in the 2010/11 winter season, a decline of 6.6 percent from the previous season. The figure for winter 2018/19 was 5.67 million, up a mere 2.7 percent from nine years previously, and yet it qualifies as the decade's best. The decade's nadir was the winter of 2011/12, with 4.5 million skiers. By comparison, winter 2008/09 hit 6.59 million.

As the number of skiers declined – and as, at times, even the weather stopped cooperating – the sector's traditional distribution network in Spain began to suffer. Add to this the general rise of e-commerce, which did not spare the snow sports market, as well as the arrival in force of **Decathlon**, which has made snow sports a focus in Spain. All of this narrowed the specialist retailers' margins, driving many of them out of business and inducing multi-sport retailers to shift their business toward more profitable and less seasonal sports. Snow sports retailers now estimate that their sales have been cut by half over the past decade or so.

As in other countries, Spain's urban retailers have been hit especially hard by yet another phenomenon: the rise of the rental market. Naturally, this has been a benefit for stores operating at ski lodges, as renters can avoid the hassle of lugging gear. Rentals have also brought gear of higher quality into the financial reach of the average consumer.

In short, as noted by *CMDsport*, Spain has lost such iconic shops as **Foss** and **Deportes Tornal Moya** in Madrid, **Esports Mañanés** in Barcelona and **Yordas Sport** in León. Retailers estimate that, like sales, store numbers have been halved over the past decade.

At the same time, others have grown stronger with their survival. Among these is **Cuylás**, a chain of seven stores in Madrid, Barcelona and Baqueira; **Skimarket**, which has consolidated two stores into one in Las Rozas; and **Barrabés Esquí y Montaña**, another chain of seven units, but one that leads the market in both total surface area (5,500 square meters) and sales (€24.5 million in 2018).

Furthermore, the development of e-commerce has brought more foreign players into the Spanish ski market, notably from Central Europe. Shorter ski seasons have resulted in higher inventories, enticing more customers to seek bargains online. According to *CMDsport*, however, at least one Spanish player has been thriving off the current conditions: namely, **Snowinn**, the snow sports branch of **Tradeinn**, the rapidly growing online retailer (see the brief in this issue). **Snowinn** is regarded as Spain's best positioned online portal for ski and snowboard sales.

Thule acquires a fishing rod carrier

The Thule Group has acquired Denver Outfitters, an American producer of vehicle-mounted fishing-rod carriers. The company was founded in 2010 and is based in Denver, Colorado, although its website lists an address in Seymour, Connecticut. A banner on the homepage acknowledges the acquisition and says that deliveries of outstanding orders were set to resume on Jan. 8.

The financial terms of the deal remain undisclosed. According to Thule, however, Denver Outfitters generated less than \$1 million in revenues last year, and should therefore have no material effect on Thule's books.

What the acquisition should do is to expand Thule's product range in camping and outdoor lifestyle. The Swedish company is known for its roof racks, roof boxes and bike racks, as well as strollers, bags and sleeves of various kinds. At the end of 2018, it added roof-top tents and van awnings for the North American market through its takeover of another local firm, **Tupui Outdoors**, for a basic purchase price of \$9.5 million plus an earnout.

Thule's chief executive, **Magnus Weland-er**, notes that there are almost 50 million recreational anglers in North America and that, while it is a small market, fly fishing is the fastest-growing segment in fishing. It is one of Denver Outfitters' two product categories, alongside with vaults for standard fishing tackle.

As we have previously reported (*SGI Europe* Vol. 30 n°39+40 of Nov. 11, 2019), Thule saw its sales for North America decline by 2 percent in constant currencies in the third quarter of 2019, the most recent period for which figures are available. The company attributed the decline to U.S. tariffs on Chinese imports.

Sports brands and retailers help fight Australian blaze

Several companies in the sporting-goods industry are making donations to help rescue wildlife and help fight the great bushfires that have kept swaths of Australia ablaze since early September. They appear to be the worst fires on the continent since the mid-1970s. So far, they may have killed as many as a billion animals and driven certain species to extinction.

Along with an Australian retailer, **Surf Dive 'n' Ski**, the brands of the originally Australian **Boardriders** group – **Billa-bong**, **Roxy**, **Quiksilver**, **DC Shoes**, **RVCA** and **Element** – have committed all

profits generated in Australia through e-commerce over the weekend of Jan. 11-12. The funds will provide aid to communities affected by the fires.

The big Australian **Super Retail Group (SRG)**, which owns the **Rebel Sport**, **BCF** and **Macpac** retail banners, is donating \$250,000 to the **Red Cross** for the fires' aftermath. SRG is also providing paid leave to the volunteer firefighters among its employees.

Merrell is donating \$25,000 to **Wires**, a big Australian wildlife rescue organization, which will be working on post-fire rehabilitation. Wires is also accepting donations from the public online at: www.wires.org.au/donate/online.

