

# SGI Europe

## Sporting Goods Intelligence

News and analysis of the international market



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### Decathlon grows by 9.2% to €12.4bn

**Decathlon** has reported a sales increase of 9.2 percent to €12.4 billion (before sales taxes) in 2019, with a gain of 9.1 percent in local currencies and including growth of 3 percent to €3.3 billion in the domestic French market. Globally, the number of transactions went up by 8 percent.

The world's leading sporting goods retailer regained the dynamism that it had lost in 2018, when its sales grew by only 5 percent globally, declining by 5.0 percent in France, by 2.8 percent in Italy and by 3.0 percent in Spain.

As usual, some of the growth was due to the opening of new stores, whose total number went up by 139 units to 1,650 in the course of the year. Decathlon started new operations in Japan, Ukraine, Vietnam, Algeria, Malta and Serbia. In Japan, after inaugurating a store in Osaka, it will open a big store of 2,500 square meters in Tokyo in April, in time for the **2020 Olympic Games** in the city.

In France, the company changed its business strategy, after sales started to decline, by welcoming again some

sports brands in specific areas of the country. As a result, Decathlon resumed its growth in the country with sales rising by 2.3 percent on a comparable store basis.

Last year, the chain opened a total of 15 new stores in France, and some of them are very small with one in the center of Reims measuring only 83 square meters. After five store closures, the total number reached 324 at the end of the year in France.

The number of customers ordering products on its website rose by 19.4 percent in France, leading to a 7.7 percent share for e-commerce in its national turnover. The share of digital sales is higher in some less mature markets. Globally, it now stands at around 8 percent of sales as compared to 7.5 percent a year ago.

As previously reported, Decathlon opened 16 new stores in Germany last year. It developed strongly in India and with the addition of new stores and new manufacturing facilities, the number of its employees in the country reached a level of around 5,000 compared with only 500 in 2014.

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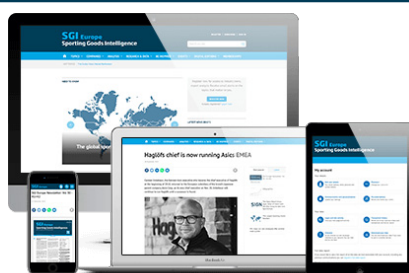
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have already been posted there in  
the past few days.

Others will follow before  
the next issue.



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Overall, Decathlon made investments of €534 million in 2019, including its acquisition of **Alltricks** and **Dita**. It enlarged its presence to a total of 69 countries, 57 of them with directly owned physical stores, four through franchisees and eight via e-commerce or with local production facilities. Often, the company opened a web store in a new market to test local preferences before establishing the first brick-and-mortar store.

As before, around 80 percent of the company's global turnover was generated by its relatively affordable private label items, some of which were quite innovative. It has stabilized at that ratio as Decathlon's renewed relations with some of the international sports brands and others were offset by an increase in the number of private brands in the chain's portfolio to 83. Aside from **Van Rysel**, a new brand of high-end bicycles fitted with **Campagnolo** and **Shimano** components that has enjoyed a big success, it introduced last year **Atorka** for handball, **Kuikma** for pádel tennis, **Offload** for rugby and, most recently, **Fencit** for fencing.

Decathlon reported a 68 percent satisfaction rate for the customer experience that it is providing, based on the opinions posted by 3.8 million consumers around the world. Also, last year Decathlon regained the number one position as the preferred retail banner in France.

The company has confirmed its commitment to sustainability. It is using more trucks running on biogas or rapeseed oil for deliveries. It started to rent

hiking products last summer. It is also refurbishing returned skis and bicycles to promote the circular economy. It says it is striving to employ natural, recycled or otherwise environmentally friendly materials in all its products by 2026. Last October, Decathlon joined the international **Fashion Pact** promoted by **Kering**.

### The German Cartel Office blesses Signa's takeover of SportScheck

Following a comprehensive investigation, the German Cartel Office has concluded that the planned acquisition of **SportScheck** by the Austrian-based **Signa Retail Group** via its **Galeria Karstadt Kaufhof** subsidiary can go ahead as the new conglomerate stemming from the transaction will have a market share of less than 15 percent in the German sporting goods market.

The anti-trust authority also concluded that Signa will have a market share in the sector of less than 30 percent in any region of Germany. Even its online retail activities, which contribute a lot to the total turnover, suffer from the competition of **Amazon** and other pure players.

We estimate that the combination between SportScheck and Signa's existing sports retail operations will produce a group with sales of just under one billion euros in Germany. Aside from SportScheck's 19 relatively big brick-and-mortar stores in major cities and its strong online retail operations, which together generated sales of €280 million in the year ended last February, Signa owns 32 **Karstadt Sports** stores, whose turnover has not been disclosed, and **Signa Sports United**, a cluster of 80 web stores specializing in different sports categories whose sales are growing rapidly and reached €420 million in Germany and abroad in 2018. On top of that, Signa has become the sole owner of the **Karstadt** and **Kaufhof** department store chains, which sell sporting goods as well.

With the acquisition of SportScheck, Signa will become the largest integrated sporting goods retailer in Germany, fol-

lowed at a distance by the **Decathlon** chain, which is rapidly expanding in the country and recently reported a turnover of €528 million in 2018. It will still remain smaller than the two leading buying groups, **Intersport** and **Sport 2000**, in terms of retail sales. SportScheck is the biggest retail member of **Intersport Germany**, whose management believes that it will continue to work with it for several reasons.

After considering other options, the big **Otto Group** has decided to sell SportScheck, which it had bought in 1991, because of continued losses in spite of big investments and the launch of smart consumer engagement strategies. The purchase price agreed with Signa has not been disclosed.

### Planet Sports is insolvent

The German sports retailing landscape is changing rapidly. A Munich court has accepted a request to place **Planet Sports**, a leading German action sports and streetwear retailer, under bankruptcy protection. The information, which has been confirmed by the insolvency administrator in the case, highlights the difficulties encountered by its parent company, 21sportsgroup, in creating a solid online/offline platform in the sporting goods sector as the much bigger and more international Signa Sports United group.

Planet Sports is the only major remaining asset of 21sportsgroup, and it has failed to reach its goals. According to *Textilwirtschaft* and other German media, Planet Sports posted flat sales of around €75 million last year, about 80 percent of that online. That's not much more than the level of €60 million reported for the leading German action sports retailer in 2015, one year after it was taken over by 21sportsgrooup from the insolvent **Puccini Germany**, with a goal to make it reach an annual turnover of €80 million by using synergies with the group's other online retail stores, **21.run.com**, **21cycles.com** and **21streetwear.com**.

Four years ago, 21sportsgroup took over the operator of a Berlin-based sports marketplace, **Vaola**, to create

The Euro Feb. 25 rates	
Czech Koruna	25.20
Danish Krone	7.471
Hungarian Forint	337.6
Norwegian Krone	10.14
Polish Zloty	4.297
Pound Sterling	0.838
Swedish Krona	10.55
Swiss Franc	1.062
U.S. Dollar	1.085
Brazilian Real	4.763
Canadian Dollar	1.442
Chinese Yuan	7.625
Japanese Yen	120.1
Russian Ruble	70.60

further potential synergies. However, 21sportsgroup was forced to close 21cycles.com and 21streetwear.com in mid-2017. It closed Vaola in September 2018 and 21run.com at the beginning of 2019, citing increasing competition in the running market from established retailers and the websites of the sports brands (*SGI Europe* Vol. 30 N° 3+4 of Jan. 28, 2019). By that time, 21run.com represented about one-fourth of 21sportsgroup's total annual revenues of more than €100 million.

Another strategic step was the acquisition at the beginning of 2018 of a stake of more than 40 percent in 21sportsgroup by three German investors who are involved in **The Social Chain Group**, a company that provides social media marketing and organizes conventions such as **World Fitness Day** and the **Glow Convention** in Berlin.

According to the German media, the new investors took over 57 percent of 21sportsgroup's voting rights, but the combination, which was aimed at creating an integrated e-commerce and social media company, did not work out.

The investors included **Georg Kofler**, former president of the **ProSieben** and **Premiere** TV broadcasting companies and president and major shareholder of **The Social Chain Group**, which was founded by **Steven Bartlett** and **Dominic McGregor** in Manchester six years ago. After a reverse merger last year with a Berlin-based data analytics company, **Lumaland**, The Social Chain was expected to post positive Ebitda on sales of €170 million for 2019, with a plan to go public in mid-2020.

In the meantime, the network of Planet Sports' brick-and-mortar stores, which occupied prime locations in major German cities, has been cut back from 12 to 10 units. The last one was closed in Frankfurt in November because it was losing money. Reportedly, the range of products offered by Planet Sports was reduced by 30 percent last year to help improve margins and the cash balance, but it was not enough to prevent a serious cash squeeze.

Finally, in December, **Henner Schwarz** resigned as chief executive of 21sportsgroup after eight years with the company. He was replaced in mid-January by a financial expert, **Haiko Stütting**, who is also in charge of **Planet Sports**.

The court-appointed receiver for Planet Sports is **Axel Bierbach** of the Munich law office of **Müller-Heydenreich Bierbach & Kollegen (MHBK)**. According to *TW*, he is looking at all the options for the financial reorganization of the chain, holding advanced discussions with potential new investors. Planet Sports' operations are running normally, and its 250 employees can count on federal subsidies to guarantee their wages through the end of April.

## Footway bids for Sportamore

The **Footway Group**, a Swedish online shoe retailer that is expanding internationally, announced on Feb. 17 that it wants to buy **Sportamore**, a leading Swedish online retailer of sports products. Footway has offered to pay 439 million kronor (€41.5m-\$44.9m) in cash and shares for Sportamore, or a premium of around 15 percent over the company's previous share price.

The proposed merger of Footway and Sportamore would create a pure e-commerce player that can take advantage of the ongoing turbulence in the local brick-and-mortar sports retail market, said **Daniel Mühlbach**, chief executive of Footway, in a press release, evidently referring to the recent bankruptcy of **Gresvig** and the financial problems at **XXL** (see the previous issue of *SGI Europe*).

The merger of Footway and Sportamore would probably raise their bargaining power with the major sports brands. Many of the shoe models prominently displayed on Footway's websites are sneakers, which are very much in fashion all over Europe.

The two companies are more or less the same size, and both of them have been keen on expanding their online retail operations outside the weather-dependent Nordic markets, but Footway has been ahead of the race. In reporting

growth of 11 percent to SEK 1,053 million (€99.4m-\$107.6m) in its turnover for the past year, after a poor fourth quarter, Sportamore said that it is forecasting slower growth than planned in the French market because it first wanted to ensure a satisfactory profitability in its core markets.

Sportamore was able to improve its gross margin by 1.9 percentage points to 36.5 percent in the fourth quarter of last year. The operating margin (Ebit) fell by 2.3 percentage points to 0.5 percent year-on-year, although it improved by 0.3 percentage points excluding higher marketing costs. It backed out of a deal with a keyword marketing partner after collaborating for two months.

Sportamore has described itself as the Nordic region's leading e-tailer for sports-related products, selling over 30,000 products from about 300 different brands in more than 30 different sports categories. Its websites were visited by more than 54 million people in 2018. The company started trading on **Nasdaq Stockholm** in May 2005. It has been awarded prizes for retailing, e-commerce and customer service.

Founded in 2010, Footway is a pure online shoe retailer that is expanding well beyond the Nordic countries. Its sales grew last year by 30.4 percent to SEK 991 million (€93.6m-\$101.2m), despite a weather-related slowdown in the fourth quarter, generating an operating profit (Ebit) of SEK 14.8 million (€1.4m-\$1.5m).

As we have already reported in *Shoe Intelligence*, Footway's sales outside the Nordic countries grew last year by 81.7 percent, contributing to more than 80 percent of the growth, and the company launched its online platform in a further 13 markets outside the region. The number of visitors to its online stores increased to 15 million in 2019, compared with 12 million a year earlier.

Footway's offer has received preliminary approval from Sportamore's board of directors, which agreed with the logic behind the proposal and the purchase price, but said it was evaluating the offer with its advisors and would publish a formal state-



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ment as soon as possible. The board represents about 33 percent of Sportamore's equity. One of the supporters is **J3 Brunkeberg Invest**, an investment company whose owners include **Johan Ryding**, Sportamore's chief executive, who sold 5 percent of his shares in the company a few months ago.

Footway would publish its formal offer document around March 10, setting April 13 as the deadline to receive tenders.

The offer calls for an exchange of shares by Sportamore's main shareholders, who own 33 percent of its equity, with shares in Footway. The others could opt instead to get SEK 46.4 in cash for each share in Sportamore, whose share price is currently below SEK 45.

**Industrifonden**, a leading shareholder in Footway, has undertaken to participate in a new share issue to finance its bid for Sportamore. However, the company's chairperson, **Birgitta Stymne Göransson**, has resigned as a director of Sportamore in connection with the bid.

**Carnegie Investment Bank** has been hired as a financial advisor and the **Kanter** law firm as legal advisor for Sportamore.

### JD's acquisition of Footasylum hits anti-trust hurdle

**Mike Ashley**, the maverick boss of **Sports Direct**, must be jumping with joy at getting his way with his criticism of **JD Sports Fashion's** acquisition of **Footasylum** last April, which is again being questioned by the U.K.'s Competition and Markets Authority (CMA). The CMA launched a review of the case in the autumn after JD refused to come up with remedies to allay fears that the takeover might lead to higher prices and lower service levels. In a preliminary ruling, the country's anti-trust authority has now concluded that the transaction could result in fewer discounts and less choice for customers offline and online.

JD, which now has until Feb. 25 to present a plan that will address the CMA's concerns, has reacted strongly. The company said the CMA's findings are

"entirely at odds with our continuing drive to provide a market-leading, best-in-class, consumer-focused experience with consistent standards." The CMA plans to make a final decision by May 11, which may or may not lead to the divestiture of the 69-store Footasylum chain and its powerful website, which contributes 30 percent of its turnover.

**Peter Cowgill**, executive chairman of JD, said the CMA's provisional conclusions from its six-month-long review are "fundamentally flawed," demonstrating "a complete misunderstanding of our market."

