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EDM PUBLICATIONS

Adidas posts strong results, but warns about coronavirus impact

The year 2019 was a pretty good one for the **Adidas Group**. On March 11, the company reported revenue gains in all the regions, with Europe returning to growth, and strong increases in direct-to-consumer sales, while profit margins improved. However, the share price tumbled by about 10 percent as the management warned that its 2020 results will be affected by the coronavirus outbreak, starting with a 10 percent overall sales decline in the first quarter.

The group's total sales rose by 7.9 percent last year to €23,640 million, with an increase of 6 percent in constant currencies, despite the previously reported supply chain shortages due to a strong increase in demand for mid-priced apparel.

The **Adidas** brand experienced a 6.6 percent sales improvement in constant currencies, with high single-digit growth in the Sport-Inspired segment and a mid-single-digit gain in Sport Performance.

The **Reebok** brand returned to growth in 2019, rising by 1.6 percent in constant currencies, thanks to double-digit growth in its home market of North America after going through a major clean-up of the distribution. Sales of **Classics** rose by a low single-digit rate, but sports performance had a moderate decline. Reebok's sales declined in Europe and the Asia-Pacific region, where a similar clean-up program is still in the works.

From a channel perspective, direct-to-consumer (DTC) revenues jumped by 18 percent, with a particularly strong performance in e-commerce, where revenues grew by 34 percent from the prior year to almost €3 billion. The company said that DTC accounted for one-third of its total turnover as compared to 30 percent in 2018, with online and offline operations being more integrated than before.

Adidas' chief executive, **Kaspar Rørsted**, claimed that the new digital Adidas store in London is now "the best sporting goods store in the world." The integration of the **Runtastic** app into Adidas' digital ecosystem has been completed. It is now called the **Adidas Running app by Runtastic** and has been launched in 30 countries.

Recovery in Europe

In Europe, excluding Russia, sales went up by 3.1 percent in constant currencies, thanks to initiatives such as selective pricing adjustments as well as investments in new management and retail operations. European sales improved steadily in the course of the year, indicating a recovery in market shares. Revenues from the Adidas brand grew by 4 percent in the region, but Reebok suffered a sales decline of 2 percent. The operating margin gained 3.9 percentage points in Europe, reaching a level of 23.2 percent.

In Russia and the other CIS countries, there was significant sales growth despite a difficult comparison base with 2018 due to the football **World Cup**. Sales there progressed by 8.0 percent, with Adidas and Reebok rising by 7 percent and 11 percent, respectively, and the operating margin went up by 0.8 percentage points to 25.4 percent

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In North America, the resolution of the company's former sourcing problems for apparel led it to post a currency-neutral increase of 7.6 percent, but the operating magin slipped by 1.4 percentage points to 13.5 percent. The growth was driven by Reebok, whose sales jumped by 12 percent, while Adidas advanced by 7 percent.

Revenues went up by 10.1 percent in Asia-Pacific, driven by an increase of 15 percent in Greater China, where Adidas grew by 11 percent and Reebok declined. The operating margin in the region increased by 0.9 percentage points to 33.7 percent.

In Latin America and Emerging Markets (other than Russia and China), sales progressed on a currency-neutral basis by 7.1 and 12.6 percent, respectively. Operating margins rose to 28.2 percent and 17.8 percent, respectively.

Across the group, sales of apparel went up by 9 percent, reaching €8,963 million, and footwear progressed by 6 percent to €12,783 million, while hardware gained 27 percent to €910 million. The management pointed out that 47 percent of the group's net sales were made last year with so-called "speed-enabled products," a reference to its shortened product development cycles.

Margins continue to improve

The company's gross margin inched up by 0.2 percentage points to 52.0 percent for the year, thanks to lower sourcing costs, positive currency developments and a better product and channel mix, but it turned negative in the second half. These positive factors were partly offset by higher air freight costs to mitigate supply chain shortages and a less favorable pricing mix.

The operating margin continued to grow, expanding by 0.4 percentage points to 11.3 percent. The management noted that its brand investments are still above the industry average. In 2019, however, its marketing and point-of-sale expenses declined as a percentage of sales by 0.8 percentage points to 12.9 percent.

The group's net income from continuing operations progressed by 12.2 percent to €1,918 million and earnings per share went up by 15 percent for the year, thanks to an ongoing share buy-back program. The adoption of IFRS 16 accounting rules had a negative impact of three percentage points on the bottom line.

Adidas Group Income Statement
(Million euros, year ended Dec. 31)

	2019	2018	% Change
Net sales	23 640	21 915	7,9
Cost of sales	11 347	10 552	7,5
Gross profit	12 293	11 363	8,2
Royalty & commission income	154	129	19,4
Other operating income	56	48	16,7
Other operating expenses	9 843	9 172	7,3
Marketing and POS expenses	3 042	3 001	1,4
Distribution and selling expenses	4 997	4 450	12,3
General and administration expenses	1 652	1 576	4,8
Sundry expenses	134	105	27,6
Net impairment losses on accounts receivable and contract assets	18	41	-56,1
Operating profit	2 660	2 368	12,3
Net financial income	64	57	12,3
Net financial expenses	166	47	253,2
Pre-tax	2 558	2 378	7,6
Tax	640	669	-4,3
Net income from continuing operations	1 918	1 709	12,2
Net gains/losses from discontinued operations	59	-5	–
NET	1 976	1 704	16,0
Euros/share (diluted)	10,00	8,42	18,8

Source: Adidas.

Adidas Group Income Statement
(Million euros, quarter ended Dec. 31)

	2019	2018	% Change
Net sales	5 838	5 234	11,5
Cost of sales	2 980	2 502	19,1
Gross profit	2 858	2 732	4,6
Royalty & commission income	43	34	26,5
Other operating income	38	8	375,0
Other operating expenses	2 694	2 645	1,9
Marketing and POS expenses	842	875	-3,8
Operating overhead expenses	1 852	1 769	4,7
Operating profit	245	129	89,9
Net financial income	36	22	63,6
Net financial expenses	53	17	211,8
Pre-tax	227	134	69,4
Tax	46	41	12,2
Net income from continuing operations	181	93	94,6
Net gains/losses from discontinued operations	-15	15	–
NET	167	108	54,6
Euros/share (diluted)	0,85	0,54	57,4

Source: Adidas.

In the fourth quarter, sales progressed by 11.5 percent to €5,839 million, including increases of 10.9 percent at Adidas and 7.4 percent at Reebok. On a currency-neutral basis, sales rose by 13.3 percent in Asia-Pacific, 14.3 percent in Europe, 10.0 percent in North America and 21.7 percent in Latin America.

The gross margin decreased by 3.2 percentage points to 49.0 percent, due to negative currency effects and a less favorable pricing mix. The operating margin increased by 1.7 percentage points to 4.2 percent, and net income from continuing operations soared by 94 percent to €181 million.

The coronavirus' impact

Looking at 2020, the management confirmed that the coronavirus epidemic in China has significantly affected the company's business in the country, in particular since the Lunar New Year. The outbreak will also affect the outlook for this year, although the management said that it cannot yet reliably quantify the magnitude of the overall financial impact.