On Jan. 9, several brands, some 45 retailers and 1,000 stores held a charity campaign in which all profits were pledged to the Red Cross Disaster Relief and Recovery Fund. Among the brands were **eBay**, **Globe**, **Lacoste**, **Seafolly**, **Sea Level Swim**, **Speedo**, **Stüssy**, **The North Face** and **Ugg**.

Ispo Group activates end consumers

With the third **Sports Week** scheduled to take place from Saturday, Jan 25, to Saturday, Feb 1, 2020, the **Ispo Group** is again organizing a series of activities and events in Munich and the surrounding area in connection with this year's **Ispo Munich** trade show. In keeping with the motto for the 50th anniversary of Ispo Munich, the B2C events will focus on "Be responsible. Be active. Be creative."

Workshops on avalanche safety, films, e-sports competitions, workouts and trial courses are on offer as well as evening winter hikes and ski tours. **Messe München** has once again managed to win over local retailers such as **Globetrotter**, **Keller Sports** and **Sportscheck** as partners. Companies such as **Schöffel**, **Mammut**, **Gore-Tex**, **Vaude**, **Madshus**, **K2 Skis**, **Lululemon** and **Icaros** will ensure a wide range of interesting activities, attractive raffles and test products for the events. Another important returning partner is the non-profit organization "**Outdoor against Cancer**," which is

organizing night hikes at eight different German and Austrian locations.

The highlight of Sports Week will certainly be the third **Night Run**, on Feb 1, 2020. This year, the start/finish and action area will move from the open space in Munich's **Olympic Park** to the small **Olympic Hall**. The partners of the 5 km and 10 km runs and the **Kids' Run** as well as the **Uphill Challenge** will offer product tests, training units, entertainment and catering inside the hall. Accordingly, the duration of the event has now been extended to include the afternoon instead of just the evening. **Messe München** told **SGI** that the running event is set to grow even larger in the future.

Messe München uses Sports Week in the winter and the new **OutDays by Ispo** in the summer to engage end consumers with the "Ispo" brand, without opening the trade show itself to the public. It also means to strengthen the social relevance of sport, with more activity, more physical fitness, more awareness and more well-being.

As the "Home of Sports," the Ispo Group claims to be well positioned and have the right network to create unforgettable sports experiences together with relevant partners. The target group is not necessarily only the active athlete, but also newcomers and beginners. They are invited to try out new sports or just basic physical fitness through the offers of Sports Week. At the same time, the participants are encouraged to think and act sustainably.

The complete program for the third Sports Week is available at www.ispo.com/sportsweek.

Nike and Adidas trigger distinct emotions

In an interesting exercise, **CMDsport** has pitted the top two sports brands against each other in a survey of 5,491 Spaniards who read its publications. At stake were the "emotions" that these brands inspire. The Spanish trade paper developed a list of 34 such emotions or perceptions and asked participants to check one of two boxes, both boxes or none of them.

News and analysis of the international market

Nike edged out Adidas overall in the top 10, winning on six emotions: fashion, success, admiration, happiness, victory and fun. Adidas took the remaining four: comfort, sportiness, satisfaction and health.

An interesting result is that Nike and Adidas seem to have completely different emotional profiles, with no overlap. The dominant note for Adidas is nostalgia, which, as *CMDsport* observes, can be positive or negative. Nike's dominant note is success, followed by victory. These would seem to be entirely positive, but next come amazement, envy and aversion. Then things start looking up again with admiration, fun, fashion and adoration.

After nostalgia, things look bright for Adidas for a full seven slots: calm, sportiness, friendliness, health, comfort, solidarity and satisfaction. Things then take a dip into boredom before rising again to love. In *CMDsport's* summation, Adidas is simply more "human" than Nike.

An almost equal number of respondents bought Adidas and Nike products in the course of last year. Men represented 77 percent of the panel, and they valued success more than the women, who picked health as one of the ten most important themes. Consumers aged 41 to 50 accounted for 41 percent of the respondents, followed by the 31-40 age group (25%) and the 51-60 age group (19%).

What next in 2020 and beyond?

The year ahead should be more positive for the sporting goods market in view of mega-events like the European Football Championships and the Summer Olympic Games in Tokyo. Furthermore, the recent stock market rally suggests that the general economy is looking brighter than before, with trade tensions subsiding between the U.S. and China and between the U.K. and the rest of the European Union.

On the other hand, money has become cheaper than before, providing plenty of opportunities for

new and hopefully smarter acquisitions. We would not be surprised if the consolidation of the sporting goods industry were to accelerate in the next decade, creating big new empires in the sector like LVMH in luxury goods, after last year's momentous acquisition of Amer Sports by Anta Sports Products of China and other investors.