"Just take a walk down any major U.K. high street or search for **Nike** or **Adidas** trainers on **Google** and you can see for yourself how competitive this marketplace really is," he continued. The CMA acknowledged that both brands will continue to grow strongly in the U.K., "predominantly online," and JD is arguing that this should be a reason to encourage retailers to become stronger competitors of the brands themselves.

The anti-trust review is taking place while independent retailers in the U.K. have been warned by Nike that they will be cut off by next year unless they order certain minimum quantities. For his part, Ashley encouraged the CMA to focus its investigation on the relationships between the major brands and JD, indicating that their practices and the latter's growing bargaining power could lead them to control the supply and the pricing of their products.

After surveying customers at JD and Footasylum, the CMA found that they consider the two retailers to be competing closely, with only a few other options for the purchase of the sneakers they sell. JD dismissed the survey, claiming that it asked hypothetical questions from a small sample equivalent to less than 25 percent of those who go through one of its stores in Manchester in one week.

While noting that the proposed transaction is small, as Footasylum has a market share of only 5 percent in the U.K., JD says it is expected to contri-

bute less than 2 percent to its earnings. Cowgill concluded that the combination of the two businesses would provide significant benefits for consumers and other stakeholders, "maintaining Footasylum's presence on the high street as the music-inspired casual retailer which it is today."

### Coronavirus depresses Adidas' and others' sales in China

COVID-19 or the novel coronavirus, as the virus is now named, has already infected more than 79,000 people in 30 countries around the world, according to the **World Health Organization**, but it remains largely concentrated in China. While it has been expanding at a slower rate recently in the country, it has killed more than 2,500 people and contaminated more than 77,000 others there since the virus was first reported in Wuhan on Dec. 31.

Updating investors on the effects of the novel coronavirus on its business, **Adidas** said that it performed well in Greater China during the first three weeks of 2020 but suffered a decline of about 85 percent since the Chinese New Year started on Jan. 25 as compared to the same period of last year.

A "significant" number of the German brand's own stores and franchises in the country have closed, and traffic is down sharply at those that have remained open. Adidas operates 500 own stores in China, which account for less than 5 percent of the 12,000-odd Adidas mono-brand stores in the country.

Store traffic is down in neighboring Japan and South Korea as well, Adidas added, but the company is reporting no material effect on its business there so far. Many Chinese tourists go shopping in Japan and Korea, but many have been forced to cancel their plans.

Adidas plans to provide an update when it publishes its results for the fourth quarter and the full 2019 financial year on March 11. Greater China recently represented 23 percent of

the company's total revenues, delivering a very high operating margin of 35 percent.

Greater China has an even higher share in the revenues of **Nike**, which announced one day earlier that it had also closed many stores in China because of the epidemic, adding that traffic has declined considerably in the stores that have remained open. While warning that the coronavirus will have an impact on its results, it has not yet quantified the damage publicly.

Both **Adidas** and **Anta Sports Products**, the biggest Chinese supplier of sports shoes and clothing, have set up dedicated task forces to monitor the situation and develop mitigating actions. Adidas said the number-one priority for its team was to ensure the personal and financial security of its employees and their families.

Anta indicated that about 60 percent of its **Anta** and **Fila** stores in China were closed as of Feb. 14, adding that enhanced e-commerce activity had mitigated the related problems. We understand, however, that **Alibaba** and other major Chinese e-tailers have encountered logistics problems in delivering merchandise to certain areas of the country because of lockdowns and travel restrictions.

Combined with the disruption of the supply chain, the COVID-19 virus will "inevitably" affect its results for the first half of this year, said Anta, offering no specifics. Two other major Chinese sports companies, **Xtep International** and **361°**, have issued similar warnings, with Xtep expressing confidence that a recovery will "gradually" take place in the second half.

At 361°, in-house factories and offices resumed at least some of their operations on Feb. 10, after the end of the Chinese New Year period, but the company indicated that the supply chain had not yet normalized, while it predicted a return to normal operations once the epidemic eases. Anta and 361° said that many office employees were working remotely

over the internet. The latter said it expected that all its stores would reopen by the end of February except those in the Hubei province, where the epidemic is centered.

Anta said that it will take a "certain time" for its factories to work again normally, and that it was hoping to resort to third-party contractors to compensate for the fall-out. Anta recently reported that its internal manufacturing operations were accounting for 34.4 percent of its shoe production and 11.9 percent of its apparel requirements.

Similar warnings have been issued by **VF Corp.** and **Lululemon**. VF said that about 60 percent of its directly operated and partner stores in China have been closed. Lululemon said it had closed the majority of its 38 stores in the country on Feb. 3, with some now operating on a reduced schedule.

In reporting its results for the fourth quarter of 2019 and the full year on Feb. 19 (see the related article in this issue), **Puma's** management said it expects China's coronavirus outbreak to hit its sales and profits in the first quarter of this year, but it still hopes to reach its targets for 2020. The management said that 40 of its 110 stores in China were temporarily closed and that a drop in Chinese tourism was also hurting its business in other markets.

Providing other important details that reassured investors, Puma said that its Chinese supply chain was improving, with seven of its eight footwear factories and all its 16 apparel plants already in operation, and 40 to 90 percent of their employees already in their workplaces after their pause for the Chinese Lunar Year. It added that the transit of the merchandise to Chinese ports had restarted and that all the ports it uses were open.

Many of the factories have been making products for Puma mainly for consumption in China, and because of the local lockdowns, many of them are being diverted to other markets. Puma's management also indicated that the supply of raw materials from China should be

sufficient to cover deliveries through the end of March.

**Canada Goose** and **Moncler**, which rely mainly on domestic production, have also discussed the impact of the coronavirus outbreak on their sales to Chinese consumers in China and elsewhere. See the related articles in this issue.

On the other hand, observers feel that Chinese consumption of sporting goods and other items will rebound after the outbreak is contained, most likely in the springtime, as it did when the SARS epidemic swept through China in 2003.

## Puma outperforms

**Puma's** share price rose by 8 percent after the company reported better-than-expected results for the fourth quarter of 2019, with strong gains in Europe. Revenues jumped by 20.6 percent from the year-ago quarter to €1,479 million, while the operating profit (Ebit) surged by 46.8 percent to €55.2 million, and both data topped analysts' forecasts.

Sales advanced by 18.3 percent on a currency-adjusted basis, with double-digit growth in all regions and product divisions. The strong sales growth, combined with an improved gross profit margin and operating leverage, contributed to the rise in Ebit.

The gross margin improved slightly to 47.3 percent, which was 0.2 percentage points higher than a year ago, due to a small positive mix as well as slightly positive currency effects. The quarterly net profit jumped by 55.0 percent to €17.8 million.

For the full year, sales climbed by 18.4 percent in reported terms to € 5,502 million, or by 16.7 percent in constant currencies. The gross margin expanded by 0.4 percentage points to 48.8 percent, similarly driven by a positive product mix, regional mix, channel mix as well as a small foreign exchange gain.

The annual Ebit rose by 30.5 percent to €440.2 million, which was slightly above the upper end of the compa-

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ny's most recently guidance. The Ebit margin thus expanded by 0.7 percentage points to 8.0 percent for the year. Judging from the results of other major sports brands, there is room for further progress at Puma.

Net earnings soared by 40.0 percent to €262.4 million. The management said in a conference call that a large part of the leverage had come from cost reductions.

Puma's preliminary forecast for the current financial year, which may be revised if the situation in China turns to be worse than expected after the first quarter, calls for revenues reaching a level of more than €6,000 million and Ebit of €500-520 million, up from €440.2 million in the past year.

### Performance by region and segment

In the EMEA region, the company's sales rose by 11.2 percent last year to €2,001 million. It was the first time the region surpassed the €2 billion sales mark. The main growth drivers were Germany, Spain, Russia and Turkey. The good performance was attributed to changes in the product line and in the management earlier in the year.

In constant currencies, sales went up by 17.9 percent in the Americas and by 26.0 percent in Asia-Pacific.

With a currency-neutral increase of 16.8 percent to €2,552 million, the footwear segment scored much better than in 2018, led by the Sportstyle, Running, Training and Motorsports categories. The gross margin improved by 0.6 percentage points to 46.4 percent.

Footwear was still the biggest revenue generator for Puma, but the apparel segment came a close second with a higher gain of 22.6 percent to €2,068 million and strong growth in the same categories. Here also, the turnover of the apparel division reached the €2 billion milestone for the first time. The gross margin in apparel rose from 50.9 percent to 51.1 percent.

The accessories division saw revenues rise by 11.1 percent in constant currencies, reaching a level of €881.1 million, thanks to higher sales of legwear, bodywear and **Cobra** golf clubs. The gross margin gained 0.2 percentage points to 50.5 percent.

### Performance by channel

While wholesale revenues improved by 15.0 percent in constant currencies during 2019, Puma's direct-to-consumer (DTC) business increased by 22.0 percent, representing 25.4 percent of the total turnover, compared with 24.3 percent in 2018. The growth was driven by higher comparable store sales, the addition of new physical stores and a continued strong increase in e-commerce, which rose by almost 50 percent year-on-year to represent 6.3 percent of sales. The management believes that DTC will account for 30 percent of total revenues within the next three years.

Looking at 2020, Puma said it expects China's coronavirus outbreak to hit its sales and profits in the first quarter but it still hopes that its sales will grow by around 10 percent in 2020, with an increase in the gross margin of 1.5 percentage points. The operating profit is expected to go up to a range of between €500 million and €520 million.

While football was a weak category for Puma in 2019, with no big event in Europe, the management believes that 2020 should be a big year in this sport. It also sees basketball gaining in importance, particularly for its development in the U.S. market.

In Sportstyle, the company recorded a good performance with its retro running shoes, with styles from

Puma Consolidated Income Statement (Million Euros, Year Ended Dec. 31)			
	2019	2018	% Change
SALES	5 502,2	4 648,3	18,4
Cost of Sales	2 815,8	2 399,0	17,4
Royalty/Commissions	25,1	16,3	54,0
Operating Expenses	2 271,3	1 928,4	17,8
Financial Result	-22,6	-24,0	-5,8
Pre-Tax	417,6	313,4	33,2
Tax	108,6	83,6	29,9
Minority Interest	46,6	42,4	9,9
NET	262,4	187,4	40,0
Euro/share (diluted)*	1,76	1,25	40,8

(Million Euros, Fourth Quarter)			
	2018	2017	% Change
SALES	1 478,6	1 226,4	20,6
Cost of Sales	779,0	648,3	20,2
Royalty/Commissions	6,2	4,5	37,8
Operating Expenses	650,6	544,9	19,4
Financial Result	-5,8	-1,4	314,3
Pre-Tax	49,4	36,3	36,1
Tax	10,7	7,0	52,9
Minority Interest	21,0	17,8	18,0
NET	17,8	11,5	54,8
Euro/share (diluted)*	0,12	0,08	50,0

\* Adjusted retroactively for the 1:10 stock split in Q2 2019.

Source: Puma.

Puma's Sales by Regions and by Products (Million Euros, Year Ended Dec. 31)			
	2019	2018	% Change
<b>By region:</b>			
EMEA	2 001,4	1 800,3	11,2
Americas	1 944,0	1 612,5	20,6
Asia-Pacific	1 556,9	1 235,5	26,0
Total	5 502,3	4 648,3	18,4
<b>By product segment:</b>			
Footwear	2 552,5	2 184,7	16,8
Apparel	2 068,7	1 687,5	22,6
Accessories	881,1	776,1	13,5
Total	5 502,3	4 648,3	18,4

(Million Euros, Fourth Quarter)			
	2019	2018	% Change
<b>By region:</b>			
EMEA	468,3	375,3	24,8
Americas	566,0	473,1	19,6
Asia-Pacific	444,3	378,0	17,5
Total	1 478,6	1 226,4	20,6
<b>By product segment:</b>			
Footwear	663,0	535,0	23,9
Apparel	583,3	491,1	18,8
Accessories	232,2	200,3	15,9
Total	1 478,5	1 226,4	20,6

Source: Puma.

the 70s, 80s and 90s being popular, and the group will launch new silhouettes this year.

In Motorsports, the aim is to take the sport from the tracks to the streets with apparel. Puma is already working with **Ferrari** and **Porsche**, and has become the official partner of the **Formula 1** race.



In 2020, the group will promote **Puma Studio**, with shoes designed for yoga and lower-intensity activities. The management said a new collection for women and men will soon hit the market.

The company will also focus on local relevance in 2020, tailoring its approach for each market. For example, it will be working with netball teams or players in Australia, focus on rugby in South Africa, cricket in India, and handball in France, Germany and the Nordic countries.

Puma also wants to communicate more about sustainability. It now uses close to 100 percent sustainable leather and polyester, and 80 percent sustainable cotton. It is also working with the **Fair Labor Association** to guarantee good working conditions for all employees and factory workers.

The management said the construction of its highly automated distribution center in Geiselwind, Germany, is going well. It should be operational at the beginning of 2021.

## Return to profitability for Asics, despite weakness in Europe

**Asics Corporation** returned to profit for the full 2018 financial year, with net income reaching 7,097 million yen (€59.6m-\$64.6m) against a loss of ¥20,327 million for the previous year.

The management claimed that 2019 was a year of revival, led by key sports events including the **World Rugby Championship**. It revised its operating structure and prioritized performance running, expanding the **Onitsuka** line, focusing more attention on the Chinese market and implementing a marketing plan more centered on digital operations.

Asics' global revenues fell last year by 2.2 percent to ¥378,050 million (€3.4bn-\$3.2bn) in reported terms, but they went up by 1.6 percent in constant currencies. The gross profit declined by 0.5 percent to ¥179,681 million (€1.5bn-\$1.6bn), mainly due to the impact of the strong yen, de-

spite an improved cost of sales ratio. Operating income was flat at ¥10,634 million (€89.3m-\$96.8m).

In the fourth quarter, global sales rose by 1.0 percent to ¥91,884 million (€771.4m-\$836.5m) in reported terms. Net profit reached ¥169 million (€1.4m-\$1.5m) against a net loss of ¥28,615 million for the year-ago quarter.