Based on the latest information available, the company expects its revenues in Greater China in the first quarter of 2020 to fall by €800 million to €1.0 billion below those of the year-earlier quarter, resulting in a drop in operating profit of more than €500 million.

At this time, about 70 percent of Adidas' stores in China are open, but half them have reduced opening hours and their overall traffic is down. Online traffic has picked up significantly, but Chinese customers are evidently prioritizing purchases of food and other essential items,

The Euro
March 13 rates

Czech Koruna	26.15
Danish Krone	7.473
Hungarian Forint	339.0
Norwegian Krone	11.13
Polish Zloty	4.363
Pound Sterling	0.889
Swedish Krona	10.86
Swiss Franc	1.058
U.S. Dollar	1.116
Brazilian Real	5.349
Canadian Dollar	1.542
Chinese Yuan	7.795
Japanese Yen	118.9
Russian Ruble	81.25

Adidas Group Net Sales (Million euros, year ended on Dec. 31)				
	2019	2018	% Change (€ terms)	% Change (currency neutral)
Europe	6 071	5 885	3,2	3,1
North America	5 313	4 689	13,3	7,6
Asia-Pacific	8 032	7 141	12,5	10,1
Russia/CIS	658	595	10,6	8,0
Latin America	1 660	1 634	1,6	7,1
Emerging Markets	1 302	1 144	13,8	12,6
Other Businesses	605	829	-27,0	-28,4
Adidas brand	21 505	19 851	8,3	6,6
Reebok brand	1 748	1 687	3,6	1,6

Source: Adidas.

Adidas Group Net Sales (Million euros, quarter ended on Dec. 31)				
	2019	2018	% Change (€ terms)	% Change (currency neutral)
Europe	1 401	1 216	15,2	14,3
North America	1 475	1 297	13,7	10,0
Asia-Pacific	1 930	1 665	15,9	13,3
Russia/CIS	153	132	15,9	6,0
Latin America	476	447	6,5	21,7
Emerging Markets	303	256	18,4	13,4
Other Businesses	101	221	-54,3	-54,9
Adidas brand	5 310	4 736	12,1	10,9
Reebok brand	463	423	9,5	7,4

Source: Adidas.

and according to Rørsted, the sporting goods market in China will return to a normal run rate after the epidemic is over, instead of rebounding.

Adidas is cooperating with its wholesale partners in China by taking back some seasonal merchandise that will be subsequently sold off through outlet stores. It wants them to offer fresh products at the right time in order to keep its local market share high.

Rørsted pointed out that the group is not suffering any problems in the supply chain and that all its suppliers are working at full capacity, with some orders being redirected from one factory to another.

Sales are expected to drop by about €100 million in Japan and South Korea in the first quarter. The management said that it was too early to quantify the impact of the outbreak in Europe and other parts of the world. Should the **Olympic Games** in Tokyo or the **Euro 2020** football tournament be cancelled, the loss in sales would be limited to only €15 million to €17 million, because customers will continue to buy running shoes and other products.

Without taking into account the coronavirus impact, the company expects revenue growth of between 6 and 8 percent in constant currencies for the first quarter and the whole 2020 financial year. The operating margin is seen as increasing further to between 11.5 and 11.8 percent, and the management is targeting overall growth of 10 to 13 percent in net income from continuing operations – again excluding the impact of Covid-19.

While currency-neutral sales are projected to grow by a low-double-digit rate in North America and Russia/CIS, revenues in Asia-Pacific and Emerging Markets are expected to grow by a high-single-digit rate, excluding the coronavirus' effect. Sales in Europe and Latin America are forecast to improve by a mid-single-digit rate in constant currencies.

After rising by 3.7 percentage points since 2015, the group's gross margin is forecast to decline slightly from the prior year's level of 52.0 percent due to currency headwinds and higher sourcing costs, partly offset by a better channel mix as well as normalized use of air freight as last year's supply chain shortages have been mitigated.

The company's operating margin is projected to increase by 0.2 to 0.5 percentage points, excluding the effect of the epidemic. The management insisted that marketing and point-of-sale investments will remain high.

Focus on sustainability and new products

The management said in a conference call that it will keep focusing on sustainability, where it regards itself as the leader in the industry, resulting in a key differentiating factor for the Adidas brand. Among other initiatives, it is further developing the **Futurecraft Loop**, its first 100 percent recyclable performance running shoe, with a view to launching it commercially in 2021.

Adidas is working on three fronts, using more recycled or natural materials and designing more products that can have multiple lifecycles.

The management mentioned several innovations that are being launched this year, like the **Adidas GMR**, where it has teamed up with **Google** and **Fifa** to create a smart, connected football boot with a tag that uses machine learning to understand how players are moving around in the real world and measure their kicks, the power of their shots, etc.

The company is also launching a new shoe that uses 3D printing technology for its sole and will have a price tag of €200, as well as new lightweight shoes: the **Adizero Pro** – fitted with a carbon plate, like the running shoes of some major competitors – and the **UB 20**. It will also continue to collaborate on new limited editions with **Beyoncé**, through the **Ivy Park** range, and with **Kanye West** for the **Yeezy** range, with more product launches than before. There will also be new iterations of the **Superstar**.

Corona infecting the sports and outdoor industries

The implications of the Covid-19 epidemic are spreading outside China, creating a lot of uncertainty in the market and affecting the supply chain, reducing store traffic and depressing the stock market capitalization of many companies in our sector. The outbreak has led to the cancellation or postponement of international trade shows in our sector (see the related article). It has also led to the cancellation of important sports events, but there is apparently time until May to decide what to do about the **Tokyo Olympics**.

A serious situation in Italy

While the peak of the epidemic sppears to have been reached in China, allowing people to go back to work and to shop in the stores gradually, the novel coronavirus has started to spread in the rest of the world in rather dramatic proportions over the last few days. In Italy, the worst-affected country so far, draconian measures have been taken by the government and by many companies, also in our sector.

Decathlon, DF Specialist and a few other sports retailers warned a few days ago that they were shutting down their stores in the country for at least a few days, but the government has now ordered that all retail stores, bars, restaurant and similar establishment should stay closed until at least March 25, except for food stores and pharmacies.

The goverment has pledged to financial aid to support the expected credit crunch and to pay the wages of employees which are being forced to stay at home because of the virus, responding to a request by **Assosport**, the Italian sporting goods industry association, and others.

While many employees have resorted to "smart working" out of their homes, others who are involved in the production process have been told to stay at home. **La Sportiva**, for example, announced that it was closing its factory in Northern Italy until April 13, despite the resulting financial losses (see our *Outdoor Industry Compass*). According to Assosport, which is contacting many companies one by one, others have done the same unless they are working on safety-related equipment.

Industry stocks go down amid uncertainties

As of last Monday, many sporting goods company had lost much of their stock market capitalization because of their falling sales in Asia and the broader economic uncertainties related to what the **World Health Organization** has now defined as a "pandemic," citing more than 80,000 cases of infection in China and more than 50,000 in the rest of the world.