We also see new bridges being created between sports and fashion as sports participation trends are stagnating and consumers are wearing more activewear and more sneakers in their daily lives. The growing commonality of purpose has been recently highlighted by collaborations between sports brands like Adidas with Missoni and Prada, Jordan with Dior, Puma with Balmain and Rossignol with Tommy Hilfinger.

The growing fashion or lifestyle orientation of our sector, with a stronger focus on design than performance, is a growing component of the emotional content being attached to sports brands like Adidas and Nike (see the previous article in this issue). It is also one of the reasons why the sports equipment sector has been growing less rapidly than the athletic footwear and sports apparel sectors in the last few years, triggering Callaway Golf Company's takeover of Jack Wolfskin and Acushnet's acquisition of Kjus in 2019. Like the Anta-Amer deal, both of these transactions hinged not just on product diversification but also on geographical diversification, which may become a more important factor in M&A strategies going forward.

Sports brands will continue to try to develop their business in China, whose sporting goods market continues to enjoy robust growth and whose fashion market overtook the U.S. for the first time last year. However, we think that they should also prepare the ground for stronger market penetration in relatively unexplored areas with a strong potential, such as India and Southeast Asia.

Meanwhile, the pace of the supply chain's transformation is accelerating, with new challenges and new opportunities being opened up all the time on the technological, marketing and sales fronts, and with many new tools being placed at the disposal of vendors, retailers and consumers to make the best possible choices. It is forcing all the actors in the supply chain to be constantly on their toes and to update themselves more frequently in order to become real experts in their field and to work more closely together as a team. Cutting-edge ideas from young managers and start-ups are more welcome than ever to stay ahead of the game, and companies like Nike, Adidas, Decathlon and Asics have understood this.

The internet has just added a new channel for people to buy products. The number of physical stores is bound to continue to decline, but more and more retailers are developing an omni-channel sales model where the two forms of retailing are connected. The big brands will want to have "temples" in the big cities for image and convenience. Stores and malls will have to become more experiential for the customer. On the other hand, we believe in the development of highly specialized stores focusing on specific product categories and of hybrid neighborhood stores where the products on display are complemented by functional internet kiosks to create an "endless aisle."

Aided by the internet, the major sports brands have continued to pursue the verticalization that the luxury goods brands started many years ago, resulting in better margins and a better brand image in a somewhat flattish market environment, coupled with precious customer feedback for product innovation. Nike has been successfully leading the charge with its "direct offense," seeking the customer's engagement through multiple touchpoints. Its sales have continued to grow at a double-digit pace in spite of an increasingly selective approach at the wholesale level, as it has preferred to work more closely with the likes of JD Sports Fashion and Zalando to

create a stronger brand experience rather than through the minor Spanish buying groups or through Amazon's uncontrolled marketplace.

The process is bound to continue, considering the fact that the world's biggest luxury brand, **Louis Vuitton**, has achieved an operating margin of more than 40 percent while carrying out 100 percent of its sales through its own stores, and that own retail represents more than 60 percent of the turnover for other brands like **Gucci** and **Prada**. **Lululemon** has consistently shown that this is possible in the sporting goods sector. In China, the fastest-

growing major sports market in the world, and the second-largest one, the relatively small role played by multi-brand retailers and the strength of e-commerce have allowed big brands like Nike and Adidas to achieve operating margins of more than 20 percent.

On the other hand, we find it interesting that a smaller challenger like **Puma** has been growing faster in a global playground dominated by Nike and Adidas through a series of quick and smart moves in all the regions in terms of new product development, marketing and diversification. **Under Armour** did it before in the U.S. alone,

and is now replicating the process in Europe and other markets.

What this means, in our opinion, is that there are potential benefits for participants in three-horse races or even bigger ones in any category of the sporting goods market, perhaps because the new generations tend to be less loyal to specific brands than before. They insist on sustainability. Customers must be engaged differently to trigger purchase decisions. Smart and broad-minded managers guided by deep market intelligence will be required to stay ahead of the game.

News Briefs & Short Stops

Corporate

Trisport, which has been the exclusive importer of **Kettler** in Switzerland for 40 years, has reportedly acquired the fitness equipment patents of the insolvent German brand and the trademark rights for its distribution in Europe. Kettler's holding company will keep the rights for the brand's tennis tables. Trisport will show a new Kettler product range at **Ispo Munich** later this month.

Sport 24, the third-largest sporting goods retailer in Denmark, which has been growing fast, has moved to a new 3,200-square-meter headquarters in Jutland. **Henrik Bruun**, the founder, has used his own money to build an attractive, modern building to handle all functions for the chain's six divisions. There is also room in the building for future activities and projects. Bruun told the Danish trade magazine **SportLink** that 2019 was a hectic but good year, and all the work done by the organization since 2016 has borne fruit, lifting the company's earnings sufficiently for another massive investment in a 60,000-square-meter automated logistics center in a plot next door, in spite of tough price competition in the market and the shift to online sales. Provided the project gets regulatory approval, the first phase could start in June 2020, replacing the work currently performed by six different warehouses. Sport24 told suppliers and partners that it is committed to meeting the goals of the United Nations for sustainable development.