We have already reported about Asics' recent problems in Europe. In the past year, the Japanese company's sales increased in all the regions on a currency-neutral basis except in Europe, where they fell by 3.7 percent, mainly due to weak sales of the Performance Running and the Sports Style categories. The region's operating income dropped by 40.2 percent to ¥2,866 million (€24.1m-\$26.1m).

Thus, the group made changes to its EMEA organization in 2019 to reflect a global category-led approach. It revamped its sales structure by combining the direct-to-consumer and wholesale businesses into one commercial organization. It also set up a new management team headed by a new chief executive, **Carsten Unbehaun**, who was previously in charge of **Haglöfs**, the group's Swedish-based outdoor brand. The management said these organizational changes helped Asics to drive category-led strategies and take a more holistic view of the marketplace.

During the year, **Asics EMEA** introduced new technologies in Performance Sports, notably with the launch of **Guidesole**, featuring a curved sole designed to propel runners forward and create a more efficient stride. The group also launched an in-store merchandising concept to help customers choose the right shoe to avoid injury and improve performance. Following successful pilots, new initiatives, including a simplified shoe wall, were rolled out in 500 stores run by wholesale retail partners across the region. The management said that the total business increased on average by 16 percent and reorders by 98 percent in stores where the new initiatives had been implemented. Online, the group

created a new digital shoe finder as well as a **Facebook Messenger** chatbot to simplify the browsing experience for consumers.

In terms of local currencies, the group's sales were up last year by 2.3 percent in Japan, by 1.2 percent in North America, by 4.3 percent in Greater China, by 13.5 percent in Oceania, by 21.2 percent in South and Southeast Asia, and by 5.4 percent in the rest of the world.

In the Performance Running category, Asics' global sales inched down by 0.4 percent to ¥170,765 million (€1.4bn-\$1.5bn) for the year, mainly due to weak sales in Europe as well as the effect of foreign exchange rates, despite strong sales in Japan, North America, Oceania and South America. In local currencies, sales rose by 4.4 percent. The operating income decreased by 49.2 percent to ¥3,964 million (€33.3m-\$36.1m).

On the same basis, sales went down by 7.7 percent in Sports Style, and by 10.4 percent in Apparel and Equipment. On the other hand, the Core Performance category delivered a currency-neutral increase of 4.4 percent, lifted by strong sales in Japan and North America.

The **Onitsuka Tiger** brand recorded growth of 10.1 percent in constant currencies to ¥45,597 million (€382.8m-\$415.2m), with strong sales in Japan, Korea and southern Asian markets. It delivered an operating profit, up by 14.6 percent in constant currencies, of ¥8,303 million (€69.7m-\$75.6m).

The company issued a forecast for 2020 that calls for sales to rise by 0.9 percent to ¥390,000 million (€3.2bn-\$3.6bn) but operating earnings are expected to decline by 15 percent to ¥9,000 million (€75.5m-\$81.9m). Net income is forecast to tumble by 43 percent to ¥4,000 million (€33.6m-\$36.4m), reflecting in part the consequences of the coronavirus epidemic.

## Mizuno lowers its guidance

Weak sales in Japan and Asia in the third fiscal quarter ended on Dec. 31

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have led **Mizuno** to lower its guidance for the full financial year. It now expects sales of 175,000 million yen (€1.5bn-\$1.6bn) down from a previous forecast of ¥185,000 million, and net income of ¥5,200 million (€43.7m-\$47.8m), against an earlier projection for ¥5,800 million.

No specific data were given about the third quarter. Reporting on the first nine months of its financial year, the Japanese company said its revenues were down by 3.9 percent to ¥122,700 million (€1.0bn-\$1.1bn) from the same period a year ago, while the gross margin declined by 4.4 percentage points to 50.9 percent and the operating margin fell by 0.2 percentage points to 3.4 percent. Net earnings nevertheless rose by 11.3 percent to ¥3,200 million (€26.9m-\$29.2m).

In Japan, Mizuno's revenues decreased by 5.0 percent to ¥83,000 million (€697.4m-\$756.3m) over the nine-month period. The company attributed its weak sales in the sporting goods sector to a shrinking domestic market. However, revenues from sports facilities and services were strong.

In the EMEA region, the group saw some improvements in sales of golf clubs, running shoes and indoor-court shoes. Sales advanced in the region by 1.8 percent to ¥11,400 million (€95.8m-\$103.9m).

In the Americas, Mizuno's revenues jumped by 8.6 percent to ¥15,200 million (€127.7m-\$138.5m), boosted by higher sales of golf clubs and balls as well as running shoes. The growth was partly due to a reorganization of operations conducted in the previous year in this region.

In the rest of Asia and Oceania, Mizuno's sales fell sharply by 12.6 percent to ¥13,100 million (€110.1m-\$119.4m) because of the boycott of Japanese products in South Korea and the conversion of the company's own retail business in China to a licensing model.

In terms of products, footwear sales were down by 4.7 percent to ¥36,500 million (€306.7m-\$332.5m), and apparel sales dropped by 7.8 percent to ¥35,600 million (€299.2m-\$324.3m). Equipment

inched down by 0.4 percent to ¥28,500 million (€239.5m-\$259.6m), and the Service/Other segment was also slightly down by 0.5 percent to ¥22,100 million (€185.7m-\$201.3m).

### Brooks runs faster in EMEA, sues U.S. firm

**Brooks Running** has reported a sales increase of 18 percent in the EMEA region in 2019, led by the U.K., DACH (Germany, Austria and Switzerland) and France. Revenues grew in the U.K. by 39 percent, in DACH by 18 percent, and in France by 20 percent.

The American brand of running shoes performed well in all the distribution channels including in specialty retail, in general sporting goods stores and directly on its **BrooksRunning.eu** website.

The company mentioned the **Ghost**, **Glycerin** and **Adrenaline GTS** models as proving very popular in the European market, with their sales collectively rising by 27 percent from 2018. Overall, in the past two years, Brooks' revenues have soared by 43 percent in EMEA.

Globally, Brooks Running raised its sales by only 3.5 percent last year, according to its parent company, **Berkshire Hathaway**, which mentioned start-up problems at its new distribution center for the eastern part of the U.S. that also affected profitability. No specific sales figures were mentioned for the brand.

One of the highlights in 2019 was Brooks' selection in Germany as the N°1 running brand of the year by **SAZ** magazine. This is the second year in a row that the group has received this award. In the U.K., Brooks won the **Women's Running Reader's Choice Award** as shoe brand of the year, also for the second consecutive year.

Moving forward to 2020, the company is about to launch the **Hyperion Elite** and **Hyperion Tempo**, which offer runners a carbon-fiber marathon racing shoe and a marathon training shoe, both with new midsole technologies, in evident competition with **Nike's Vaporfly**.

### Brooks sues Brooks Brothers

Meanwhile, **Brooks Sports** has filed a lawsuit against the **Brooks Brothers Group** in the U.S. that seeks to stop the latter from using the Brooks trademark on its stores and products. Brooks Sports is also seeking damages for unfair competition and breach of contract.

Both companies have existed for over 100 years, and in order to avoid confusion, they signed a "coexistence" trademark agreement back in 1980. On Dec. 30, 2019, Brooks Brothers, an American menswear brand founded in New York in 1818, filed new trademark applications to use the name "Brooks" alone, without "Brothers," on eight categories of goods, among them sporting goods and accessories for athletics.

Furthermore, Brooks Brothers began selling athletic footwear in 2018, something that Brooks Sports has also mentioned in its complaint among the possible sources of confusion. Brooks Sports filed the lawsuit in federal court in Seattle, where it is headquartered.

Well known for its Oxford shirts and other formal menswear, Brooks Brothers is apparently trying to establish a more contemporary image. It dressed a former surf champion, **Garrett McNamara**, from top to bottom with a velvet jacket, casual pants and suede sneakers at the recent **Laureus World Sports Awards** in Berlin.

The Brooks Brothers Group has an annual turnover of about \$1 billion. The company was acquired in 2001 from **Marks & Spencer** by **Claudio Del Vecchio**, the 63-year-old son of an Italian billionaire, **Leonardo Del Vecchio**, who has become the major shareholder of **EssilorLuxottica**, owner of **Oakley**, **Ray Ban**, **Sunglass Hut** and many other optical-related assets.

Brooks Sports, also known as Brooks Running, has had no similar trademark problems with **Brooks England**, a company that was created in Birmingham in 1866 by **John Boulton Brooks** to make leather harnesses for horses. It started to make comfortable bicycle saddles



and bags in 1878. The company was sold to **Raleigh Bicycles** in the late 1950s, and then to Italy's **Selle Royal** in 2002.

Brooks Sports has a history of its own. Founded by **John Brooks Goldenberg** in Philadelphia in 1914, it was bought in 2004 by **Russell Athletic**, which two years later became a property of **Fruit of the Loom** and an independent subsidiary of the latter's owner, Berkshire Hathaway, in 2011.

On the other hand, Brooks Sports settled a long-standing dispute with **Anta Sports Products** last April over the Chinese company's use of a chevron logo (*SGI Europe* Vol. 30 N° 15+16 of April 27, 2019).

## Under Armour's shares tumble on weak outlook

Investors were disappointed by **Under Armour's** performance in the fourth quarter, sending shares down by 17 percent after the company published its results. The group ended the last three months of the year with a net loss of \$15.3 million, weighed down by a \$42.3 million hit from several accounting items. This compares with a net income of \$4.3 million for the same period of the year before.

The markets were also disappointed by the group's outlook for 2020, which anticipates ongoing weakness in the North American business and difficulties linked to the coronavirus outbreak in China. This year's revenues are forecast to be down by low-single digits and the management said the weak outlook may result in a major restructuring, including the possibility of backing out of the brand's Fifth Avenue flagship store. It said a final decision on the fate of the store will be taken during the current quarter.

Most of the reorganization will be taking place in North America, which still represents the bulk of Under Armour's turnover. In Europe, the Middle East and Africa, the management expects revenue growth to accelerate as efforts to improve management of the marketplace are yielding stronger bookings among key wholesale partners. It is also looking

to expand its direct-to-consumer (DTC) presence in the region. Few online promotions were run last year with little impact on results, which it considers an encouraging sign of brand strength.

## Wholesale and DTC growth

In the latest quarter, Under Armour's global sales progressed by 4 percent from the same period a year-ago to \$1,441 million, with sales to wholesale customers and direct-to-consumer (DTC) sales both progressing by 2 percent. Direct-to-consumer (DTC) operations experienced growth across international markets but continued to drop in North America.

Revenues from apparel remained flat at \$970.3 million, while footwear sales jumped by 10 percent to \$259.3 million, driven primarily by the team sports and running categories, supported by improved service levels. Accessories rose by 2 percent to \$109.9 million. Licensing revenues increased by 36 percent to \$62.2 million, boosted by contractual royalty minimums and one-time settlements with two of the group's North American partners. The Connected Fitness division climbed by 16 percent to \$35.0 million, with continued strength in revenues from subscriptions.

## Regional performance

By region, North America was up by 2 percent to \$982.9 million in the fourth quarter, driven by the licensing and wholesale channels. The management said that improved service levels in the wholesale business enabled the company to meet demand earlier, providing an incremental benefit to the quarter. The growth was tempered by lower sales through the off-price channel.

EMEA also grew by 2 percent to \$180.7 million in dollars, driven by growth in the DTC business. Relative to wholesale, some shipments originally planned in the fourth quarter of 2019 were shipped in the third quarter in anticipation of Brexit. In Asia-Pacific, sales advanced by 10 percent to \$183.0 million, with growth in whole-

sale and DTC. Latin America rose by 12 percent to \$55.0 million.

Overall, the group's gross margin improved by 2.3 percentage points to 47.3 percent due to lower discounts with wholesale partners, the regional mix and supply chain benefits. However, Under Armour ended the quarter with a net loss of \$15 million, compared with a net income of 4.2 million for the year-ago quarter, due to a tax expense of \$23 million and a \$39 million impairment charge related to the company's equity interest investment in its Japanese licensee.

However, for the full year, the company scored a net income of \$92.1 million turning around from a loss of \$46.3 million in 2018, when the results included a \$183.1 million restructuring charge. Revenues inched up by 1 percent to \$5,267 million for the year, and the gross margin of 46.9 percent was 1.8 percentage points better thanks to supply chain initiatives, the channel mix and a favorable comparison base with the previous year.

Apparel sales remained flat at \$3,470 million and footwear progressed by 2 percent to \$1,086 million, while accessories declined by 2 percent to \$416.3 million. The Connected Fitness division saw sales advance by 13 percent for the year to \$136.4 million, while licensing was up by 11 percent to \$138.8 million.

By region, North America fell by 2 percent to \$3,658 million, while EMEA rose by 5 percent to \$621.1 million. Asia-Pacific jumped by 14 percent to \$636.3 million and Latin America grew by 3 percent to \$196.1 million.

## Impact from the coronavirus

For 2020, the company anticipates a negative impact from the coronavirus outbreak in China of approximately \$50 million to \$60 million in sales, related to the first quarter of 2020. Revenues for the full-year are therefore expected to be down by a low-single-digit rate, which would also reflect a mid to high-single-digit decline in North America as restructuring the business continues. International sales are expected to grow at a low double-digit rate. The gross mar-

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gin should be up by around 0.3 to 0.5 percentage points.

Forecasting strong e-commerce growth in Asia-Pacific, the management plans to invest heavily in digital and marketing operations there to continue to raise brand awareness and consumer engagement. It will work to develop its network of directly managed and partner stores in the region, which is now covering just over 900 locations.

In Latin America, the group is staying focused on amplifying its presence in the footwear sector and on optimizing its distribution model.

### A new executive team at Nike

**John Donahue**, the new chief executive of **Nike**, has installed a new leadership team to replace the one that accompanied the outgoing CEO, **Mark Parker**, from April 1 onward. Two former Parker lieutenants, **Eric Sprunk** and **Elliott Hill**, will retire from the company later this year. Like **Trevor Edwards**, who left in 2017 following complaints by female employees, they had both been touted as Parker's possible successors.

Significantly, one of the new members of the executive team is a woman, **Heidi O'Neill**, current president of **Nike Direct**. She will become president of consumer and marketplace, succeeding Hill. While continuing to run Nike Direct, O'Neill will be in charge of global sales and the Nike Brand's four regions: North America; Europe, Middle East and Africa (EMEA); Greater China; and Asia-Pacific and Latin America (APLA). Up to now, the highest-ranking female executive in the group has been its general counsel, **Hilary Krane**.