As compared to Jan. 24, stock market prices had fallen by 30 percent at **Foot Locker**, which has only seen so far a drop in store traffic in Italy and Asia, by 33 percent at **Columbia Sportswear**, by 35 percent at **VF Corp.** and by 45 percent at **Under Armour. Nike**, which had performed better than other stocks through the end of February, was down by 23 percent as compared with the end of January, but the Swoosh suffered a further decline of 11 percent after the **NBA** announced the suspension of its tournament in the U.S. Adidas, Puma and Under Armour suffered even bigger losses.

Adidas (see the related story in this issue) and Puma were the latest major brands to sound out new profit warnings this week. In contrast with a previous statement (see our previous issue), Puma said that it was dropping the guidance it had given on Feb. 19 as it no longer expected its business to return to normal soon.

On Feb. 27, **Tim Boyle**, chairman, president and chief executive of Columbia Sportswear, corrected the financial guidance for his group published three week earlier. Boyle clarified that the original statement did not include the potential financial impact of the Covid-19 outbreak. He expects the numbers to be "significantly affected" (more in our *Outdoor Industry Compass*). An update on the effects is to follow during Columbia's first-quarter earnings conference call, scheduled for April 30, 2020.

Talking to investors, **Skechers** took a milder attitude, indicating that the biggest unknown is the reaction in Europe and other parts of the world where proactive measures are being taken, irrespective of the rate of infection.

The company did see a drop in Chinese consumer demand, which will allow it to redirect its comfortable inventories elsewhere. The outbreak has not had a major impact on the construction of its first distribution center in China, although the completion date will likely be pushed back from the end of 2020. Skechers is already looking at expediting work on a second DC for China.

Nike, Adidas and Columbia take Covid-19 precautions

Nike suspended operations on March 2-3 at its European headquarters in the Dutch city of Hilversum on learning that a member of its staff had contracted coronavirus. The site employs about 2,000 people, with 80 nationalities among them. The infected employee will be staying home for about two weeks, and the offices are being cleaned.

In the U.K., Nike shut down its office in Sunderland on March 4 to clean it as well. Nike's London office, where about 150 people are employed, will also stay closed until at least March 12 because a member of the staff was found to be invected upon returning from a trip to an affected area overseas, according to the *Evening Standard*.

The company took similar steps last weekend at its global headquarters in Beaverton, Oregon, on reports of a coronavirus case in Oregon's Washington County. There appear to be no cases among Nike's staff in the state. According to a spokesman, the company shut down and cleaned all of the buildings of its global headquarters – gymnasiums included – out of "an abundance of caution."

Over the same weekend elsewhere in Oregon, Columbia Sportswear cleaned its headquarters in the nearby city of Portland, although it did not cease operations. Like Nike, Columbia is reporting no infections among its staff. However, some of its employees are the parents of children who attend Forest Hills Elementary in Lake Oswego, which employs a person known to have contracted the virus.

On March 5, one of the employees at Adidas' headquarters in Herzogenaurach, Germany, tested positive for coronavirus and placed under medical care. According to the company, all employees considered at risk through close contact with the infected person have the offices to be quarantined at home for 14 days. They will be permitted to return early only if they test negative for the virus. The offices have undergone "a deep clean in critical areas" but remained open. On the other hand, the company resorted to a webcast to comment on its annual financial results on March 11 instead of holding its traditional press conference in its campus.

The local situation

Fortunately, the death rate from coronavirus lies below 5 percent of the people infected in the more developed countries, and the situation has been contained in China. The country's economy is likely to show zero growth or even a decline for the first quarter, but as with previous epidemics, consumption is likely to rebound later in the year.

Many municipalities have told companies that they can resume work fully, and according to the latest reports, close to 30 percent of small and medium-sized companies in China are now back in operation, although the stoppages of the last few weeks have caused a major cash squeeze for producers as well as retailers. In the Hubei Province, which is the epicenter of Covid-19, reports indicate that many factories have resumed their activities after a ban that expired last Wednesday.

Shenzhou International, a major supplier of clothing for Nike, Adidas and **Uniqlo**, said that its factories in the Chinese Mainland had gradually re-opened since Feb. 10 and that it was already at about 95 percent of its normal production capacity. It added that it had started to recruit new workers and that the supply of raw materials was broadly stable.

Other Chinese manufacturers had a different version of the events. **Yue Yuen**, which still makes about 13 percent of its footwear in China, said that most of its factories had reopened except for those in the Hubei Province, where local authorities postponed the resumption of work until March 11. Hubei accounts for only 2 percent of the group's production, but the company said that its other factories have suffered shortages of raw materials and other input from China. The group's Chinese retail operation, **Pou Sheng**, closed the majority of its stores, which will result in a "significant adverse impact" on its results for the first half of 2020.

Another major Chinese shoe manufacturer, **Kingmaker**, warned about a record loss for the financial year ending on March 31, due in part to the cancellation of orders by customers and a shortage of leather, soles and other raw materials for its factories in China as well as Vietnam and Cambodia. Travel restrictions have also hampered the ability of some workers and members of the management to return to work in Vietnam and Cambodia, too.

Air traffic is affected

The collapse of road and port logistics because of security measures for Covid-19 in Asia – and especially in China – has massively affected shipping traffic worldwide. According to an expert for transport and aviation, **Arne Schulke**, head of the department of transport and logistics at the Bad Honnef Campus of the **International University of Applied Sciences (IUBH)**, this will have two completely opposite effects on aviation. Because companies are trying to relieve blocked supply routes by ship with air freight, the demand for the latter is currently rising rapidly, and the airlines are profiting. However, around 50 percent of all air freight is transported not by pure cargo airlines but by passenger aircraft (PAX). Thus every PAX flight cancelled because of the coronavirus also reduces this volume.

According to Schulke, the coronavirus has already significantly affected passenger traffic, with many airlines cancelling routes to and from Asia in the past weeks, followed by suspensions of flights to and from Italy and the U.S. in the last days. "The scale is already strongly reminiscent of the SARS epidemic of 2003," said Schulke last month. "At that time, passenger traffic figures dropped by up to 35 percent globally at the worst point." The **International Air Transport Association (IATA)** currently expects passenger numbers to fall by 13 percent in 2020. This could be the industry's first year of losses on a global average, and the first time since the financial crisis of 2008/09 that passenger numbers decline for the year.

The beneficiaries of the current crisis are the cargo airlines/mixed carriers (freighters and PAX aircraft) as well as charter airlines, which will likely look back on 2020 as a record year.

New dates for Fibo and IWA, no fair in France

March 9, 2020 - We have already reported about the cancellation of **Ispo Beijing**. Three other big international fairs, **Fibo** in Cologne, **IWA Outdoor Classics** in Nuremberg and **Prowinter** in Bolzano, announced a few days ago the postponement of their events. Two of them have now communicated their new dates. On the other hand, **Sportair**, the organizer of the French **Sport Achat** fair in Lyon, announced at the last minute on Sunday night the cancellation of its winter edition, only a few hours before it was set to start on Monday March 9.

Fibo, the international fitness show, has been rescheduled for Oct. 1-4. As usual, the **European Health & Fitness Forum (EHFF)** will be held by **EuropeActive** one day earlier, on Sept. 30. Fibo was scheduled to take place on April 2-5 in Cologne, but it has been postponed because of the coronavirus epidemic.