In the summer of 2019, **Zalando** completed the construction of buildings X and O in Berlin. In April 2020, the e-commerce company will be starting the construction of another building (Z) in Friedrichshagen, Berlin. The new building is expected to offer a flexible working environment, allowing employees to work individually as well as in teams. The building will have a contact point where employees, partners and clients can interact freely. There will also be conference rooms where training sessions and meetings can be held.

Adidas has announced the start of the third tranche of its multi-year share buyback program, which calls for the purchase of up to €3.0 billion worth of its own shares between March 2018 and May 2021. It is

planning to purchase own shares worth up to €1.0 billion in 2020. In the previous two tranches, it acquired a total of 8.3 billion shares for €1.8 billion, representing 4.1 percent of the share capital. The majority of repurchased shares is set to be cancelled.

Bluestar Alliance, the new owner of **Hurley**, is moving quickly to turn Nike's former action sports brand into a licensed operation. According to **ShopEatSurf**, it has signed contracts for the U.S. with companies specializing in men's clothing, women's clothing and swimwear. The licensees will rehire some or all of Hurley's 175 employees. Hurley had annual sales of \$250 million, representing 0.6 percent of the Nike group's turnover. When Nike bought it in 2002, it had sales of about \$70 million, or 0.7 percent of group revenues.

+++ As part of a review of its corporate governance, which was announced at its general meeting last July 3, **JD Sports Fashion** will present a new remuneration policy in its annual report on April 15 that will be submitted for shareholders' approval in the summer +++

Management

Lululemon Athletica has appointed **Nikki Neuburger** to the new post of chief brand officer. Neuburger is a former global vice-president for **Nike Running**. She spent 14 years at Nike and has worked at **Uber** for the last two years. Her appointment takes effect on Jan. 20. Her international experience should help Lululemon to pursue its global expansion strategy.

Boardriders confirms a report in **fashionnetwork.com** that its general manager for wholesale in Europe, the Middle East and Africa, **Jean-Louis Rodrigues**, is leaving the group. The former European sales manager of the **Billabong International** group was elected last summer as the new president of **Eurosim**, the European association of boardsports companies.

David Conn, a brand executive of 25 years' experience with a huge curriculum, is the new director and chief executive of **Sequential Brands Group**. He is replacing **Chad Wagenheim**, president, who

News and analysis of the international market

took charge temporarily in October of last year. Wagenheim will now be working in partnership with Conn. Conn was most recently CEO of **ThreeSixty Brands**, overseeing the acquisition and retooling of **FAO Schwartz** and **The Sharper Image**. Before that, he was CEO of **True Religion** jeans, president of the **Rock and Republic** brand at **VF Corp.**, executive vice president at **Iconix Brand Group**, vice president of marketing and sales at **BMG Columbia House** and vice president of marketing and licensing at **Candie's**. As we have previously reported, Sequential Brands is recovering from the ill-considered acquisition of **Martha Stewart** at a price of 23 times Ebitda. It sold off that brand along with **Emeril Lagasse** in August. Brands in the group's current portfolio include **Avia**, **And1**, **Gaiam**, **Joe's**, **Ellen Tracy**, **Jessica Simpson**, **William Rast**, **Heely's**, **Caribbean Joe**, **DVS**, **The Franklin Mint** and **SPRI**.

Joakim Sandin, the new chief executive of **Salming Sports**, has appointed a new chief designer, **Björn Bengtsson**, according to **Sportfack**. He has worked for companies such as **Craft**, **Team Sportia**, **Marc O'Polo** and **Sail Racing**. Early last year, **Tomas Solin**, the Swedish company's former CEO, and **Thomas Nord**, creative director and chief designer, went to **Tenson**.

VF Corp. has announced the appointment of **Gloria Schoch** as director of **VF Foundation & global impact**. The VF Foundation is the private grant-making organization funded by **VF Corp.** In her new role, Schoch will lead the foundation's support of non-profit organizations that promote sustainable and active lifestyles, as well as conservation and stewardship, education and workforce development, and the advancement of human and organizational endeavors in the context of inclusion, equity and diversity. She will also support alignment around how VF defines and measures global impact. Prior to joining VF, Schoch was director of community affairs at **Molson Coors Brewing Company**, where she led corporate social responsibility programs, external communications and cause marketing campaigns in the areas of civic leadership, economic empowerment and water stewardship. Earlier in her career, she served as director of public affairs for **First Data**. Schoch is active in the Denver community, where she currently serves on the board of directors of **SER Jobs For Progress National**, **The Denver Metro Chamber Leadership Foundation**, **The Downtown Denver Partnership** and the **Advisory Board of the University of Colorado School of Public Affairs**. She is also the board chair of **The Latino Community Foundation of Colorado**.