Another new executive vice president, **Andy Campion**, will rise from chief financial officer to chief operating officer, succeeding Sprunk. Campion will be taking charge of global technology and digital transformation, procurement, manufacturing, demand and supply management, distribution and logistics, sustainability, and workplace design and connectivity. Nike's current CFO of operating segments and vice president of

investor relations, **Matthew Friend**, will be succeeding Campion as overall CFO.

Campion, who became CFO in 2015, joined Nike in 2007 after working at **Walt Disney Company** for 11 years. Friend has been with the company since 2009. He was previously an investment banker with **Goldman Sachs** and **Morgan Stanley**.

Meanwhile, Nike has yet to announce a replacement for its chief digital officer, **Adam Sussman**, who left a few days ago to become president of **Epic Games**. He has been a key driver in the development of the e-commerce and shopping app ecosystem that has been supporting the company's "consumer-direct offense."

### Nike changes business model in South America

Claiming that it wants to move closer to its customers in the South American market, **Nike** said that it will in future concentrate its business in the hands of only a few distributors, meaning that it plans to close down some sales subsidiaries.

**Under Armour** took a similar step recently, closing down its office in Brazil and assigning the distribution in the country to **Vulcabras**, which owns the **Olympikus** brand of athletic shoes.

**Grupo SBF** will own virtually all of Nike's businesses in Brazil. The company, which recently went public, owns the **Centaurus** brand and manages Nike's stores in the country on a franchising basis. Adding other operations, it has 209 stores in more than 20 states in Brazil as well as an e-commerce site.

In Argentina, Chile and Uruguay, **Grupo Axo** will take over the distribution of Nike products. The company is a strategic multi-channel operator and distributor with exclusive distribution rights for more than 30 brands in Mexico and Chile. It also has a special partnership with Nike in Mexico, where it operates five Nike stores.

Nike says the move is in line with its Consumer Direct Offense strategy, which was announced in 2017. The

aim is to intensify innovation, speed and direct customer relationships.

"As Nike continues to successfully implement the Consumer Direct Offense we are dedicated to serving consumers more personally and investing against the company's long-term growth opportunities," says **Elliott Hill**, Nike's president for consumer and marketplace operations.

"Nike manages successful distribution businesses around the world and expanding this model in the rest of South America will help drive sustainable, profitable growth," he added. In Europe, for example, it is still using a distributor for the Baltic countries.

### Change of the guard at Burton

**Burton Snowboards** has announced that **John Lacy** will be the company's sole chief executive. He has shared this role over the past 18 months with **Donna Carpenter**, who will now take over the position of chairperson of Burton's board of directors from her late husband and company founder, **Jake Burton Carpenter**, who passed away last November after a severe illness.

Donna Carpenter stated that Lacy had earned the trust of the entire family and the board of directors to take this well-deserved leadership position. Lacy began his career at Burton in customer service in 1997. From there, he has held positions in product development and sales, in addition to managing various product departments.

After being promoted in 2016 from chief product officer to president, he strengthened the company's direct-to-consumer business until 2018, when he joined Donna Carpenter as co-chief executive. Together, the leadership duo managed to exceed the company's financial targets, although the company has not been disclosing its results.

Even after Lacy takes over the leadership position, Carpenter will continue to be closely involved with the company. According to her own

statements, she will now devote herself to her husband's legacy and make the further development of snowboarding her primary task. Together with her three sons, Carpenter will continue to play a significant role in maintaining and expanding the projects that had been most important to her husband, including **Mine77**, the product collection that he launched in December 2018. Carpenter will also continue to support Burton's development in international markets and work for equality and diversity on and off the slopes.

## Champion's sales rise by 40% to \$1.9bn

Thanks to an expanded product range and wider distribution, **Champion's** global sales rose by 40 percent to \$1.9 billion in the financial year ended on Dec. 28 excluding the brand's mass market operations in the U.S., which have been terminated.

With a projected growth of 10 percent this year, they are expected to land well above the \$2 billion milestone two years ahead of schedule, with another \$1 billion due to be added in the next 4-5 years, according to its parent company, **Hanesbrands**. A move into outerwear and new partnerships in footwear could help achieve the goal, the group's management indicated while announcing its results.

On an organic basis, Champion grew by 22 percent in the U.S. as well as in the rest of the world in the fourth quarter. With global sales of \$460 million excluding the mass market, the brand made a major contribution to the total turnover of Hanesbrands, which actually decreased by 1 percent to \$1.75 billion, with a slight increase in local currencies. The group's net income rose by 23 percent to \$184.9 million, however.

The group's international segment, which includes Champion's business outside the U.S. and other foreign operations, grew by 10 percent in constant currencies, but its operating profit declined due to foreign currency losses and a bankruptcy-related expense.

Across the group, the operating margin improved by 0.4 percentage points to 15.0 percent in the latest quarter, benefiting from price increases and higher profitability in innerwear, where the margin reached 24.6 percent.

For the full financial year, Hanesbrands' total sales grew by 2 percent to \$6.97 billion, going up by 4 percent in constant currencies and on an organic basis. Rising by 16 percent, consumer-direct sales represented 25 percent of total revenues for the year, with a peak of 30 percent during the fourth quarter. The annual net profit rose by 11 percent to \$600.7 million.

Net earnings are expected to be more or less flat this year on sales of about \$6.7 billion, excluding Champion's contract with **Target**, which may be replaced by a contract with another retailer. On an adjusted basis, the group's forecast for this year calls for an increase of about 3.5 percent in U.S. activewear sales to around \$1.55 billion, excluding the terminated Champion program with Target. It calls for a currency-neutral increase of 6 percent to \$2.65 billion in international sales.

The adjusted operating profit should go up by 7 percent to between \$900 million and \$930 million, including an expected foreign currency loss of \$3 million. The company is likely to implement some price increases in some foreign markets to offset the resulting cost pressure. However, higher investments intended to support expanded distribution for Champion in Asia should contribute to lower the operating margin on international sales.

## BasicNet exceeds €1 billion in aggregate revenues for the first time

**BasicNet**, the owner of **Kappa**, **K-Way** and other brands, posted aggregate sales of €1,025 million, representing a 17.1 percent increase as compared to 2018, based on preliminary figures. The figure includes €742.9 million from commercial licenses and €282.4 from production licenses. The operating re-

sult before amortization and depreciation (Ebitda) of €42.5 million was up by 28.7 percent.

Consolidated revenues of €305.7 million marked an increase by 45.3 percent over 2018. This growth was supported by the inclusion as of January 2019 of **Kappa Europe**, the new holding company for a group of Kappa brand licensees for the U.K., France, Switzerland, Spain and Portugal. The acquisition added €77.6 million to direct sales growth, while also resulting in the elimination of royalties of €6.8 million on revenues generated by Kappa Europe.

With regard to the Chinese health crisis, the company said that it is monitoring it closely, although the Chinese market has become marginal for the group after the sale of the Kappa brand in China. Also, the company noted that the impact of the crisis is cushioned by the group's business model, which diversifies production by geographic area.

**BasicNet**, headquartered in Turin and publicly quoted on the **Italian Stock Exchange**, has a portfolio of brands in leisurewear and sportswear, footwear and accessories with registered trademarks including Kappa, **Robe di Kappa**, **Jesus Jeans**, **K-Way**, **Superga**, **Sabelt**, **Briko** and **Sebago**.

## Cabrinha Kites falls under new ownership

The leading Hawaiian kitesurfing brand is returning to its roots. **Cabrinha's** founder, **Pete Cabrinha**, has teamed up with a U.S. investment company, **Water Bound Investments**, to buy the brand back from the Hong Kong-based **NeilPryde Group**. Water Bound Investments is managed by a former kite professional and Cabrinha team rider, **Jon Modica**. Nothing is known about the financial details of the transaction.

With the purchase of the brand, Cabrinha's headquarters will move back to Maui, Hawaii, where the brand was founded 20 years ago. From there, its founder will again take over product marketing and product develop-



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ment. **Kent Marinkovic**, president of **Adventure Sports**, the world's largest distributor of Cabrinha Kites, has been appointed as the new chief executive. In the future, the global sales management will be based in Miami, Florida.

With the new ownership structure, the brand will be brought back under the control of active kiteboarders. This is expected to bring the brand closer to its target group again and speed up its response to new trends. Maui is still considered a hotspot for the surfing industry and a preferred spot for leading wind and wave athletes. It remains one of the most important test areas for water sports products worldwide.

Specializing in kitesurfing boards, kites and accessories, foil boards and wing-surfing, Cabrinha has a distribution network covering 70 countries. It sponsors top surfing athletes who collaborate in product development and marketing. Pete Cabrinha plans to continue to invest in the sponsorship of athletes as well as in music, art and the protection of the oceans.

## Shimano buys Pioneer Sports Cycle assets

**Shimano** is planning to develop new products, web services and applications using certain assets of **Pioneer Sports Cycle** that it has acquired from **Pioneer Corporation**, the U.S. company that developed the first pedaling monitor and cycling computers in 2013.

Many of Pioneer's current products have been designed to be compatible specifically with the bicycle components of Shimano. The Japanese company will make its future services available to customers who currently use Pioneer's **CycloSphere** web services, PC tools and smartphone applications.

Meanwhile, Shimano has reported lower-than-expected results for the 2019 financial year, partly because it recorded flat sales of bicycle components at the end of the year, while its fishing gear sales were down due to typhoons that blew through Japan.

In the fourth quarter, the company's net income dropped by 35 percent to 9,034 million yen (€75.4m-\$83.1m), on sales that were slightly lower at ¥93,707 million (€782.0m-\$862.1m). The gross margin narrowed by 0.6 percentage points in the quarter to 37.9 percent.

Shimano's net income for the full year decreased by 3.9 percent to ¥51,833 million (€432.7m-\$467.1m). This was well below the company's latest guidance – which was updated in the third quarter – forecasting net income of ¥55,300 billion (€461.6m-\$498.3m).

The group's revenues increased by 4.4 percent from the previous year to ¥363,230 million (€3.0bn-\$3.3bn). The gross margin lost 0.5 percentage points to 38.7 percent, and operating income increased by 3.5 percent to ¥68,010 million (€567.7m-\$612.8m).

In the bicycle components segment, Shimano's revenues improved by 4.6 percent to ¥290,038 million (€2.4bn-\$2.6bn) last year, while the operating income rose by 1.0 percent to ¥57,850 million (€482.7m-\$521.0m).

In Europe, continued good weather supported retail sales of bicycles, mainly sports e-bikes. In North America, although total unit sales of bicycles decreased slightly at retail, the total amount of the company's sales remained at the same level as in the prior year, thanks to higher selling prices.

In China, retail sales were flat, as the downward trend that persisted until last year has begun to slow. With regard to other emerging markets, Brazil saw sluggish retail sales and the Argentinean market remained stagnant.

In Japan, sales of medium-to high-end sports bicycles were sluggish, according to the company. The new **Deore** and **SLX** high-end MTB components, and **GRX** gravel road components were well received in the market, however.

Shimano's fishing tackle segment performed well, despite a difficult end of the year, scoring a 19.6 percent increase in operating profit to ¥10,219 million (€85.3m-\$92.0m) on 3.4

percent higher sales of ¥72,838 million (€607.8m-\$656.0m).

The company indicated that retail sales in Japan registered steady progress until September, but ended up at the same level as in the previous year following stagnating market conditions after October due to the impact of the typhoons. Still, sales in Japan exceeded the previous year's level, with robust sales of middle-to-high priced reels, while rods also did well.

Overseas, the company recorded strong sales of new fishing products such as the **SLX** and **Stradic** ranges. In North America, revenues remained solid, supported by the strong economy, although sales were impacted by unfavorable weather. In Europe, although overall sales were sluggish, signs of recovery were seen in some countries, especially in the U.K. Sales of sports-fishing-related products continued to be strong in China. In Australia, the business remained sluggish due to bad weather that hindered the start of the fishing season.

In the Others segment, Shimano's sales were down by 0.7 percent to ¥353 million (€2.9m-\$3.2m). The group narrowed its operating loss in this division to ¥59 million (€490,000-\$530,000) from ¥107 million in 2018.

Moving to 2020, the company forecasts that its sales will go up by 2.4 percent to ¥372 billion (€3.1bn-\$3.4bn), while net income should improve by 0.7 percent to ¥52.5 billion (€438.1m-\$473.0m).

## New CEO for Rapala

In the midst of reforms to turn around the business, **Rapala VMC** has appointed **Nicolas Warchalowski** as its new chief executive, effective from March 1, 2020. He has had an extensive career in international consumer businesses, heading up companies such as **BabyBjörn**, **Peak Performance** and **Haglöfs**.

Warchalowski is taking the place suddenly left vacant at the top of the Finnish-based distribution and fishing tackle company by the departure late last year of **Jussi Ristimäki**, who had worked for the company since

2007. **Louis d'Alañon**, chairman of the group, took on his responsibilities on an interim basis (*SGI Europe* Vol. 309 N° 33+34 of Oct. 4, 2019).

The change of management comes after Rapala announced a group-wide plan to save €10 million in costs through efficiencies and internal synergies, lowering operating expenses and reducing net working capital. The main goal of the program is to centralize European distribution operations.

The group raised €25 million at the end of 2019 through a bond, after its results deteriorated in the first half of last year due to lower sales of third-party products. However, revenues improved significantly in the second half, driven by good performance in North America. This led the company to post a 5 percent gain in revenues for 2019 to €275.4 million, with a 3 percent gain in constant currencies. On an organic basis, sales also grew by 3 percent from 2018.

Operating earnings dropped by 9 percent to €13.4 million. However, excluding material restructuring costs and impairments, as well as gains and losses on business combinations and disposals, the comparable operating profit rose by 7 percent to €17.8 million.

The management said efforts to turn around the business are showing results, including the reorganization of Rapala's Indonesian lure manufacturing operation and several other changes in supply chain management. As a result, inventories decreased by 7 percent from the previous year, while net debt – without taking into account IFRS16 accounting changes – fell from €70.3 million in 2018 to €61.1 million in 2019.