Reed Exhibitions, the organizers of the event, said in a statement that the decision was not taken lightly, but health and safety had to be the priority. Fibo is the leading European trade fair for the fitness sector. The event attracts around 1,000 exhibitors and 145,000 visitors, including many consumers, from 135 countries every year. **Life Fitness** and other major exhibitors had previously said that they were not going to participate because of the epidemic. Life Fitness and **Precor** also said that they would not take part in the American IHRSA trade show in San Diego on March 18-21 for the same reason.

Reed's announcement of Fibo's postponement came after the news that **IWA Outdoor Classics**, the hunting and outdoor show in Nuremberg, will not take place as planned on March 6-9, and the cancellation of other shows in Europe and elsewhere around the world. The new dates for the IWA are Sept. 3 to 6. The organizer of the show, **Messe Nürnberg**, said it has decided to hold on to this timing in future years rather than mid-March like in the past.

Big tourism fairs in Berlin and Paris and others in Europe have been cancelled because of the epidemic, but some smaller B2B shows, generally national in scope, were allowed to go ahead as planned. In France, where the government had requested that there should be no enclosed gatherings of more than 5,000 people, the biennial **Sport Achat** show in Lyon was confirrmed for the previously scheduled dates of March 9-11.

Then, in the afternoon of Sunday March 8, the French government decided to reduce the limit for collective gatherings to only 1,000 people. **Sportair**, which organizes Sport Achat, reacted by shutting down the exhibition just a few hours before it was due to start, hosting about 455 sports and outdoor brands over 20,000 square meters. A year ago, a total of 3,324 visitors attended the fair.

All the exhibitors had already set up their stands. According to *sport-guide.fr,* Sportair took the decision after a meeting at 9 PM on Sunday with key exhibitors. It was expecting a drop of around 10 percent in the number of visitors because of the epidemic, based on pre-registrations.

In Italy, which is the most infected European country for the moment, the dates of **Prowinter** have been postponed to April 21-23, with the possibility of a further change in the future depending on the evolution of the epidemic. This annual international fair for the operators of skilifts and other snow sports facilities was due to held in Bolzano from April 7 to 9.

In Germany, **Gallery Shoes**, the shoe show in Düsseldorf, is taking place as planned on March 8-10, but some of the exhibitors, including **Buffalo**, **Flip Flop**, **Kangaroos**, **Gabor Shoes**, **Peter Kaiser** and **Vagabond**, said they would not be participating. Last year, the trade show counted a total of 9,800 visitors. More in *Shoe Intelligence*.

Solutions in sight for Norway's sports sector

We reported in our Feb. 10 issue about the problems at **XXL ASA** and the bankruptcy of **Gresvig**, the Norwegian licensee of Intersport. Powerful investors are pitching in to save the two largest retail players in the Norwegian sporting goods market. It seems, however, that some suppliers may end up being short-changed.

On Monday Feb. 24, **Gjelsten Holding**, the controlling shareholder of the third-largest Norwegian sports retailer, **Sport 1 Gruppen**, announced a plan to take a 50 percent stake in a new company that would take over certain assets of Gresvig. The next day, the Norwegian Financial Supervisory Authority approved a proposal by XXL to increase its equity by 100 million Norwegian kroner (€9.8m-$10.6m) through a secondary offering guaranteed by the **Altor** investment fund.

The offering, which was announced on the **Oslo Stock Exchange** on Monday, will allow XXL's current shareholders, registered on Oct. 15, to subscribe to 6,666,667 new shares at a unit price of NOK 15, on the basis of 0.11 new shares for each one in their possession, by March 11.

Altor, which became XXL's largest shareholder last June with a stake of 12.29 percent, has agreed to buy any of the unsubscribed shares. Altor and three other major shareholders agreed on Oct. 15 to a private placement of NOK 400 million (€39.1m-$42.6m) to refinance the company (*SGI Europe* Vol. 30 N° 35+36 of Oct. 18, 2019).

Altor is currently the major shareholder in the **Rossignol Group** and a former controlling shareholder of **Helly Hansen**. Curiously, the present controlling shareholder of Sport 1, **Bjørn Rune Gjelsten**, owned Helly Hansen, **Brooks** and Gresvig many years ago together with another wealthy and sport-minded Norwegian partner, **Kjell Inge Røkke**. Apparently, they are no longer partners, and they have many other investments.

Gjelsten, a 63-year-old businessman who is now the 18th richest man in Norway, according to *Kapital* magazine, helped to develop Gresvig between 1991 and 1995 into a profitable operating company. Cashing out with a capital gain, he re-entered the sector in 2006 by buying out the retail members of a cooperative, Sport 1, who managed 160 stores at the time. He subsequently acquired another reluctant high-end member of the cooperative, **Anton Sport**, and a chain of running stores, **Löplabbet**. The profitable Sport 1 Group now consists of around 220 stores across Norway.

An agreement in principle signed with Gresvig's receiver, **Ro Sommernes**, now calls for Gjelsten Holding to take a 50 percent stake in a new company, **Sport Holding**, that will own Sport 1 as well as selected assets of the bankrupt Gresvig group. The remaining 50 percent stake will be in the hands of the family of **Olav Nils Sunde**, another rich man who has been the controlling shareholder of Gresvig for many years, injecting some NOK 600 million (€58.7m-$63.9m) into the company to offset its losses.

A press release issued by Sport 1 indicates that the assets due to be purchased from Gresvig include many of its own stores, which are being branded as **Intersport**, franchise agreements, inventories at its central warehouse and in the stores, accounts receivable and the rights to use the Intersport name in Norway. We could not find out the purchase price stipulated for these assets, but local press reports indicate that they may not be sufficient to pay off all the creditors, including many suppliers who have not been paid because of the recent bankruptcy proceedings.

Observers commented that those suppliers should be glad to have found financially strong partners who will ensure their future business in Norway, although their heightened buying power will probably have an effect on the conditions for their future involvement. For its part, in announcing a massive clearance program, XXL indicated earlier this month that it is reassessing its entire product portfolio, cutting off suppliers who will not ensure adequate profit margins to support its operations (*SGI Europe* Vol. 31 N° 5+6 of Feb. 9, 2020).

Gresvig has already warned that it will have to cut costs and close several stores. Sunde confirmed that it will be impossible to keep all the company's 95-odd directly managed stores and functions in the new structure. In fact, about 90 of Gresvig's employees, including many warehouse workers, were already notified about their dismissal on Monday.

Sport 1's press release says that the new group should comprise almost 350 sports stores with annual retail sales of about NOK 5 billion (€488.9m-$532.4m). That would include the Intersport franchisees who agree to be part of the future journey. There are now about 100.

The press release further stated that the Sport 1 and Intersport chains will compete in the future in their local markets with their own product ranges and profiles. Sport 1 will continue to be run by **Ole-Henrik Skirstad** and Intersport by the recently appointed chief executive of Gresvig, **Lars Kristian Lindberg**.

The exact number of stores that will remain in operation will depend in part on the renegotiation of leases with the landlords and the attitude of the Norwegian Competition Authority. The target turnover of the new group would represent about 25 percent of the Norwegian sporting goods market, based on the latest estimates by the national sporting goods industry association, **Sportsbransjen**.