Distribution

Reef Lifestyle, the premium surf brand recently divested by **VF Corp.**, has established partnerships to transfer the distribution of its footwear to specialists in Europe, the Middle East and Africa (EMEA). The distributors include **Brandfusion Holland** (Netherlands, Belgium and Luxembourg), **Quality Brands** (Germany, Austria, Switzerland and France), **Georgoudas OE** (Greece), **Audes Group** (Italy), **Unify Brand Partnerships** (U.K. and Ireland), **Albion 1879** (Spain and Portugal) and **A. IL Ltd.** (Israel). According to **Mike Jensen**, Reef's brand president, the objective is to drive growth.

In order to position the brand more clearly in Scandinavia, **Hummel** has opened an office and showroom in Askim outside Gothenburg,

run by a Swedish country manager, **Rikard Björk**, says **Sportfack**. The Danish sports brand was previously using an agent for Sweden. The new subsidiary is expected to establish **Hummel** more strongly in Sweden, while supporting the brand's agents and distributors in Norway and Finland.

Giant Ibérica struck a collaboration agreement with **Giant France** in late December and, with the turn of the new year, has begun operating through the latter subsidiary. The agreement covers marketing, sales, logistics and product development. The cycling brand is thereby consolidating its largest market worldwide. France, Spain, Portugal and Andorra together generate annual sales in excess of €100 million. **Giant Ibérica's** staff of more than 50 people will be moving to **Giant France's** headquarters in Aix-en-Provence. In France, **Giant** has been under the leadership of **Jérôme Chagnon** since 2000, enjoying considerable growth over the past few years.

+++ **Nike** is reportedly forbidding its retail partners in the U.S. from shipping its products internationally +++ **Ciclosport** will take care of German sales for **Digitsole**, the French brand of app-activated sneakers that can regulate their temperature +++

Retail

Operating entirely within Spain, **Sprinter** has become the top banner of the **Iberian Sports Retail Group**, a joint venture between **JD Sprinter** and **Sport Zone** that is now entering its third year of operation. Store totals per banner have changed significantly over this time. At present, however, the group counts 355 offline stores under the **Sprinter**, **JD Sports**, **Sport Zone** and **Size** banners. This is a net gain of 21 units from December 2018. **Sprinter** has the most stores with 176, all in Spain. **Sport Zone** follows with 95, all in Portugal. **Sport Zone's** former Spanish stores are now operating under the **Sprinter** banner. **JD Sports** – now the group's only bi-national brand – has 61 in Spain and 22 in Portugal, for a total of 83. **JD Sports Fashion's Size** banner continues to operate a single store, in Madrid. In terms of sales, the group's stores improved their collective results by 6.28 percent year on year. **Sprinter** and **JD Sports** performed best. **Sprinter**, in fact, has supplanted **Sport Zone** in every way. The latter once held a plurality of the store count, with about 43 percent. **Sprinter** is now closing in on 50 percent, with **Sport Zone** declining to 27 percent. **JD Sports**, meanwhile, has risen to 23 percent and could soon become the group's number two banner. All four of **Iberian Sports Retail Group's** banners operate e-commerce sites as well.

Results & Statistics

In a trading update, **JD Sports Fashion** said its comparable store sales showed an increase during the Christmas selling season at its sports stores, particularly in its increasingly significant operations outside the U.K. The company confirmed expectations that its headline pre-tax earnings for the year ending on Feb. 1 will be in a range of £403 million to £433 million (€473m-€526m to €509m-€566m) after adjustments for IFRS 16 accounting guidelines.

Sport 2000 Austria reports on a 4 percent increase in sales at its 235 affiliated stores during the Christmas season. Ski equipment and clothing, also for children, were in high demand, and ski touring is

still very popular. More sales are expected after Christmas as several customers will be redeeming the gift vouchers they received and others will be exchanging gifts in case the wrong presents were delivered.

Tradeinn was expecting to close out 2019 with about €150 million in sales. The Spanish online retailer of sporting goods has instead achieved €188 million, for a leap of 40 percent from the previous year. According to the founder, **David Martín**, the group was already looking past its stated target to a new one of €180 million by Black Friday, which generated an additional €12 million, itself up 60 percent from the previous year. Total orders for 2019 amounted to about 2.5 million. Tradeinn operates 15 online stores in 193 countries, carrying items from about 1,500 brands. It has two physical stores, both in Girona, Spain. One of them operates under the banner of **The North Face**. Another Spanish sporting-goods e-tailer, **Deporvillage**, had a stellar year as well, with a record €6.2 million in sales for the Christmas season, up by 38 percent from the previous year. Its sales of €4.8 million for Black Friday were also a record.