Overall, the North American market last year continued the positive growth trend that began in 2018, with a particularly strong second half in North America. Revenues soared by 9 percent to €104.2 million in reported terms and by 4 percent in constant currencies, with sales continuing to grow both in the U.S. and Canada. Most product categories did well in the market. Despite some delivery issues at the beginning of the year, ice fishing sales rose sharply for the full

year. Good sales of branded lures also supported the growth.

In the Nordic countries, Rapala's sales were up by 3 percent to €56.6 million in reported terms and by 4 percent in constant currencies. Finland was a highlight, as the good trend in winter sports product sales continued last year. However, the group recorded weak hunting sales in Denmark and sluggish overall sales in Norway, where sales of third-party products tumbled.

In the Rest of Europe region, revenues improved by 4 percent to €81.3 million, or by 3 percent at comparable exchange rates. Sales were supported by the successful ramp-up of the group's own sales operations in some of the key Central European markets following the termination of very important distribution agreements with **Shimano**. Russian sales remained flat, while the Baltic countries and most of the Eastern European markets performed well.

In the Rest of the World, revenues declined by 1 percent to €33.3 million, with and without currency exchange rates effects, with a positive contribution from South Africa as well as the Latin American markets.

Overall, revenues generated by the company's own products advanced by 6 percent to €185.2 million. This was mostly driven by the North American market, with especially strong ice-fishing sales, and to a lesser extent by the Rest of Europe. Meanwhile, the group's revenues from the sale of third-party products progressed by 3 percent to €90.2 million, lifted by strong sales in the Nordics and the Rest of Europe.

Overall, the company's operating profit margin declined by 0.7 percentage points to 4.9 percent. Net income tumbled by 38 percent to €4.1 million.

As previously reported, Rapala has agreed to terminate many of its distribution agreements with Shimano across Europe and in South Africa by 2020 (*SGI Europe* Vol. 30 N° 3+4 of Jan. 28, 2019). The company said that one of its key near-term strategic priorities is to accelerate the global development of its rod

and reel products. As we have already reported, Rapala has become the distributor outside the U.S. for the 13 Fishing brand of rods and reels, after acquiring a 49 percent stake in the company.

The group is looking to sell more of its own products in large European fishing tackle markets in Germany, the U.K., Italy and Benelux. As a result, the management said 2020 will be a year of transition, with significant changes in the group's third-party products business, introducing 13 Fishing products to the markets as well as continuing to restructure its operations and distribution worldwide. It expects sales to decrease from the previous year due to a decline in third-party products sales and lower sales of winter sports items, owing to the mild winter weather in Europe at the beginning of this year. The operating profit is also expected to decrease as compared to last year.

## Canada Goose lowers outlook due to Coronavirus impact

**Canada Goose Holdings** has drastically lowered its guidance for the financial year ending on March 29 due to the coronavirus outbreak and its impact on sales in Mainland China. The management said that the virus is affecting retail sales of its products both in China and in stores located in popular tourist destinations for Chinese tourists, which indicates that the brand is hot among Chinese consumers.

The company's total revenues for the year are now expected to reach 945 to 955 million Canadian dollars (about €660m-\$715m), which would be equivalent to an increase of 14.5 percent, down from the 20 percent growth previously forecast.

In its third fiscal quarter ended on Dec. 29, the revenues of **Canada Goose** improved by 13.2 percent from the year-ago quarter to C\$ 452.1 million (€315.1m-\$340.9m), or by 13.7 percent on a constant-currency basis. This was driven by strong direct-to-consumer sales and a good performance in Asia.

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The **Lightweight** down and the **Lodge** hoody were among the best-sellers. The management also highlighted the brand's expanded line of knitwear, which is growing fast and accounts for almost 10 percent of total revenues in many retail outlets.

In constant currencies, revenues from the wholesale business declined by 8.1 percent to C\$ 150.3 million (€104.8m-\$113.4m) during the period, because orders for parkas were brought forward from the fiscal third quarter to the second quarter. This was better than the company anticipated, and Canada Goose also benefited from the acquisition in November 2018 of **Baffin**, the Canadian footwear producer. The gross margin remained flat at 47.7 percent in the company's wholesale operations.

Revenues from the direct-to-consumer (DTC) segment, which includes e-commerce, increased by 28.3 percent in constant currencies to reach a level of C\$ 301.8 million (€210.3m-\$227.6m), driven by strong reorders late in the period. The management said that, while most other outdoor brands were discounting frequently throughout the season to drive their businesses, Canada Goose did not, but still recorded strong sales on Black Friday and Cyber Monday. The gross margin in the segment declined by 1.0 percentage points to 75.1 percent, due to higher input costs and freight, partially offset by higher prices.

Overall, the company reported a quarterly sales decline of 12 percent in Canada, weighed down by weak wholesale revenues and a challenging market overall. The company said that over 8,000 consumers completed "**The Journey in December**," visiting its new retail concept in Toronto, which combines a guided tour of digital content, interactive displays and a personalized shopping experience featuring the full Canada Goose assortment online and same-day home delivery.

In local currencies, revenues went up by 10.0 percent in the U.S. They climbed by 11.9 percent in Europe, where DTC performed well, driving growth, and they more than doubled in Asia, despite lower traffic and reduced store hours in

Hong Kong owing to the political protests there. China was the biggest contributor, and e-commerce traffic and revenues grew significantly there. Canada Goose was the top-performing brand by revenues on **Tmall's Luxury Pavilion** during the Singles Day and Double 12 shopping festivals.

Overall, the company's gross margin rose by 1.5 percentage points to 66.0 percent in the quarter, benefiting from the higher DTC sales. The operating margin expanded by 0.7 percentage points to 35.7 percent.

The adjusted operating profit (Ebit) improved by 13.2 percent to C\$ 163.8 million (€114.2m-\$123.5m), and net income jumped by 14.1 percent to C\$ 118.0 million (€82.2m-\$89.0m).

### Moncler continues to grow, without Kering

The chief executives of **Moncler** and **Kering** have both denied press speculation about a possible acquisition of the Italian brand of luxury outerwear by the parent company of **Gucci**, **Saint Laurent** and other luxury goods brands, which spun off **Puma** two years ago. Indicating that there were no concrete plans about the sale of his company to another group, Moncler's CEO, **Remo Ruffini** denied any relationship between such plans and a proposed loyalty share scheme that would allow him to increase his voting rights in the company from 19.6 percent to 29 percent.

Meanwhile, Moncler reported an increase in net income of 9 percent to €361.5 million for the financial year ended on Dec. 31, 2019, and the gain amounted to 16 percent on a comparable tax basis. It scored a somewhat higher Ebitda margin of 35.3 percent on consolidated revenues of €1,627.7 million. The margin after depreciation and amortization (Ebit) remained high at 29.2 percent of sales – just below the margin of 30.1 percent attained by Kering last year. Moncler ended the year with more than €700 million in net cash.

Sales went up by 13 percent at constant exchange rates and by 15 percent in euros. In Italy, revenues rose

by 10 percent, boosted by a 21 percent gain in the fourth quarter and largely driven by its network of mono-brand retail stores and its e-commerce. In the rest of the EMEA region, they grew by 14 percent at constant and current exchange rates, driven by the U.K., Germany and France. Austria, Switzerland, the Benelux countries and the Nordics also recorded double-digit growth. Like Italy, this part of the world registered a strong acceleration in the fourth quarter, with an increase of 19 percent.

In Asia and the rest of the world, revenues went up last year by 13 percent in local currencies and by 16 percent at current exchange rates. China continued to lead the growth, followed by Korea. In the Americas, revenues grew by 11 percent on a currency-neutral basis and by 16 percent in euros, with very good results in all distribution channels and markets, according to the company.

The direct-to-consumer channel generated revenues of €1,256.9 million, representing 77 percent of the total turnover and growing a little faster than the wholesale channel. Sales rose by 13 percent in local currencies and by 16 percent in euros, thanks to 7 percent higher same-store sales, further development of the network of directly operated mono-brand retail stores and doubled growth in e-commerce. As of Dec. 31, 2019, it consisted of 209 stores, 16 more than a year earlier, with 10 of them opened in the fourth quarter. Moncler is planning to open its first stores in Spain and Ukraine this year.

The wholesale channel recorded revenues of €370.8 million, up by 10 percent at constant exchange rates and by 11 percent at current exchange rates, with growth being driven by the expansion of Moncler's network of shop-in-shops, whose number increased by nine units to a total of 64.

Moncler says it has suffered a decline of around 80 percent in its sales in the Chinese markets over the past few weeks as the coronavirus outbreak impacted its business in China, Hong Kong, Macau and Singapore. The company closed 14 stores in China, or one-third of its local



retail fleet, and the others saw a steep decline in customer traffic. Five department stores in Korea have closed their Moncler corners.

The situation has led Moncler to re-direct merchandise from its Chinese stores to its European stores. The company has also decided to postpone planned investments in new retail stores and marketing in China to the second half of this year.

## Outdoor and Fitness are Garmin's power engines

**Garmin's** revenues jumped by 18 percent to \$1,102 million in the fourth quarter, once again lifted by fitness and outdoor products. Net earnings soared by 90 percent to \$360.8 million.

The outdoor segment's sales rose by 16 percent to \$294.8 million, with adventure smartwatches proving very popular. The gross margin declined by one percentage point to 66 percent, while the operating margin jumped by one percentage point to 39 percent, resulting in strong operating income growth for the segment.

During the quarter, the group announced a global collaboration with **World Central Kitchen**, providing **inReach** satellite communication devices to help support disaster relief with emergency response efforts around the globe. Since its launch in 2011, Garmin's inReach – a satellite-based two-way messaging service – has provided remote communication and rescue facilitation in over 4,000 emergencies.

In the fitness division, Garmin's quarterly sales climbed by 34 percent to \$372.5 million, driven primarily by growth in wearables and contributions from the **Tacx** brand of cycling accessories, best known for its line of smart indoor training software, which it recently acquired. The gross margin declined by four percentage points in the segment to 48 percent, while the operating margin dipped by one percentage point to 20 percent. This was related to higher personnel-related and incremental costs associated with recent acquisitions.

The company's aviation and marine segments both went up by 22 percent, while the automotive segment declined by 15 percent.

For the full year, the company's revenues jumped by 12 percent to a record \$3,758 million, exceeding its previous guidance. Collectively, fitness, aviation, marine and outdoor went up by 18 percent from the prior year. Sales rose by 13 percent in outdoor and by 22 percent in fitness.

One of the highlights of the year was the launch of the **Fenix 6X Pro Solar**, a wearable device featuring solar harvesting technology.

Overall, Garmin's annual gross margin improved by 0.4 percentage points to 59.5 percent, while the operating margin expanded by 1.9 percentage points to 25.2 percent. Net income climbed by 37 percent to \$952.4 million.

Because of its strong performance, Garmin is projecting sales of \$4.0 billion in 2020, with a gross margin of 59.2 percent and an operating margin of 23.5 percent. Both the fitness and outdoor segments are expected to grow by 10 percent.

The management said it plans to build on its momentum in the fitness sector by launching new products while also expanding the distribution of Tacx products. In outdoor, it believes that the adventure watch category will continue to grow, driven by further innovation and new functions.

## GoPro ends the year on a high note

The battered American brand of action cameras benefited from production delays in the third quarter, which pushed deliveries of **GoPro's** new **Hero8** cameras into the fourth quarter, leading the company to record strong results for the three months to Dec. 31.

Revenues soared by 40 percent to \$528.3 million during the quarter, while the gross margin improved by 0.5 percentage points to 38.2 percent. Net income tripled to \$95.8 million –

up from \$31.6 million for the same period a year ago – turning this quarter into the company's second most profitable ever.

The volume of camera units shipped jumped by 31 percent to 1.85 million, led by the company's highest end products. There were especially strong sell-throughs for the **Hero8 Black** and **Max** 360-degree camera during the period from Black Friday to Cyber Monday. The Hero8 Black was the top selling camera in all of digital imaging by unit volume in the U.S. for the quarter. In Europe, GoPro had four of the top five cameras in the action camera category, and it held shares of 83 percent in value and 82 percent in units in the price band over \$200, according to **GfK**.

The **GoPro Plus** subscription service also helped revenues during the quarter, surpassing 334,000 active paying subscribers as of Jan. 31, up by 69 percent. The management said it is targeting 600,000-700,000 paid subscribers in one year's time, which it believes will contribute \$35 to \$40 million in high-margin recurring revenues in 2021.

Looking at the full financial year, revenues were up by 4 percent to \$1,195 million. The strong performance from high-end products led to 90 percent of revenues coming from the \$300 and above price band in 2019.

**GoPro.com** represented more than 10 percent of revenues, growing by around 40 percent year-over-year. Organic viewership of GoPro content across all channels achieved an all-time high with 737 million non-paid views, a 29 percent increase over 2018.

The gross margin expanded by 0.2 percentage points to 38.6 percent, while the adjusted Ebitda was \$72 million, a 230 percent increase compared with last year.

The management believes it is well positioned this year to expand both margins and earnings per share due to the strength of its product line, along with its high-margin Plus subscription service and its app monetization strategy.

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## Big loss at Fitbit pending Google's bid

Google's proposal to acquire **Fitbit** for \$2.1 billion was approved by the latter's shareholders on Jan. 3, but it is still undergoing regulatory scrutiny in the U.S. and Europe. In both areas, regulatory authorities have expressed concern that the health and other data being collected by Fitbit will be used by Google for other purposes, despite assurances that their confidentiality would be maintained.

Meanwhile, costs of \$47,990,000 related to Google's acquisition led to a net loss of \$120.8 million at Fitbit during the fourth quarter of 2019, compared with a profit of \$15.4 million in the same period of 2018. The gross margin fell by nearly 15 percentage points to 24.3 percent because of a shift in the product mix, higher promotions, the impact of the U.S. tariffs on imports from China and a benefit recorded last year from the release of warranty accruals.

Fitbit's revenues declined by 12 percent to \$502.1 million in the quarter. Units went up by 8 percent, but average selling prices fell by 19 percent – which was surprising in view of the increasing share of smartwatches in the product mix. Sales were off by 16 percent in the U.S. and by 7 percent in the rest of the world, increasing by 2 percent in EMEA and falling by 40 percent in Asia-Pacific.