The association's data showed that Gresvig and Sport 1 generated 29.4 percent and 19.4 percent of the major Norwegian sporting goods retail chains' revenues in 2018, respectively, while XXL had a share of 25.6 percent, but then their combined share of the total market has declined to around 70 percent due to competition from e-tailers, mono-brand stores and outlet stores. Moreover, Gresvig and its franchisees have gone through a major reorganization lately, abolishing the former **G-Sport** and **G-Max** banners and closing or renaming stores as Intersport.

Daka Sport acquires Sportsworld

Daka Sport says it will become the largest independent, family-owned sporting goods retailer in the Dutch market in terms of sales and sales surface area following an agreement to take over the three remaining mega-stores of **Sportsworld** in the country and their 100-plus employees.

Confirming a report in *Sport Partner*, it plans to continue to expand in the near future by moving into the North Brabant area of the Netherlands. The idea is to cover the whole country with physical stores to complement the online operations of the Daka.nl website, which are said to be successful with national coverage.

Jan-Peter Dankaart, the president of Daka Sport, said he would like any Dutch consumer to be able to reach a Daka store within half an hour. The company was founded in 1965 by his father, **Peter Dankaart**, who passed away in 2017.

Located in Beuningen, Leerdam and Rotterdam-Zuid, the three Sportsworld stores will be gradually converted to the **Daka Mega** concept, starting in June. They will also adopt Daka's loyalty program. With their acquisition, Daka Sport becomes a chain of 17 stores with a total surface area of more than 50,000 square meters.

Competing neck-and-neck with another major Dutch sports retailer, **Intersport Twinsport**, Daka Sport has had a very dynamic development in the last four years. Among other moves, it took over the **Telstar Sports & Fashion** group and two other sports stores. Six months ago, Daka opened a store near Utrecht on the premises of a former Sportsworld store.

Two years ago, when it was already generating annual sales of more than €50 million, Daka made the momentous decision to end its 30-year-old affiliation with **Euretco**, the Dutch licensee of Intersport, in order to trade only under its own banner, without any territorial restrictions. It has been a member of the **ANWR Group** since the beginning of last year (*SGI Europe* Vol. 29 N° 37+38 of Dec. 4, 2018).

The Sportsworld banner was launched in 1996 based on the mega-store concept by **Inge van Kemenade**. She built up the operation gradually to a total of five stores and began also to explore foreign markets, ending up in a feud with **Sports World**, the Belgian retail chain owned by **Sports Direct International**.

Joint management for SportScheck and Karstadt Sports

Thomas Wanke has been appointed to the newly created position of chief executive of both **Karstadt Sports** and **SportScheck**. The former CEO of SportScheck, **Markus Rech**, is no longer in charge. Furthermore, **Stefan Weiss**, chief sales officer at Karstadt Sports, will from now on serve as chief sales officer of SportScheck as well.

Wanke managed Karstadt Sports, until the end of 2018. In 2019, he was appointed to the position of sales director at **Galeria Karstadt Kaufhof**, the parent company of Karstadt Sports owned by the **Signa Retail** group. Weiss formerly worked as sales manager for SportScheck's brick-and-mortar stores, until 2016.

The two German sporting goods retail chains are being brought under common management following the completion of Galeria Kaufhof Karstadt'sacquisition of SportScheck.

Karstadt Sports and SportsScheck have 32 and 19 stores, respectively, all of them in Germany. It remains uncertain whether Galeria will be on the market with both the Karstadt Sports and SportScheck banners in the long run – or with just one of them. German press reports indicate that they will probably both be kept because both retail banners are strong.

According to the newspaper *Die Welt*, Wanke aims to double the online sales of Karstadt Sports and SportScheck within the next five years. Such sales account for half of their combined turnover. At SportScheck, which was previously owned by the **Otto Group**, e-commerce represented 42 percent of the retailer's sales by the end of its 2018/19 financial year, up from 38 percent in the previous year.

SportScheck's omni-channel concept will be adopted by Karstadt Sports as well as Galeria Karstadt Kaufhof's chain of 156 department stores. Reportedly, nearly 75 percent of German shoppers are now purchasing goods online as well as in physical stores, up from around 50 percent in 2012.

After acquiring the Karstadt and Galeria Kaufhof department stores in Germany, Signa Retail made another big move recently in the Spanish market with an investment in the **Globus** department store chains. Adding other operations, the Signa Retail group boasts an annual turnover of about €8.5 billion, generating a net profit of around one billion euros, with online sales contributing €1.3 billion to the overall turnover. Next to this, the Signa Group's real estate assets, most of them in city centers, are estimated to be worth €20 billion.

The change of management took place after the German Cartel Office cleared the acquisition of SportScheck by Signa Retail, allowing the completion of the deal. With this transaction, the Austrian-based Signa Retail group has become the largest sports retailer in Germany by adding also the sales of the 153 sporting goods sections of the 174 department stores of Galeria Karstadt Kaufhof, plus the German revenues of **Signa Sports United**'s web stores (**Tennis-Point**, **Fahrrad.de**, **Campz.de**, **Outfitter**, etc.).

Karstadt Sports is already managing procurements for its own stores as well as the sporting goods departments of the Karstadt and Galeria Kaufhof department stores, 15 of which have a considerable sales surface of more than 1,500 square meters. They work together on category management in the area of running and are planning to do the same for fitness and outdoor products, to judge by reports on a presentation made by Signa Retail to about 1,500 suppliers a few days ago.

Signa has refrained from disclosing the sales of these operations publicly. SportScheck had sales of almost €280 million in the 2018/19 financial year through its 19 physical stores and its online shop. As for **Decathlon**, its sales have risen considerably in Germany in recent years, reaching an estimated annual level of more than €600 million.

To explain the German anti-trust authority's decision in favor of SportScheck's takeover, **Andreas Mundt**, president of the German Cartel Office, wrote in a statement: "The takeover creates the leading supplier in the sports/outdoor retail sector in Germany. Nevertheless, the result of the transaction is unobjectionable in terms of competition. Nationwide, the joint market shares of Signa Retail and SportScheck are below 15 percent in the relevant areas. Even if the purely stationary retail is considered in isolation, the parties do not achieve a market share of more than 30 percent in any region."

Also significant for competition in this area, according to the German anti-trust authority, are sports retailers that are members of the **Intersport** and **Sport 2000** buying groups, whose combined sales are significantly higher those of Signa Retail. The online business is also very important in this area of retailing. Online retailers such as **Amazon** and the online shops of manufacturers generate considerable competitive pressure, Mundt added.

Golfino and American Golf come under common ownership

The concentration of the market has also impacted the golf sector. **Endless**, the British private equity fund that took over the U.K.-based **American Golf** chain in 2018, has now acquired **Golfino**, the German brand of golf apparel, but not its mono-brand retail stores, and placed the operation under new management. The new owners say they want to continue to expand Golfino's e-commerce and wholesale operations and strengthen its brand.

The price of the asset deal was not disclosed. Golfino will continue to be based in the German town of Glinde, near Hamburg, operating as a brand owned by a newly formed company, **International Leisure Brands** (Germany). It will be run by three managers: **Gary Favell**, **Simon Owers** and **Henning Wollesen**. They will take the place of **Bernd Kirsten**, who founded Golfino 34 years ago along with his wife.