According to an annual report from **Observatorio Cetelem**, sporting goods emerged as the Spanish sector with the most total customers and the greatest percentage growth in 2019. All sectors but one (leisure items) saw growth last year, but the percentage of Spanish consumers purchasing sporting goods climbed seven points to 79 percent. Textiles and accessories were up by 10 percent in terms of purchase intentions. By this measure, travel came out on top at 80 percent, with sporting goods at 73 percent. The average Spaniard spent €137 on sporting goods in 2019, which is actually down by 12 percent year-on-year. Bicycles were one of the few individual products to see growth, with average purchases rising by 17 percent to €306. Fashion declined by 12 percent to €487. Meanwhile, according to a study by **Showroomprivé**, most Spaniards plan to spend more on sporting goods this year. Almost 31 percent expect to be playing more sports and spending more time at the gym, about 23 percent plan to eat healthier, and about 13 percent plan to stop smoking.

Legal & Institutional

Skechers has filed a series of counterclaims challenging the validity of a dozen design patents held by **Nike** in response to two separate lawsuits filed against it last autumn. Nike had accused Skechers of imitating its **Air Vapor Max** and **Air Max 720** sneakers in one suit, and of infringing on its design patents with two **Skech-Air** models in the other. Skechers has now responded by asking a court to invalidate all the design patents. It also categorically denied allegations that it is asking any employees to make exact copies of competitors' shoes. Both Nike and Adidas have accused the company of "Skecherizing" some popular designs and styles, copying some of their key elements.

Adidas has reached a negotiated settlement with **Rick Pitino**, the former coach of **Louisville University's** basketball team who was fired in 2017 over a bribery scandal, **ESPN** has reported. Pitino claimed to have no knowledge of a deal under which **James Gatto**, a former sports marketing executive of Adidas, and others had bribed the family of a basketball recruit to sign up with a rival team. Adidas terminated a lucrative personal services agreement with the coach after his dismissal from the university. Pitino is currently coaching a basketball team in Greece.

Product

Polartec has introduced a lighter version of its two-year-old **Power Air** fabric. **Houdini** of Sweden is the first and only company to have adopted it so far for its autumn/winter 2020/21 collection. The polyester fabric is made from a single yarn. It is fully recyclable and has a higher recycled plastic content (PCR) of 73 percent.

Asics has unveiled the prototype of its first smart shoe, developed in close partnership with **New Fold Studio (nnf)**. The announcement was made at **CES 2020**, the Las Vegas tradeshow on consumer technologies, whose latest edition ran on Jan. 7-10. Nnf is a Japanese start-up pioneering the use of sensor technology in footwear. Nnf and the **Asics Institute of Sport Science** have been collaborating since April 2017 to study leg movement and smart shoes. The prototype of the new footwear features Nnf's **Orphe Track** sensor – designed to allow any kind of shoes to become smart footwear – embedded into Asics' **Evoride** running shoes. The upcoming range of smart shoes offers data tracking and real-time analysis to give runners feedback and actionable insights. Artificial intelligence processes the collected data and delivers coaching or recommendations on the type of shoe. The range of Asics smart shoes is expected to be launched later this year.

Adidas has launched new laceless footwear for tennis players. The new **Stycon** shoe, whose silhouette does not look like the typical tennis sneaker, is said to offer optimized comfort for wearers thanks to improved fit and control. The shoe has no shoelaces and a knit collar, designed to naturally expand to adjust to the foot's shape. The Stycon was launched on Jan. 7 in grey and green for men, and grey and purple for women. It exists in both a hard-court and clay-court version. In November 2019, **Nike** launched the **Air Zoom Pulse**, a laceless athletic shoe designed for those in the medical profession. Previously, in January 2019, Nike had unveiled the **Nike Adapt BB**, a pair of laceless sneakers that feature a self-lacing system, tightening at the touch of a button or a swipe on one's smartphone.

Adidas has launched a range in collaboration with **Pokémon Company** for the new year, according to **Hypebeast**. The range comprises tracksuits, T-shirts, shorts and footwear for youth and adults, marked with graphics inspired by the visuals of the early Pokémon video games. Patterns of pixels are used to create colors, gradients and textures to highlight **Pikachu**, **Charmander**, **Squirtle**, **Bulbasaur**, **Eevee** and other Pokémon characters. The footwear is based on Adidas' **Advantage** and **Hoops Mid 2.0** shoes for youngsters and the **Phosphere** for adults.

Wilson Golf is launching the **D7 Forged** irons, as part of its range of **D7** products. The **D7 Forged** irons feature a urethane-filled **Power Chamber** and centered power holes, alongside a new clubhead design and a thinner topline. The clubface is forged from soft 8620 carbon steel. The thicker sole is said to allow for more aggressive power holes and a lower center of gravity. Wilson **D7 Forged** irons will be available from mid-January.