Smartwatches represented 50 percent of Fitbit's revenues for the full financial year, up from 44 percent in 2018. Nevertheless, the company's total sales were down by 5 percent to \$1,434.8 million on an annual basis. The gross margin plunged by 10.1 percentage points to 29.8 percent, and the net loss widened to \$320.7 million from 185.8 million in the prior year.

The total number of active users worldwide grew last year by 7 percent to 29.6 million, boosted by "more accessible" prices, said Fitbit. The company sold a total of 16 million devices, with its smartwatch business growing by 45 percent at retail, due to strong

demand for Fitbit's new **Versa 2**. Revenues from **fitbit.com** represented 10 percent of revenues, and the **Fitbit Health Solutions** business rose by 17 percent to \$95 million.

## Mixed results for Thule

The phasing-out of low-margin contracts with OEMs (Original Equipment Manufacturers) in the U.S. had a negative impact on **Thule's** sales of SEK 11 million Swedish kronor (€1.0m-\$1.1m) for the fourth quarter, and accounted for half of the negative trend in the region. The Swedish company is known for its roof racks, roof boxes and bike racks, as well as strollers, bags and sleeves of various kinds.

Net income dropped by 31.8 percent from the year-ago quarter to SEK 30 million (€3.1m-\$3.2m), while revenues went up by 4.7 percent in reported terms to SEK 1,211 million (€124.4-\$128.1m), or by 0.6 percent in constant currencies. The gross margin improved by 0.2 percentage points to 38.2 percent, while the underlying Ebit margin improved by 0.4 percentage points to 5.9 percent.

In Europe and the rest of the world, Thule saw stable growth. During the quarter, sales in the region rose by 4.2 percent in constant currencies. In terms of product categories, the company recorded strong sales of roof boxes driven by the new premium roof box, **Thule Vector**. The luggage category also grew strongly, led by the launch of the **Thule Crossover 2** collection. RV Products continued to perform well thanks to positive market growth in the German market. Meanwhile, the U.K. also posted healthy growth, as did Eastern Europe, with the exception of Russia. In Southeast Asia, the company benefited from the successful launches of luggage and bags.

In the Americas, revenues declined by 5.7 percent in constant currencies, weighed down by the reduction in OEM contracts and lower sales of bags and cases. Canada delivered its best quarter of the year with strong growth in most categories, while sales in Latin America were in line with last year. The group has taken steps to reorganize the business

in North America. As previously reported, it acquired at the end of 2019 **Denver Outfitters**, an American producer of vehicle-mounted fishing-rod carriers, in a bid to expand its product range in camping and outdoor lifestyle.

For the full-year, sales rose by 8.5 percent to SEK 7,038 million (€667.0m-\$722.8m), or by 3.9 percent in constant currencies. In Europe and the rest of the world, on a constant-currency basis, revenues jumped by 6.1 percent from the previous year, while in the Americas, they declined by 1.2 percent. The gross margin fell by 0.6 percentage points to 40.2 percent and the underlying Ebit margin was down by 0.3 percentage points to 17.7 percent. Net income climbed by 5.5 percent to SEK 883 million (€83.7m-\$90.6m).

## MIPS' sales jump by 41%

**MIPS**, a Swedish supplier of helmet-based safety technologies intended to protect wearers against rotational movements, saw good growth in the fourth quarter, with sales rocketing by 41 percent from the year-ago quarter to 88 million Swedish krona (€8.3m-\$9.0m). Adjusted for currency effects and acquisitions, and on an organic basis, they improved by 33 percent. The gross margin remained flat at 74.9 percent, while the adjusted operating margin declined by 0.7 percentage points to 45.4 percent.

The momentum is expected to continue following the appointment in October of a new chief marketing officer, **Fredrik Kjellberg**, who joined a team of less than 40 employees involved in R&D, marketing, sales and administration. He had previously spent nearly five years as brand marketing manager and global marketing manager of **Haglöfs** and nearly four years as global marketing director of **Atomic**, the Austrian-based ski producer. Before joining Haglöfs, he had been the digital marketing manager of **Peak Performance**.

In the full 2019 financial year, the company's sales rose by 39 percent to SEK 267.9 million (€25.3m-\$27.3m), or by 29 percent on an organic basis. The gross margin expanded by 0.2 percentage points to 74.1 percent. Adjusted for acquisitions, the margin gained 1.4 per-

centage points, reaching a level of 75.3 percent. In 2019, MIPS acquired **Glide-Wear** from **Tamarack Habilitation Technologies** of Blaine, Minnesota. The deal was worth about \$1 million.

MIPS' adjusted operating margin jumped by 3.3 percentage points to 41.2 percent due to the sharply higher sales and the positive impact of currency fluctuations, partly offset by higher costs for a strengthening of the organization, currency derivatives and increased marketing initiatives. The company's net income climbed by 50 percent to SEK 84.8 million (€8.0m-\$8.6m).

The management said the group doubled its sales to European customers during the year. In 2019, the company delivered 4.9 million units with **MIPS BPS** technology to 103 brands all over the world for integration into 583 different helmet models. This compares with 3.8 million units delivered in 2018. **Specialized** and **Nutcase**, a lifestyle-oriented brand of helmets, were among the 25 new partners of MIPS last year.

MIPS entered into both the safety helmet and hockey helmet categories in the past year. **Bollé** is the company's latest major new partner. It is also the first brand of sports eyewear to offer MIPS BPS in all helmets both for snow sports and cycling.

## Uvex offers smart crash sensors

**Uvex**, the German producer of spectacles and helmets, has entered into a strategic distribution partnership for Germany and Austria with a German start-up, **Tocsen**, which has developed smart crash sensors that are compatible with ski and bicycle helmets and can quickly call for help in an emergency.

When the sensor is attached to a helmet and connected to the smartphone via **Bluetooth**, it can detect a fall and then automatically make an emergency call if the rider is unable to react. In the event of a fall, the information is given vocally or by SMS not only to the stored emergency contacts, but also to the whole community of Tocsen users within a radius of 50 kilometers, so that first aid

can be provided rapidly. Community members are alerted and guided to the scene of the accident by GPS.

The **Uvex Group** performed relatively well in the 2018/19 financial year, posting an overall sales increase of 5 percent to €475 million in the three business segments of Safety, Sports (under the **Uvex** and **Alpina** brands) and **Filtral** (sunglasses and reading glasses). The Sports and Leisure division generated sales of €131 million with a plus of 5 percent as well.

The market environment was described by the management as "extremely challenging," with sales of snow sports helmets and goggles estimated to have continued to decline due to market saturation and poor winters. An opposite trend was mentioned in cycling, which has continued to boom in the area of urban mobility, leading to strong growth rates.

The **Uvex Sports Group** achieved high growth rates in equestrian sports with its riding helmets and riding gloves. Flat sales were reported for the **Filtral Group**.

## Ispo Awards praise sustainability, get new team

As usual, an independent jury has selected the winners of the **Ispo Awards** for this year's **Ispo Munich**. The most innovative products in snow sports, outdoor, running, fitness & team sports and sustainability were chosen from a large number of high-quality entries. While the titles "**Winner**" and "**Gold Winner**" have been treated in somewhat inflationary ways in recent years, the title of "**Product of the Year**" is ultimately the highest achievement in each category.

While being evaluated as a distinct segment, sustainability and ecology overall proved to be prerequisites for winning an award this year. A case in point was the **Veja Condor**, the world's first "post-petroleum running shoe," which was named Product of the Year in the running category. **Alpina's Prolan Vest** back protector also managed to convince the jury with its ecological concept: this snow sports Product of the Year uses European sheep's wool instead of poly-

mers for the vest and protector plate, without compromising safety, according to the company. The **Summit L3 50/50 Down Hoodie** from **The North Face** came out on top in the outdoor apparel category. The judges appreciated the pull-over's combination of breathability and a light, compact package.

The outdoor equipment category was won by the **ProteGear A\*Live Smart-Safety Tool**, a digital rescue assistant designed mainly to detect emergencies and independently call for rescue. According to ProteGear, this can reduce the reaction time of emergency services by up to 90 percent. The A\*Live uses both the available mobile phone network and the **Iridium** and global satellite networks. In areas without mobile coverage, it can also be used as a satellite hotspot for smartphones.

The strategy of combining existing materials – a windbreaker lining with breathable **Polartec Alpha** insulation – in a completely new way for the new **R5 Gore-Tex Infinium Insulated Jacket** for runners earned **Gore** the Product of the Year award in the running apparel category. In the fitness & team sports category, an inflatable surfboard from **Tripstix** received the highest accolade. The light board provides stiffness and shape and can still be packed down to a very small size. Tripstix is a company in Munich that was founded in 2010 by a group of river surfers looking for a more comfortable way to travel across town to their favorite surf spots.

Judged by a separate jury of specialists, the sustainability category has developed into one of the most interesting segments of the Ispo Awards. With a completely new circular economy approach, **Bergans of Norway** received the "**Sustainability Achievement**" award for its "**Collection of Tomorrow**," represented by a backpack made from a recycled/recyclable material. As "owners" of the fabric used in the product, consumers can decide at any point to return the backpack and order a jacket, pant or any other item made with the very same material. The Collection of Tomorrow was developed in collaboration with **Spinno-va**, a Finnish producer of bio-based materials for the textile industry. **Jan Tore**



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**Jensen**, chief executive of Bergans of Norway, said that while the Collection of Tomorrow is currently at the prototype stage, it provides a glimpse into future product development.

In addition to the Products of the Year and the Sustainability Achievement Award, the Ispo jury assigned several Gold and Winner Awards to products across all categories. The complete list of all winners is available at [www.ispo.com/en/awards/ispo-award](http://www.ispo.com/en/awards/ispo-award). **Dynaflit** won two awards, including a **Golf Award**, in the ski touring segment. The same honors were granted to **Salewa**, another brand in **Oberalp's** portfolio. **POC Sports** won three Ispo Awards with its 2020/21 snow collection. **Base Armor**, a cut-resistant racing base layer made with **Dyneema** fiber, is a Gold Winner. The **Cornea Solar Switch**,

a snow sports goggle that changes its tint automatically to adjust to the ambient light, is an Ispo Winner, as is the **Loft Parka**, a down jacket for all a full experience on the slopes – before, during and after skiing.

**Messe München** announced this month that the **Ispo Textrends**, **Ispo Brandnew** and Ispo Award product platforms, which had previously been organized by external service providers, will now be coordinated and managed by a new internal team. For more than 20 years, a Munich-based agency, **Pascher + Heinz**, has been responsible for the conceptual development, coordination and management of all award platforms in close cooperation with the former head of awards & innovation, **David Badalec**. **Badalec** left **Messe München** in January after eight years

with the company to be appointed country manager for Germany, Austria and Switzerland at **Private Sport Shop**, an online shopping club based in Montpellier, France.

With the **OutDoor** trade show moving from Friedrichshafen to Munich last summer, the Ispo Group's award portfolio has expanded with the addition of the "**Outstanding Outdoor**" range of products, which will enter its second round at this year's OutDoor by Ispo on June 28 to July 1. Ispo's new internal team, now responsible for all awards, consists of the new head of the awards & innovation department, **Franziska Ziendl**, and three product managers, **Jacqueline Eskandar**, **Susanne Reinthaler** and **Stephan Barth**, all of whom have professional experience within the **Ispo Group**.

## News Briefs & Short Stops

### Corporate

We have reported about the bankruptcy of **Gresvig**, the Norwegian licensee of **Intersport**, in our last issue. We now hear that **Bjørn Rune Gjølsten** is set to acquire a 50 percent stake in **Gresvig**. The Norwegian executive owned **Gresvig** before, but then sold it with a major capital gain in the early 1990s and founded another chain, **Sport 1**. The deal is subject to approval by the Norwegian competition authorities. Meanwhile, at least 90 employees at **Gresvig's** head office were informed that they would be losing their jobs.

As reported in *Sportfack*, the Swedish industry magazine, **Wearcolour Sweden**, a Swedish brand of anoraks, ski jackets and trousers with distinctive color blocking that also owns the **Void Cycling** trademark, went bankrupt on Feb. 11 at its own request in Gothenburg. A notice on its website said that no orders can be placed or processed at the moment, but the receiver was considering re-starting e-commerce. **Void Cycling** is a Swedish brand of bike clothing created by passionate riders that put out its first collection in 2014 to combine fashion with high-end function cycling wear. The jerseys came with complex abstract prints. The product line covers many categories for men and women, including jerseys, shorts, jackets and crew necks for use on and off the road. According to the Swedish trade magazine *Habit*, the bankruptcy application, signed by **Wearcolour's** chief executive, **Johan Ullbro**, states that the company wishes to go bankrupt as "the applicant cannot pay its debts, and this is not only temporary." The company, which was founded in 2010, has 11 employees. In 2018, its operating profit declined to 2.4 million Swedish kronor (€0.22m-\$0.24m) on higher sales of just over SEK 70 million (€6.6m-\$7.2m).

+++ **H.I.G. Capital** has finalized the acquisition of a 75 percent stake in **Lagardère Sports and Entertainment**, the French-based sports marketing agency, which generated annual revenues of around €438 million in 2018 +++

### Executive Changes

**Under Armour** has promoted **Colin Browne** from chief supply chain officer, the post he attained in 2017, to chief operating officer. In addition to the supply chain and procurement, he will now be overseeing demand planning, distribution, IT, business processes, corporate real estate, asset protection and sustainability. **Browne** joined the company in 2016 as president of global sourcing, having previously had similar duties at **VF Corp.** He was also chief executive for Asia at **Pentland Brands**, COO at **Wongpaitoon Group**, country manager at **Reebok** and a technician at **Bally Shoes**. **Under Armour** has also appointed **Paul Fipps** to the new post of chief experience officer. **Fipps** will notably be in charge of digital strategy for retail and e-commerce. This includes **UA's Connected Fitness** platform, software engineering, customer relationship management, human performance and data science. **Fipps** has spent the past two years as chief digital officer for **Connected Fitness**. He has also served as chief technology officer. Both **Browne** and **Fipps** now report to **UA's** chief executive, **Patrik Frisk**.