Favell has been the chief executive of American Golf since Endless took over 112 of the chain's 132 golf stores in the U.K. and Ireland in a bid against **Sports Direct**, **JD Sports Fashion** and other candidates (*SGI Europe* Vol. 29 N° 33+34 of Oct. 31, 2018). Owers, a former senior manager at **KPMG**, has been the chief financial officer of American Golf since July.

Wolleser has been Golfino's director of e-commerce for the past four years. He previously worked for the **Mammut Sports Group** and at **Netrada Europe**, where he was responsible for **Hugo Boss**' e-commerce.

Golfino had more than 250 employees when it filed for insolvency last November, claiming sinking sales and gross profits combined with one-time operating problems (*SGI Europe* Vol. 30 N° 39+40 of Nov. 28, 2019). The company recorded a turnover of €31 million in its latest financial year.

A few years ago, when it had sales of more than €35 million, Golfino boasted more than 30 mono-brand stores in Germany and other countries, including the U.S., China and South Korea. Last year, after a redesign conducted in May 2018, Golfino's web store was named best online store for golf products in Germany (*SGI Europe* Vol. 30 N° 35+36 of Oct. 18, 2019).

With higher sales and visits, Zalando pushes its marketplace

Zalando's momentum keeps going, and the e-tailer is looking at new ways to grow after posting strong results for the fourth quarter of the year. One of the highlights was a jump in the number of site visits, which progressed by 31.9 percent to 960.7 million.

The company's revenues grew in the quarter by 19.5 percent to reach €1,985 million, while the gross merchandise volume (GMV) rose by 24.3 percent to €2,500 million, thanks in part to record-breaking results during the Cyber Week.

The company saw a 14.8 percent increase in revenues in the DACH region

(Germany, Switzerland and Austria), which accounted for 44 percent of total turnover. In the rest of Europe, the business grew by 21.7 percent from the year-ago quarter.

Online shops, which the company calls fashion stores, still represent the company's main sales channel. The company's web stores generated revenues of €1.820 million, up by 18.3 percent. The off-price segment – including **Zalando Lounge**, the company's outlet store and its overstock management operation – achieved €206.6 million in sales.

The adjusted operating margin declined by 1.5 percentage points to 5.6 percent, while the net income soared by 52.2 percent to €85.4 million.

During the past year, the number of active customers reached 31.0 million, or 17.1 percent more than in 2018. They placed 145 million orders in total. The company also recorded more than 4 billion site visits.

In line with its platform strategy, Zalando significantly grew the share of its partner program, which at the end of the year accounted for 15 percent of the web stores' GMV. The management attributed this to the launch of new services, such as **Zalando Fulfillment Solutions** and **Zalando Marketing Services**, that make it easier for brands to be successful on the platform.

Overall, the GMV jumped by 23.6 percent to €8,200 million, while revenues soared by 20.3 percent to €6,482 million. Net earnings reached €99.7 million, up from €51.2 million in 2018.

Based on these strong results, Zalando will make several investments in 2020 to boost its development. These include expanding its premium segment to include luxury brands, with a view to doubling its premium and luxury assortment before year-end 2023. The management pointed out that Premium has been the fastest-growing category in the past months.

The company will also scale its pre-owned fashion pilot and launch "Pre-Owned" as a new category on the Zalando site. Starting in the third quarter of 2020, customers will be able to buy curated pre-owned clothing, but also sell their pre-owned fashion items to Zalando. The group believes this is a step towards becoming a sustainable fashion platform.

Zalando will furthermore extend its European logistics network by opening a local warehouse in Spain.

In line with its growth strategy for 2023/24, Zalando expects to grow its GMV by 20 to 25 percent, contributing to total growth of 15 to 20 percent in 2020. These expectations exclude the potential negative impact of the coronavirus.

Mixed results at Foot Locker

Globally, **Foot Locker**'s sales decreased by 2.2 percent to $2,221 million in the fourth quarter ended on Feb. 1, with a drop of 2.0 percent in local currencies. On a comparable store basis, sales were off by 1.6 percent worldwide, but **Foot Locker Europe**'s sales were flat and the **Runners Point** chain in Germany had a mid-single-digit increase, confirming its recovery. Stores in the Pacific region enjoyed a low single-digit increase.

In the digital channel, which represented 18.7 percent of the turnover in the quarter, sales were down by 4.3 percent as compared to the same period a year ago, when they jumped by 30 percent.

The gross margin fell by 0.9 percentage points to 31.5 percent. The company's quarterly net income declined by 11 percent to $141 million. The difference of $17 million from the year-ago period was largely due to an impairment charge of $38 million, mainly related to **Footaction**, which compared with a charge of $19 million, primarily associated with Runners Point.

For the full financial year, sales were up by 0.8 percent to $8,005 million, breaking the $8 billion mark for the first time. They were up by 2.0 percent in constant currencies and by 2.2 percent on a same-store basis.

The gross margin was flat at 31.8 percent, but net earnings were off by 8 percent to $498 million after one-time charges of $55 million against $37 million in the prior year.

The group ended up with a total of 3,129 stores in 27 countries around the world, 92 fewer than before, with the total sales surface declining by one percent to 7,565 million square feet. Most of the 63 closures affected Runners Point and Foot Locker locations in the U.S. and Europe.

Clarus buys a case maker, after making further progress

Clarus Corporation, the parent company of **Black Diamond**, **Sierra Bullets** and **SKINourishment**, continues to make acqusitions in adjacent sectors. It has announced the takeover of **SKB Corporation**, a leading U.S. producer of protective cases. The purchase price of around $96 million will consist of $85 million in cash and 1,153,846 shares in Clarus. This is based on SKB's adjusted Ebitda of more than $9.5 million on sales of $53 million in 2019.

SKB's well-designed molded polymer cases are said to be engineered to provide superior protection in the transportation of a variety of products in the music sector and others including sports, electronics, healthcare and photography. Clarus plans to accelerate SKB's growth through its financial muscle and its sales and marketing expertise.

Big tax benefits of $10.4 million boosted Clarus' net income in the fourth quarter of 2019, making them triple to $12.4 million. Revenues went up by 7 percent from the year-ago quarter to $61.0 million, or by 8 percent in constant currencies. This was driven by the direct business, which grew by 38 percent, as well as the continued momentum of Black

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

Diamond across all regions and product categories.

Overall, the group's sales in the U.S. were up by only 3 percent to $33.9 million due to problems at Sierra Bullets, which were offset by healthy sales trends at Black Diamond. In the rest of the world, sales jumped by 11 percent to $27.1 million, thanks in particular to solid orders for snow safety equipment in the European market. In the group's distributor markets, sales were boosted by improved product availability, early launches of spring 2020 products and higher replenishment orders.

Black Diamond, the biggest brand of the group, contributed a sales increase of 13 percent. The growth was driven by a strong performance in men's and women's sportswear, technical outerwear and logowear, which resulted in a 25 percent increase for the brand's apparel business. Another highlight was the Climb category, which grew by 19 percent on strong sales of footwear, harnesses, carabiners and helmets. The ski business advanced by 13 percent. Snow safety products such as beacons and the new line of JetForce packs did well, along with equipment for alpine touring such as bindings and skins. In the Mountain business, sales rose by 4 percent due to some early launches of spring products across international distributor markets, with particularly strong growth in trekking poles and gloves.