+++ **Boris Becker**, the famous former German tennis champion, is reportedly preparing to launch a line of casual sportswear under his own name in collaboration with a German apparel company, **Fashion Concept**

News and analysis of the international market

+++ HUUB, a leading British supplier of swim goggles, has launched a prescription version of its **Altair** model for short-sighted people +++

Marketing

Nike will be the new official kit supplier of the important **Liverpool Football Club (FC)**, starting with the 2020/2021 season. Under the new contract with the European champion and the leading football team in the **English Premier League**, Nike will be paying an annual guaranteed fee of just £30 million (€35m-\$39m), less than the £45 million being paid by **New Balance**, which had been the kit supplier since 2015, but it will also add a royalty of 20 percent on sales of Liverpool jerseys, which could more than double the total intake. **New Balance** lost a case in a High Court in the U.K. to retain the contract, as the judge agreed that it had no chance of matching the Swoosh's higher distribution and marketing muscle. Nike's multi-year deal, which takes effect on June 1, will see the American brand manufacture and supply Liverpool FC's playing, training and travel wear. Nike will be outfitting the men's, women's and Academy teams, as well as the coaching staff and the **Liverpool FC Foundation**. The club has never worn Nike in its history. The upcoming partnership with Nike comes as Liverpool FC prepares to move to a new training facility in Kirkby for the 2020/21 season, a project that also includes investment in improved sport facilities for the local community, Liverpool said.

Puma will reportedly replace **Umbro** in July as the kit sponsor of **PSV Eindhoven**, the Dutch football club. According to a local newspaper, the *Eindhovens Dagblad*, Puma has inked a five-year agreement with PSV worth between €40 million and €50 million, roughly three times what the club is receiving from Umbro. Puma has recently established similar deals with **Manchester City** in the **English Premier League** and **Valencia** in the Spanish **LaLiga**.

On July 1, **Puma** will become the new sponsor and exclusive supplier of the **German Handball Federation (DHB)**, outfitting all coaches, supervisors and referees for both indoor and beach handball. The current sponsorship deal, with **Kempa**, will be expiring. The new DHB collection of apparel, footwear, accessories, underwear, merchandise and handballs will make its debut this summer. At the national A level, Puma and the DHB will first appear together at the **Summer Olympic Games** in Tokyo. None of this, however, represents Puma's introduction to German handball. The German company already supplies the **Rhein-Neckar Löwen** and the women's handball team of **Borussia Dortmund** in the **Handball Bundesliga** and such national A players as **Julius Kühn**, **Emily Bök**, **Hendrik Pekeler**, **Franz Semper** and **Tobias Reichmann**.

Asics has signed sponsorship deals with the tennis pros **Borna Coric** of Croatia, **Caroline Garcia** of France and **Iga Swiatek** of Poland. Coric's best rank so far has been number 12 in the world. He is currently 28th. He has won two ATP titles and a **U.S. Open Junior** title and reached the **Shanghai Final**. He will be playing in **Court FF 2** shoes. Garcia was once fourth in the world and has won seven WTA singles titles and a **French Open** doubles title. She will be wearing the **GEL-Resolution 8** shoes. Swiatek, finally, has won a **Junior Grand Slam**. Her deal is associated with the partnership Asics established last year with the **Mouratoglou Tennis Academy** of Sophia Antipolis, France.

Dunlop has extended its sponsorship of the **Real Club de Tennis Barcelona 1899** through to the year 2022. The British producer of goods for racket sports is also the exclusive sponsor of the club's pádel section, equipping both the coaching staff and the school and providing a new official ball, the **Pro Padel**. The **Dunlop Fort All Court** is the official ball for the tennis section. Dunlop will be providing official tennis balls also for the **Barcelona Open Banc Sabadell-Conde de Godó Trophy**, the **Madrid Masters 1000** and the **Australian Open**. The company claims to be the top brand of tennis balls on the ATP Tour.

Canyon has signed on for "Silver Partner" sponsorship of the 2020 edition of **Sea Otter Europe**, the annual bicycle festival in Girona, Spain. One of the festival's features, **Demobike**, fits in well with Canyon's online distribution, as it enables potential customers to try out the merchandise and question Canyon staff on hand before ordering. Canyon will also be a "Partner" sponsor for both **The Pirinexus Challenge**, a 350 km race through varied terrain in France and Spain that finishes at Sea Otter Europe, and Sea Otter's **e-MTB Marathon**. Canyon is, of course, itself a producer of e-bikes.

Dom Barrett and **Kyle Sherman** of the **Professional Bowlers Association (PBA)** have joined the **Brunswick Pro Staff**. Another pro, **Mike Wolfe**, has been made **Brunswick Bowling Products'** tour representative for the PBA and **PWBA** (the women's branch). Wolfe is a five-time winner of the **PBA Tour** and has pro-shop experience. Sherman, who was almost Player of the Year on the 2019 PBA Tour, runs a **YouTube** channel that has generated about seven million views. Brunswick has been operating in the sport for about 125 years and is the only company producing a full line of supplies for bowling centers and consumers.