**Wolverine World Wide** has appointed **Joelle Grunberg** as global president of its **Sperry** division and **Tom Kennedy** as global president of the **Wolverine** brand, with oversight for the Licensing Group and membership on the acquisitions team. **Grunberg** has spent the past seven years as president and chief executive for North and Central America at **Lacoste**. She began her career in accounting and consulting, with posts at **Ernst & Young**, **Deloitte** and **McKinsey**, before becoming CEO for watches and jewelry at **Galleries Lafayette** and then CEO of business development at **Celio**, a French chain of clothing stores. She currently serves as an independent director on the board of **Ecco Shoes**. **Kennedy** has spent the past three years in Boston as president of **Sperry** and is now returning to Michigan, where **Wolverine** has its headquarters. He was hired by **Wolverine** in 2015 as president of apparel and accessories. He has also served as a division president at **Pacific Sunwear**, as a vice president of **Fossil** brand, in **Nike's** U.S.

apparel division, in **Old Navy's** men's, boy's and men's active departments, and as a merchandising manager at **Gap**.

**Lenzing**, the producer of cellulosic fibers, is switching out one member of its management board and expanding it by one seat. On March 1, **Stephan Sielaff**, Lenzing's new chief technology officer, will take the seat vacated late last year by **Heiko Arnold**, who has left the company. A chemical engineer by training, Sielaff has spent the past six years as chief operating officer at **Archroma**. Before that he spent almost 15 years in vice presidencies at **Syrmise** and more than 11 years in various management posts at **Unilever**. On June 1, **Christian Skilich** will assume a new seat on Lenzing's management board to supervise the new pulp and raw materials division. According to *Sportstextiles.com*, Skilich has previously worked for paper, packaging and glass producers and was most recently chief operating officer at **Mondi**. The chairman of Lenzing's supervisory board, **Peter Edelmann**, says that the company will spend the next few years "strongly increasing our own supply of pulp," as per its sCore Ten strategy. Hence the new division.

**Julbo**, the French eyewear brand, has hired **Rick Randall** as its new national sales manager for the U.S. Most recently, Randall served as territory manager for **Rocky Mountain Bicycles**, where he worked with bicycle retailers to strengthen brand distribution and identify long-term partnerships. He previously served as a principal for **Breakaway Sports Group**, acquiring more than 10 years of experience in sales and marketing. Julbo was founded in 1888 in France's Chamonix Valley by **Jules Beaud**, the originator of the first glacier glasses. The company is named after its founder (French pronunciation). Its U.S. headquarters are located in Vermont's Green Mountains.

**Deuter USA** has announced the promotion of **Jonathan Degenhardt**, currently senior marketing manager, to managing director, effective July 1. He will replace the current managing director, **Bill Hartrampf**, who will stay with the company to develop a new direct sales business unit.

On July 31, after almost 30 years, **Markus Bötsch** will leave **Jack Wolfskin**, the German outdoor brand acquired by **Callaway Golf** at the beginning of last year. Bötsch is currently a member of the management board, responsible for sales strategies. He started out as a sales assistant in 1991, then became a sales representative and, after various management positions in sales, finally became chief sales officer in 2007. Jack Wolfskin's chief executive, **Melody Harris-Jensbach**, has not yet named a successor for Bötsch. It was only in July of last year that another top executive of the company responsible for finance and operations, **Jörg Wahler**, resigned. **Ante Franicevic** was then appointed chief financial officer, followed in the autumn by **Alexander Hauser** as the new chief operating officer.

Strengthening the management level below the executive board, **Zalando** created three new positions to join its seven senior vice presidents. **Anne Pascual** was promoted to senior vice president of product design, and **Astrid Arndt** was appointed SVP for people and organization. Both have been with the company for several years. **Bruno Vanhoorickx**, who comes from **Bain Capital**, will join Zalando in March to serve as SVP for corporate development, reporting directly to **Rubin Ritter**, joint chief executive and head of strategy, to "help us to discover new opportunities and growth horizons." Zalando has been expanding its management team since April 2019, when two additional board

members were appointed, followed by three senior vice presidents in October 2019. Zalando has set the goal of tripling its market volume to €20 billion by 2023/24.

Moving into the work and safety segment, **Tretorn Sweden** has appointed **Peter Svensson** as business unit manager for work & safety. He was previously the chief executive of **Arbesko**, the Swedish safety shoe company. **Magnus Månsson**, Tretorn's CEO, intends to develop the category's offering in the area of footwear and workwear, launching new products, and expand Tretorn's sales in more markets all over Europe. He says that protection is in the DNA of Tretorn, a 130-year-old company that is better known for its rain boots.

**Terry von Bibra** has recently resigned from his post at **Alibaba**, the Chinese online retailer. He joined Alibaba as general manager for Germany in 2015 and was appointed general manager Europe in 2016. Von Bibra worked previously as chief retail officer at **Karstadt**, where he was responsible for the company's multichannel business. Before joining Karstadt, he managed the marketing and expansion of **Amazon** in Europe and the business of **Yahoo Germany**.

**Magnus Wedhammar** has left **Sanuk**. He had been the surf-inspired footwear brand's general manager since July 2016, when it moved within California from Irvine to Goleta, the location of **Deckers'** headquarters. Deckers purchased Sanuk – founded by **Jeff Kelley** in 1997 – for \$120 million in cash in 2011. Before joining Sanuk, Wedhammar was senior vice president of product at **Sperry Top-Sider**. Earlier still, he was vice president of footwear at **Converse**. According to **ShopEat-Surf**, Sanuk's top management has remained much the same since Wedhammar's departure. **Erik Ecklund**, senior director of sales, and **Seth Pulford**, director of marketing, are still in place, and it is unclear whether Sanuk will name a new general manager. **Wendy Yang** continues to lead the Deckers Performance Lifestyle Group, which includes Sanuk as well as the **Hoka** and **Teva** brands. In the last full fiscal year, Sanuk's sales totaled \$82.6 million, down 9.1 percent from the previous year. According to Deckers, Sanuk's total sales for the current fiscal year are expected to decline by 30 percent.

+++ **Jenny Gordillo**, the long-time export manager of **Costa Sunglasses**, will leave the company in the reorganization of its operations in Florida and their integration with those of other **Luxottica** brands such as **Oakley**, **Ray Ban** and **Foster Grant** +++

## Retail

**Patagonia** opened its second store in the U.K. earlier this month, in Bristol. It already has one in Manchester. The new 280-square-meter brand store will not only present the collections from the outdoor sports segments, covering climbing, snow sports, surfing and trail running, but will also serve as a meeting point for activists and sports communities of several kinds. It will host regular community events, such as film screenings and public talks, and will feature works from Bristol artists. Located in an historic building at 81 Park Street near **Bristol University**, the space was formerly occupied by **Levi's**. As with all Patagonia locations, the interior design seeks to preserve the historic building, honoring its surrounding history and culture. In Europe, Patagonia has 10 retail stores and is sold in over 1,200 multi-brand stores.

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**Footasylum** has signed up to **Claims Detect Online (CDO)**, a new tool to help tackle the issue of suspicious refund claims in the U.K. The tool has been developed by **National Business Crime Solution (NBCS)**, a non-profit initiative. Retailers are being targeted by an increasing number of suspicious refunds or “re-orders,” which need processing even when they seem fraudulent. Without tools to verify the legitimacy of the claim, retailers are not confident enough to refuse the refund, which is a customer’s right. According to NBCS, online retailers lose more than £400 million (€480.4m-\$521.7m) as a result of fraudulent claims regarding “goods lost in transit,” with the average claim costing £40 (€48m-\$52m). Footasylum already has its own fraud-detection tools built in to its payment-processing system and supplements these with machine learning analytics at checkout. CDO will complement its existing capabilities.

### Results & Statistics

**Internetstores**, a subsidiary of **Signa Sports United**, recorded total sales of €373 million in 2019. The online retailer reported that its sales had increased by 30 percent over the past three years. The online retail platform for bike and outdoor, which owns the **fahrrad.de**, **Brügelmann**, **Bikester**, **Probikeshop**, **Campz** and **Addnature** online stores, aims to grow by another 20 percent in 2020. Internetstores plans to develop its online stores and its storage in the next few years and to find 85 new service partners for **fahrrad.de**, which is no longer a pure online retailer. Since 2018, Internetstores opened **fahrrad.de** physical stores in Düsseldorf, Berlin, Stuttgart, Hamburg and Dortmund and set up a network with local and mobile service partners. Internetstores sent out more than 200,000 bikes and over 3.8 million parcels with more than 9 million items, such as bike accessories, sporting goods apparel and outdoor equipment, from its six logistic centers in Germany. E-bikes already account for 40 percent of Internetstores’ total sales volume in its bike segment. The German online retailer – part of Signa Sports United since 2016 – manages more than 40 online stores in 14 countries. It offers more than 100,000 products from 900 brands, including Internetstores’ private brands, such as **Ortler**, **Serious**, **Fixie Inc.** and **Votec**. The company employs more than 700 people in Stuttgart, Esslingen, Berlin, Lyon and Stockholm.

**Wintersteiger** – the international machinery and plant engineering group founded in Austria in 1953 and specializing in ski-servicing equipment – announced at **Ispo Munich** that it has set up 1,500 automated ski service machines. It also presented new products, including the **Scout** automatic ski service station, the **Easystore Fex** storage system (with replaceable fronts) and a new clamping system for workbenches that can be used to secure all kinds of skis. In addition, it is launching a new range of services for bikes, such as cleaning, storage and parking solutions, bicycle sportswear drying, and software for bicycle rental and services. The Austrian company delivers products to more than 130 countries, via 15 subsidiaries and 60 representative offices, and employs more than 1,000 people worldwide. In 2019, sales increased by 11 percent year-on-year.

The number of ski lift customers in Switzerland between the start of the season and the end of January (mid-season) registered a 17.8 percent increase as compared to the average of the past five years. According to the figures released by **Remontées Mécaniques Suisses**, all the regions that were considered for the survey experienced an increase in the number of customers. The com-

plete figures are available online at [www.remontees-mecaniques.ch/Monitoring-saisonnier](http://www.remontees-mecaniques.ch/Monitoring-saisonnier).

**Lyst**, the London-based search engine for fashion items, publishes a ranking of the most popular brands and products every quarter. For the first time, **Dr. Martens** and **Canada Goose** made it into the top 20 in the fourth quarter of 2019. The ranking is based on the online search queries of more than 104 million users. Canada Goose ranked 18th, while Dr. Martens was at 19. **Prada’s Monolith** boot was the third most-desirable product in the category of women’s wear in the fourth quarter of 2019. The women’s wear ranking is headed by the black **GG** leather belt by **Gucci**. In the past three years, this item has made the top 20 nine times and come in first on two occasions. **Amina Muaddi** and its **Gilda** sandals were in the second place of the ranking. Lyst’s most popular sneaker models for men in the fourth quarter of 2019 were led by **Alexander McQueen** in third place, followed by **Yeezy’s 500 Stone** model in fifth and **Nike’s Air Force 1 Para-Noise** in eighth.

### Legal & Institutional

The **Federation of the European Sporting Goods Industry (Fesi)** has announced the arrival of a large new member, the **European Surf Industry Manufacturers Association (Eurosima)**. The French-based organization has also gained a seat on various steering committees at Fesi, notably the one that handles product compliance with EU standards on consumer information, safety, the use of chemicals and so forth. Eurosima is a non-profit association of European boardsports companies. It was founded in 1999 by six surfwear brands – **Rip Curl**, **Billabong**, **Quiksilver**, **Rusty**, **Gotcha** and **Hoff** – but opened its ranks in 2005 to boardsports in general. It now federates about 122 brands and 58 service providers. Eurosima was inducted at Fesi’s general assembly in December, becoming the fifth member to join the European organization in the course of 2019. Fesi’s membership now amounts to about 50 companies and 13 national and international federations including, for example, the **European Outdoor Group**.

**Michael Avenatti** – the California lawyer who rose to prominence representing an American stripper, **Stormy Daniels**, in a failed lawsuit against **Donald Trump** – has been found guilty of extortion, wire fraud and transmission of interstate communications with intent to extort in New York federal court. The plaintiff is **Nike**, which Avenatti approached shortly before an earnings report and threatened to expose for improper payments to amateur athletes unless it paid him \$25 million or hired him to investigate those same allegations. Nike cooperated with prosecutors to record its negotiations with Avenatti secretly. Avenatti’s defense attorney, **Howard Srebnick**, disclosed in his opening statement at the trial that the SEC is currently investigating Nike for the alleged payments. Avenatti is due for sentencing in June and could spend 20 years in prison. His troubles will not yet be over, however, as he is still the defendant in two other unrelated fraud cases: in New York and California.

**Nike** has filed suit against some of its customs brokers in the U.S. – **B&H Customs Services**, **Hana Freight** and **Shine Shipping** – alleging their use of fake documents and a stolen corporate identity to get four containers filled with counterfeit merchandise past customs. One of these, recently seized in the U.S., was transporting \$977,414 worth of counterfeit **Air Max 270**, **Nike Air Vapormax Flyknit**, **Nike Air Max 98**, **Air Max 270 Flyknit** and **Jordan 11** sneakers. Nike is accusing



the brokers of several violations, among them trademark infringement, and is asking the court for an injunction against the defendants and for damages of at least \$2 million per trademark and per type of good.

**Patagonia** has filed suit in Los Angeles federal court against **OC Media** for trademark infringement, unfair competition and other violations of the Lanham Act. **Open Caucasus Media**, as it is formally called, is a Russian-language news website covering the North and South Caucasus. Its funders include the **European Endowment for Democracy**, the U.K. Foreign and Commonwealth Office, the **Friedrich-Ebert-Stiftung**, the **Open Society Foundations**, the **National Endowment for Democracy** and the Czech Republic's Ministry of Foreign Affairs. The organization has been selling apparel bearing the name "**Petrogonia**" and a logo that resembles Patagonia's P-6 logo but substitutes oil derricks for mountains. As OC Media advocates oil drilling and fracking (hydraulic fracturing), the designs are likely a parody of Patagonia's environmental stance. Patagonia is asking the court for an injunction, damages and reimbursement of legal fees.