Meanwhile, the recently added Sierra Bullets operation saw sales decline by 35 percent, due to continued headwinds in the bullet and ammunition market.

Clarus' gross margin inched down by 0.1 percentage point to 35.5 percent in the quarter, weighed down by the strengthening U.S. dollar and the impact of recent tariff increases for products imported into the U.S. from China. The adjusted Ebitda margin also inched down by 0.1 percentage point to 11.5 percent.

For the full year, Clarus' total revenues rose by 8 percent to $229.4 million, Black Diamond gained 13 percent from the previous year, but Sierra was down by 17 percent, hit by continued softness in the ammunition market. Overall, the gross margin inched up by 0.1 percentage point to 35.0 percent, but the group's net income soared by 160 percent to $19.0 million.

Clarus anticipates that sales will progress by about 6 percent to $244 million in 2020, with a high single-digit gain for Black Diamond and a low single-digit decline for Sierra. The forecast includes the estimated impact of the Covid-19 outbreak on sales in Asia and Europe through the first half. Ebitda is also expected to rise by about 6 percent to $24 million.

As previously reported, Clarus has created a new Performance Sports division focused on sport-enhancing products for performance-driven athletes such as skincare, supplements, nutrition and accessories. The new division will start by taking care of SKINourishment, a brand that Clarus took over last November to access its 100 percent food-grade, plant-based skin products, which are genetically unmodified and vegan, and have not been tested on animals.

Clarus pointed out that it still has about $132 million in federal income tax carryforwards to offset future profits.

Accell's new focus on Europe bears fruits

Accell Group, the Dutch-based company behind **Haibike**, **Lapierre**, **Batavus**, **Raleigh** and many other bicycle brands, said that its turnover accelerated across the board in 2019 outside North America, where it is no longer operating directly. Excluding divestitures, the group's revenues increased by 7.5 percent last year to €1,111 million, with contributions from all regions, after rising by 6.1 percent in 2018, despite a slower progress in the second half due to delayed product launches.

In the summer of 2019, the group sold its loss-making U.S. business – including the **Diamondback**, **Redline** and **IZIP** brands and the related trademark rights outside Canada – to the **Alta Cycling Group**, a portfolio company of **Regent LP**. The Canadian brand registrations of Raleigh, Diamondback, Redline and IZIP were sold to **Canadian Tire Corporation**. In addition, Accell's **Beeline** operations were bought by a group of investors led by the **StrataFusion Group** in October 2019. Accell agreed to sell its Raleigh, Haibike and **Ghost** bicycles in the U.S. through the Alta Cycling Group.

The deal caused Accell to book a net loss from discontinued operations of €56.5 million, which led to a net income of only €2.8 million for the year, down from €20.3 million in 2018. The group's net profit from its continuing operations rose by 52 percent to €59.3 million. The gross margin increased by 0.53 percentage points to 30.7 percent and the operating profit (Ebit) rose by 16.6 percent to €60.0 million.

The company is now concentrating on its European core businesses. It has adopted a more focused use of its three large manufacturing facilities in Europe: low-cost production in Turkey, e-bikes in Hungary and a flexible facility for the efficient production of smaller runs in the Netherlands.

Last year's growth was driven by sales of e-bikes, which rose by 11 percent, and e-cargo bikes, which jumped by 47 percent. Sales of traditional bikes declined by 13 percent, and now only represent 16 percent of the total turnover. The management said that the growth was held back by the delayed introduction of a number of new innovative bike models. Volumes also declined due to lower sales of traditional bicycles in Turkey. In all the main regions, volumes stabilized or increased.

Sales in the Benelux region grew faster than in other markets, rising by 7.3 percent to €220.3 million, thanks to improved product availability and the introduction of various new e-bike models. In the DACH region (Germany, Austria and Switzerland), revenues inched up by 1.8 percent to €429.0 million, weighed down by the delayed launch of the Haibike and Ghost eMTB models. Other European markets progressed by 9.0 percent to €161.4 million, driven by strong sales of Raleigh and Lapierre bikes and growth in Finland and Denmark.

The management said that efficiencies in the supply chain delivered €13 million in structural savings in 2019, which came on top of the €12 million in supply chain savings realized under its strategic plan in 2018. On entering 2020, the management said it believed that the majority of additional expenses under its strategic agenda are now finished.

In the upcoming bike season, the company will launch, among other new products, the next generation **e-MTB Haibike Flyon**.

The group said it expects further growth in sales and Ebit under normal conditions, but warned that the full impact of the coronavirus outbreak on its business is still unclear.

Maus Frères creates a new group around Lacoste

Maus Frères Holding, the Swiss retail and wholesale conglomerate, has created a new entity, the **MF Brands Group,** or **MF Group**, to put together **Lacoste, Tecnifibre, Aigle** and its other sports and fashion brands under common management for greater "coherence, integration and internationalization." The company, which was previously called **Maus Frères International**, says it wants to implement "a common strategic orientation in order to develop a portfolio of premium brands," indicating that it might be ready for other acquisitions, but a spokesperson for the group said that it is not considering any specific takeovers at this time.

The MF Group is already a major factor in the sports, fashion and lifestyle markets. In 2019, its revenues increased by 15 percent year-on-year to €2.643 billion. With the licensees' revenues included, the figure rises to €3.21 billion. According to the group, all brands maintained steady growth over the year. Lacoste, the biggest brand within the group with annual sales of more than €2 billion, reportedly grew by 11 percent.

The new group will operate under the supervision of **Thierry Guibert**, who remains chief executive of Lacoste and is now also the CEO of the MF Brands Group. He has strongly developed Lacoste since he was appointed at its helm five years ago, repositioning the brand in the premium segment of the sports lifestyle market. After Lacoste's acquisition in 2017 of Tecnifibre, the French tennis and squash specialist, he indicated a wish to develop the brand in the performance sports sector as well.

The Maus Frères group started as a retailer in Switzerland at the end of the 19th century by setting up the first department store under the **Manor** banner. The Maus brothers than joined forces with the **Nordmann** family to develop a grocery business, which is now represented by the **Jumbo** supermarket stores. The group moved into sports retailing in 1995 by setting up the first store in a chain of sporting goods stores, **Athleticum**, which it merged two years ago with **Decathlon,** forming a joint venture to develop a big chain in Switzerland under the Decathon banner alone.

Maus Frères moved into the wholesale and brand licesing business in 1998 with its acquisition of a 90 percent stake in **Devanlay**, the main distributor and major shareholder of Lacoste. It bought the rest of the shares from the Lacoste family four years later. In 2003, it took over control of **Aigle**, a French brand of outdoor apparel and footwear, and repositioned it like Lacoste in the sports lifestyle segment of the market. It becama the major shareholer of **Gant** in 2008. Last May, it added **The Kooples**, a French brand of accessible, premium ready-to-wear for men and women, to its portfolio.