Polartec was among the winners at the 2019 edition of the **R&D 100 Awards**, in December. Its winning product – in the Mechanical/Materials category – was **Power Air**, a fabric designed to reduce fiber shedding by encasing air in a continuous yarn. According to the company, the resulting fabric sheds at least five times less fiber than other mid-layer weight fabrics of premium quality. The **R&D 100 Awards** began rewarding innovation in 1963 and over the past 25 years have become some of the most prestigious of prizes in the industry. Every year, there are a total of 100 winners in six categories. According to **Paul J. Heney**, vice president and editorial director of **R&D World**, the winners are "the disruptors that will change industries and make the world a better place in the coming years." Power Air has received other awards as well and has been incorporated into products by **Adidas**, **Burton**, **Houdini** and **NoBull**.

+++ **Adidas Golf** has signed up **Daniel Berger** to a multi-year contract for apparel, footwear, headwear and other accessories +++

Trade Shows & Other Events

The Spanish Association of Independent Sporting Goods Merchants (**Asociación de Comerciantes Independientes de Deporte**) and sales representatives from northern Spain will be holding new buying days in Bilbao on Feb. 2 and 4 at the **Barceló Bilbao Nervión** hotel. The event is open to both retailers and members of the buying groups to introduce autumn/winter 2020/21 collections.

The association expects 64 brands to take part. In addition, registration has closed for the next edition of the association's forthcoming fair in Galicia, to be held in the city of Santiago de Compostela on Feb. 16-19. Some 21 agents and 71 brands will be taking part.

+++ The Austrian sporting goods show, **ÖSFA**, will come out with a new logo on Feb. 18-20 +++ **Boardriders** is coming back to the **Ispo** show in Munich and **Veja** will show there its new sustainable running shoes, but **Thule Group** will stay out of it as well as **Eurobike**, preferring to stage side events near the fairs +++ **K-Way** staged a much-remarked fashion show at the **Pitti Uomo** trade show in Florence earlier this week +++

CSR & Sustainability

Nike has just released **Atsuma**, a sneaker in which offcuts and other scrap materials are rescued to become major components in cut-and-sewn shoes. Both the Swoosh on the medial and the hangtag are cut-outs. The shoe incorporates a recycled sock-liner as well. Nike has said that it is working to prevent all of its waste from contracted footwear manufacturing from entering any landfills. To this end, the company unveiled a new Circular Design Workbook last year.

Ziener, Roeckl, Element and **Wear Colors** will show sustainable partnerships with **Sympatex Technologies** at the **Ispo Munich** show later this month. Roeckl will be launching brand-new ski gloves which will be 100 percent biodegradable and PFC-free. Ziener will show garments solely made with Sympatex fabric, whereas Element will rely on recycled Sympatex materials to produce stylish and functional jackets.

W. L. Gore & Associates' textile factory in Putzbrunn, Germany, has received **ISO 14001** certification for quality and environmental management. The company's two other factories – in Elk Mills, Maryland, and Shenzhen, China – are already certified. Gore began setting up the necessary systems in its factories in 2010. These cover the oversight of energy use, the measurement and reduction of greenhouse-gas emissions, the handling of chemicals, transparency in management and so forth. Gore has a headcount of 9,500 and has been recognized by the **Great Place to Work Institute** as well. It is based in Delaware and generates annual sales of about \$3.5 billion.

+++ **New Balance Iberia** is installing a solar energy plant to supply 30% of its energy requirements +++

Obit

Wolfgang Schnellbügel, 61, passed away on Jan. 1 after four years of fighting against the **Lou Gehrig's** disease, which is a form of lateral sclerosis. The well-known German executive was the managing director of **Sport 2000 International** from 2006 to 2015, developing its operations all over Europe and the buying group's collaboration with the sports brands. He became involved with the retail organization in 1999, running the international division of the former **Nord-West-Ring** buying group and then serving as general manager of **Sport 200 Germany** for five years. He moved to France with his family in 2015, after his resignation from Sport 2000 International, and for a while ran

the French subsidiary of **Rohde**, a German footwear brand. He remained a member of the **World Federation of the Sporting Goods Industry** for many years and sat on its board until the beginning of 2016. He was the chairman of CISO, the federation's Committee on International Sports Organizations, from 2010 until the end of 2015.

Others

Australian cotton production is being heavily affected by fires and drought. Analysts at **Rabobank** suggest that production for the 2019/20 period, estimated at 735,000 bales, will be the lowest in more than a decade, with a 16 percent drop from 2017/18 production. Queensland and central New South are the hardest hit, although all major production regions are being affected. The fires and drought have forced producers to prioritize water, which means that less water is left to irrigate cotton fields. Water is often diverted to higher-margin or less-thirsty crops.

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