**Wolverine** has agreed to pay \$69.5 million to local authorities and the state of Michigan over several years to remedy water contamination from chemicals used in a now-closed tannery and other company-owned facilities in the state. On the other hand, WWW will get \$55 million in a lump sum from **3M** as a settlement for the **Scotchgard** treatment used in the tanning process that caused the damage. The money paid to local authorities will help them to extend a municipal water system to serve 1,000 affected properties. WWW will continue to maintain water filters and resample some residential wells while adjusting its former tannery and other sites.

E-sports have a new European organization. The **European Esports Federation (EEF)** was launched on Feb. 21 in Brussels, bringing together 23 national associations and three e-sports stakeholders from across the continent. The first president of the EEF is **Hans Jagnow** of Germany, while its first vice-president is **Karol Cagán** of Slovakia. The other board members are **Emin Antonyan** of Russia, **Ido Brosh** of Israel and **Alper Özdemir** of Turkey. The EEF has been set up to represent e-sports stakeholders in Europe and shape the continental future of e-sports. The e-sports market is experiencing exponential growth in both revenues and audience, and Europe is now increasingly mirroring the constant progression that has been occurring over the past few years worldwide. According to data from **Newzoo**, the specialist in e-sports market research, the global e-sports market reached \$1.1 billion in 2019, representing a 26.7 percent increase as compared to 2018. The largest share of revenues (\$456.7 million) came from sponsorships. By geography, the Asia-Pacific region still accounts for 48 percent of the market, followed by North America at 26 percent, then EMEA (Europe, Middle East and Africa) at 22 percent, and finally Latin America at 4 percent.

**Manchester City**, which signed a 10-year kit deal worth \$650 million (£775.6m-\$840.0m) with **Puma** in February 2019, has been banned by **UEFA** from European club competitions for the next two seasons. The European governing body of football, which ruled in connection with the club's alleged breach of football's so-called "financial fair play" rules, also handed out a €30 million (£35.8m-\$38.8m) fine to the club. UEFA has been waging a campaign to restrain spending by clubs like City, which is owned by **Sheikh Mansour** of Abu Dhabi, in order to ensure a competitive balance with other clubs. City, which competes in the **English Premier League**, has strongly denied the allegations and an-

nounced its intention to appeal the decision to the Court of Arbitration for Sport. The club claims that the accusations are based on inadmissible evidence and that the punishment is disproportionate. The investigation drew from a series of articles in *Der Spiegel* after the German magazine obtained e-mails discussing City's methods to allegedly get around the regulations. Puma issued a statement to say it is convinced that Manchester City will be cleared of wrongdoing in the appeals court.

The European Commission is putting pressure on the Cambodian government to stop violating its commitments to various conventions on labor, social and human rights, including the **International Labor Organization's** convention on collective bargaining. It is doing so by withdrawing Cambodia's duty-free access to the market of the European Union, starting on Aug. 12, 2020, for a variety of footwear and apparel products with a low added value. The EU is Cambodia's largest trading partner, accounting for 45 percent of its exports, of which footwear has a share of 12.6 percent. In the U.S., meanwhile, the **American Apparel and Footwear Association (AAFA)** has sent a letter to the Cambodian government, signed by several companies including **VF Corporation**, asking it to present a "roadmap" for action to resolve the "labor and human rights situation" in the country. It wants it to amend the local trade union law, repeal legislation banning certain associations and drop all outstanding criminal charges against labor activists.

The European Parliament has approved the free trade agreement negotiated by the European Commission with the government of Vietnam with 401 votes in favor of the package, 192 votes against and 40 abstentions. The FTA will allow the removal of virtually all import duties by the two parties over the next ten years. The package includes an investment protection agreement that still needs to be endorsed by the parliaments of the EU's member states.

## Product

**YKK**, the Japanese producer of fasteners, has come up with a zipper that substitutes magnets for interlocking teeth. The aptly named **Magnet Zipper** seals the two sides of a garment by electromagnetic attraction when they are brought close together. As the company explains, this makes the zipper easy to operate even blind, which should make it a natural product for the elderly, the disabled and children as well as for athletes who want a quick change. YKK hopes to begin mass production next year. Last summer, the company introduced the **Click-Trak** zipper, which replaced insert pins with rotating snaps to make closing easier.

**Saucony** is developing a biodegradable shoe for release later this year. The shoe will be made of such natural, renewable materials as organic cotton, **Lenzing's Tencel** fiber, wool and natural rubber, with no plastics, bio-plastics or plastic derivatives and no petroleum-based glues or threads. Saucony also aims to reduce the number of production stages and the amount of electricity used for them. As the company puts it, according to *Sportstextiles.com*, "this shoe will be built by the same stitching processes used when we began making shoes in the late 1800s." The first biodegradable shoe to see the light will be a casual model, as the technical hurdles for biodegradable running shoes are higher.

**Musto**, the British brand of nautical and outdoor apparel, announced a five-year worldwide licensing deal with **Land Rover** at this year's **Ispo Munich** show, extending a previous deal that produced **Above**

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and Beyond, a 24-piece apparel collection launched with the new **Land Rover Defender** at the **Frankfurt Motor Show** in September. The new Land Rover collection, for autumn/winter 2020, comprises apparel, footwear and luggage. It will go on sale in August through the British outdoor and sailing apparel brand's wholesale partners and distributors and its on- and offline direct-to-consumer channels. Among the items are a **Land Rover Gore-Tex** parka and the **Welded-Thermo** jacket, which has a **Recco** reflective antenna to signal to rescue teams, **Primaloft Cross Core** insulation and **Primaloft Aerogel**-lined pockets to protect fragile valuables such as cellphones.

+++ Like **Nike** and **Brooks**, **New Balance** is releasing a new running shoe with a carbon plate in its midsole, called the **FuelCell TC**, to be followed by an **Elite** version for the **Summer Olympics** in Tokyo +++

### Marketing

**JD Sports Fashion**, the U.K.-based retailer, and **Kano**, the British rapper, are helping **Adidas** to celebrate the 50th anniversary of its **Supersstar** shoe. Their collaboration, called "**3 Bar Superstar**," amounts to a talent search. This February, a mobile recording booth has been stopping at three malls in the U.K. – Manchester Arndale, Westfield Stratford and Birmingham Bullring – to enable consumers to record three musical bars of their own composition over a three-bar section of one of Kano's rap songs. All of this is to symbolize Adidas' iconic three bars, or its three stripes. Adidas is accepting musical submissions through a website. The winner of the contest will be mentored by Kano to take part in a recording session with him.

**Jamie Redknapp** – a former midfielder for the **Bournemouth**, **Southampton**, **Liverpool** and **Tottenham Hotspur** football clubs – has signed a deal with **Skechers** to promote its lifestyle men's collections in Europe as of this spring. Redknapp helped Liverpool win the **1995 Football League Cup** final. He retired from professional play a decade later and has since become a commentator on the **Sky Sports TV** channel and a columnist for the **Daily Mail**, all in the U.K.

**Lotto Sport Italia** has signed a three-year deal to become the technical sponsor and official supplier of **StarVie**, the Spanish producer of pádel equipment. Lotto will be outfitting StarVie's 80 or so professional pádel players for the **World Pádel Tour**. StarVie has been active in the sport of pádel for about 15 years, operating a factory in Azuqueca de Henares, in the Spanish province of Guadalajara.

Keen on developing its basketball business in the U.S., **Puma** has inked a multi-year shoe and apparel endorsement contract with **Derrick Jones Jr.**, forward for the **Miami Heat** team and recent winner of the **All-Star Weekend** dunk contest. The brand has also signed up an undrafted guard of the team, **Kendrick Nunn**, who currently ranks second among the 2019/20 season's rookies in total scoring.

After a two-year illness, **Tyler Wright** of Australia is marking her return to the surfing **World Championship Tour** while signing a new deal with her sponsor of almost 17 years, **Rip Curl**. A two-time world champion, Tyler last competed in 2019. Rip Curl has also signed contract renewals with **Connor Coffin** and **Tom Curren** of the U.S., **Brisa Hennessy** of Costa Rica, **Matt McGillivray** of South Africa and **Amuro Tsuzuki** of Japan. McGillivray and Amuro are making their debut on the tour. **Morgan Cibillic** of Australia has signed a first-time deal with

**Rip Curl**, while **Rosy Hodge** of South Africa, a former surfer on the tour, has extended her contract as a broadcast commentator for the **World Surf League** and the **Olympics**. Surfing will become an Olympic sport for the first time this summer in Tokyo.

The American model and actress **Kate Upton** has signed a sponsorship deal to take part in **Canada Goose's** spring 2020 global marketing campaign. Upton wore the brand's **Chilliwack Bomber** for the *Sports Illustrated Swimsuit Edition* in 2013 and five years later became an ambassador for **Polar Bears International (PBI)**, an environmental non-profit organization that Canada Goose has sponsored for about a decade. Canada Goose launched a PBI collection of jackets in autumn/winter 2007 and has expanded it for spring 2020. For every jacket purchased, Canada Goose donates \$50 to PBI. So far, this has amounted to more than \$3.5 million in donations. The partnership with PBI is detailed in a short documentary, titled "**Bare Existence**," that has been posted on Canada Goose's website.

**Atomic** has announced **Werner Heel**, the Italian former **World Cup** alpine ski racer, as a new member of its team. Thanks to his experience, Heel will be especially helpful as a talent scout and an ambassador among young people, the brand said, including a leading role in the development of Atomic's ski schools in Italy. He will also be responsible for relationships with national trainers and instructors.

+++ **DAZN Media**, the advertising division of the **DAZN Group**, has launched a new **Global Football Package** that enables brands to reach its audiences in over 40 markets through a single sponsorship package +++ **Kappa** has extended for an additional two seasons its sponsorship agreement – due to expire on June 30 – with **Napoli**, the Italian football team +++ **Garmin** has secured a deal for three-year exclusive naming rights and a title sponsorship with **The Kansas City Marathon**, set to take place on Oct. 17, 2020 +++ **Altra** has announced that **Alysia Montano**, the American middle distance runner, and **Tina Muir**, the British elite marathon runner, have joined its roster of athletes +++ **Abacus Sportswear** has announced that **Peter Hanson**, the Swedish professional golfer, is a brand's new face on a three-year agreement +++ **Salomon** has announced a partnership with the **Raleigh Distance Project**, an elite women's running team based in Raleigh, North Carolina, that makes it the team's official footwear and hydration sponsor +++

### Trade Shows & Other Events

Another edition of the **Ispo Digitize Summit** will take place on June 30 in Munich, during the **OutDoor by Ispo** show scheduled to run from June 28 to July 1. The conference will follow on the heels of the new **Ispo SDG Summit** on sustainable development, scheduled for June 29. We wrote about it in our last issue, giving the wrong date and indicating that it was going to replace **Ispo Digitize**. We apologize for the mistake.

**Joma**, **J'hayber**, **Skechers**, **Lotto**, **Patrick**, **Dolomite** and **Olang** were among the sports brands exhibiting in the **Players District** next to **Skechers'** huge stand at the **Micam** shoe show in Milan earlier this month. Officials at their stands said they made some new contacts in the footwear sector, but they had hoped to gain more traction with the appearance of a big star or by being placed in a more central area of the fair.

**Première Vision** suffered a drop of 18 percent at its latest edition in Paris earlier this month. The big French textiles exhibition will be launching of a new event in China in November as a side-by-side show within **Fashion Source**, the Asian textile and fashion fair that is held twice a year – in May and November – in Shenzhen. The new event is to bring together Asian and European producers of fabrics, textile design, yarns, leather and accessories. **Première Vision** has been present in China since 2004 through a promotional office and the organization of events in Beijing and Shanghai. **Fashion Source** is organized by **GL Events Pengcheng Exhibition (Shenzhen)**, a subsidiary of **GL Events** since 2018.

### CSR & Sustainability

**Hanesbrands** has received two honors for its corporate social responsibility (CSR) practices at its manufacturing operations in Central America and the Caribbean. The company was awarded a **2019 FUNDAHRSE (Foundation for Corporate Social Responsibility in Honduras) Seal**, a CSR honor that recognized its efforts in the broad areas of corporate governance and sustainability, including Hanesbrands's free care and educational initiatives in Honduras. This is its ninth consecutive honor from FUNDAHRSE. Also, the company was awarded its seventh **Cemefi (Centro Mexicano para la Filantropía)** award for its back-to-school program in Mexico, through which Hanesbrands offers school kits to children of employees in communities where the company operates. Hanesbrands owns several clothing brands, including **Hanes, Champion, Playtex** and **Wonderbra**.

For its current swimwear collection for spring/summer 2020, **Prana**, one of **Columbia Sportswear's** brands, is using 100 percent recycled **Econyl** fiber, eliminating the use of virgin polyester or nylon made from petroleum. The fiber is made from waste such as fishing nets, fabric remnants, old carpets and industrial plastics. Econyl functions the same way as virgin nylon fiber but can be recycled and shaped over and over again. According to **Aquafil**, the fiber's manufacturer, the greenhouse effect of the production of the Econyl fiber is about 80 percent less than that of virgin nylon. The Californian brand **Prana** – which offers mainly yoga, climbing and lifestyle clothing, plus accessories and swimwear – has placed great importance on environmental compatibility and sustainability since its founding in 1992. **Prana** was one of the first U.S. companies to become a **bluesign** system partner and the first major clothing manufacturer in North America to receive **Fair Trade USA** certification. **Columbia Sportswear** acquired the brand in 2014 for \$190 million.

**The North Face (TNF)** is launching the **Renewed Design Residency**, a new training opportunity for its designers on the principles of circular design, which they will be able to integrate into future TNF collections. The project is part of the brand's **Renewed** program, launched in 2018 to enable TNF to sell its pre-owned apparel. The Residency will see rotating groups of designers attend bi-annual workshops and full-immersion sessions. The pilot workshop was held in October 2019.

### Others

- +++ **Skateistan**, a non-profit organization that uses skateboarding to empower children, has won the 2020 **Oscar** for Documentary (Short Subject) for "**Learning To Skate In A War Zone (If You're A Girl)**"
- +++ **Tokyo 2020** has unveiled "**United by Emotion**" as the official motto of the **Olympic** and **Paralympic Games** +++

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