All these brands have their own stores, and all of them are now operating under the MF Group's umbrella. Several changes were made last year to the group's management structure, notably with the appointments of new CEOs for some of the brands. **Romain Guinier**, a former manager of **Louis Vuitton** who had led Aigle since 2008, was placed in charge of The Kooples. **Sandrine Conseiller,** former marketing manager of Lacoste, took over his place at the head of Aigle.**Patrik Söderström** was promoted as CEO of Gant. **Nicolas Préault**, the former French country manager of **Arena**, has remained in charge of Tecnifibre.

The role of the new group structure will be to "continue to encourage imagination and creation in all its aspects in order to support growth and to create value in the long term, while respecting the identity, independence and individuality of each of the brands," said the MF Group.

Putting together all its wholesale and retail operations, Maus Frères Holdings has an annual turnover of around six billion Swiss francs (€5.7bn-$6.3bn), according to Wikipedia.

Bogner's CEO resigns

Andreas Baumgärtner, who has been the chief executive of **Bogner** since November 2017, will be leaving the company at the end of March. According to the company, Baumgärtner is leaving at his own request and for personal reasons. He will resign on March 31 but continue to serve in an advisory capacity and support the company's ongoing realignment, particularly in the area of product development.

Two members of the executive board, **Gerrit Schneider** and **Hein Hackl**, will replace Baumgärtner as joint managing directors on April 1. Schneider has been in charge of finance, IT and human resources since March 2019, while Hackl has been running the sales division since March 2018.

The change of management comes after **Willy Bogner**, owner of the company, placed his shares in the hands of a lawyer, **Arndt Geiwitz**, and retired from the supervisory board. Geiwitz took over his role on the board, joining Willy Bogner's daughter, **Florinda Bogner**.

Bogner appointed **Ernst & Young** at the end of February to review structures and processes for potential improvements. The company has been operating with low earnings for several years, but in the last two its management board has made efforts to get the company back on track with better collections.

In the 2017/18 financial year, Bogner's revenues rose to €158.6 million from €150.6 million. A report in *Textilwirtschaft* indicates that the company is no longer for sale and that its revenues increased again in 2018/19.

Chemicals and coronavirus weigh on Wolverine's results

The group's two biggest footwear brands, **Merrell** and **Sperry**, helped **Wolverine Worldwide** finish the last year on a high in terms of revenues, with both of them scoring growth in the mid-teens for the fourth quarter ended on Dec. 28. The company also benefited from an acceleration in direct-to-consumer sales and a solid expansion outside the U.S.

However, the group ended the quarter with a loss due to charges related to a lawsuit over contaminated drinking water in western Michigan, where the company is based. It is accused of having dumped chemicals — known as perfluoroalkyl and polyfluoroalkyl substances or PFAS —decades ago.

The Wolverine group booked a net loss of $0.5 million for the quarter after a $64.4 million charge related to the environmental clean-up, compared with a net profit of $39.3 million in the year-earlier period. The gross margin fell by 1.4 percentage points to 37.8 percent. The adjusted operating profit of $61.3 million for the period was just below the prior-year level of $62.1 million.

Investors reacted by lowering the company's share value by just over 4 percent, but observers felt that this was due more to fears about the spread of the coronavirus outbreak to an increasing number of countries, which have impacted stock exchange indexes worldwide.

In releasing its guidance for 2020, Wolverine's management said it expected the coronavirus to reduce its revenues by $30 million and its profits by $10 million in the first half of this year. Less than 2 percent of its global turnover will come from China this year. The company has diversified its supply chain away from China in recent years and in 2020, the country is expected to represent less than 20 percent of its global production, down from around 40 percent in 2019, partly because of the higher U.S. tariffs on Chinese products.

During the past year, the group intensified its efforts to expand outside of the U.S., with the acquisition of **Saucony**'s former Italian distributor, **Sportlab**, and setting up a joint venture with **Xtep International**, one of the major Chinese sporting goods companies, to distribute Merrell and Saucony footwear, apparel and accessories in China, Hong Kong and Macau. Wolverine allocated extra investments of $40 million for the Italian takeover and the addition of new stores in Greater China.

The group said it is also reaping benefits from consumer insights, faster product development cycles, the development of omni-channel capabilities and other initiatives to improve margins related to its transformation plan dubbed "Global Growth Agenda."

During the fourth quarter, Wolverine recorded growth of 21 percent at its own e-commerce platform and more than 10 percent across international markets, with gains in all regions.

Total revenues for the three months ended on Dec. 28 across the group's entire portfolio of 12 footwear brands were up by 4.8 percent from the year-ago quarter to $607.4 million, with growth of 5.1 percent in local currencies.

Merrell and **Cat Footwear** are part of Wolverine's so-called Michigan Group, whose total sales went up by 8.0 percent in constant currencies. Merrell and Cat grew collectively by mid-teens, but this was partially offset by declines at the Wolverine brand and smaller brands. Like Sperry, the Wolverine brand is being placed under new management.

Merrell's growth in the quarter was spread across all regions, channels and in both the lifestyle and performance categories. Sales on Merrell.com jumped by around 25 percent. **Nature's Gym**, the brand's most athletic category, which includes the **Nova** and **Antora** collections of progressive trail running styles, also performed well. So did the lifestyle category, thanks to new collections such as the **Alpine Sneaker**, **Juno Clog**, and **Hut Moc**.

Cat's growth was led by the EMEA and Latin America regions, along with a jump of almost 55 percent in online sales.

The so-called **Boston Group** had a 1.6 percent sales boost on a currency-neutral basis in the fourth quarter. Sperry grew by mid-teens, as it delivered sales increases across all channels, with sales of boots experiencing a 50 percent surge. The brand's retail revenues climbed by 20 percent online and by 60 percent through its growing network of physical stores.

Inside the Boston Group, **Keds** grew by a low-single-digit rate, but this was offset by a low-double-digit decline for Saucony, hampered by significantly lower closeout sales. However, Saucony recorded gains of nearly 10 percent in its core technical category and more than 25 percent in e-commerce, and the management said it believed that the running brand's decline has "turned the corner."

For the full financial year, the group's revenues advanced by 1.5 percent to $2,273.7 million, or by 2.3 percent in constant currencies, while the gross margin decreased by 0.5 percentage points to 40.6 percent. The PFAS settlement pulled net income down by 36.0 percent to $128.9 million.

In 2020, Wolverine's revenues are expected to reach a level of between $2.29 billion to $2.34 billion, representing a growth of up to 3 percent in reported terms and 3.5 percent in constant currencies. The gross margin should stand at 41.0 percent. Based on the management's forecast for earnings per share, the group's net profit should go up to around $172 million, in spite of extraordinary charges of around $30 million.

Wolverine still has a mid-term goal to grow its own DTC businesses to 30 percent of global revenues as it continues to leverage the investments made in the e-commerce platform and model brand stores. It is also committed to annual double-digit growth from its international businesses over the medium term, based on investments in Europe and Asia-Pacific. It will also be looking at other markets for further expansion.

Crocs returned to profits in Q4

Crocs continued to reap the benefits of its efforts to restructure, ending the year with a profit against a loss for the same quarter a year ago. In the fourth quarter ended Dec. 31, it delivered strong direct-to-consumer (DTC) growth and sell-through at the wholesale level, leading revenues to reach an all-time high.

The quarterly net income of $19.9 million compares with a loss of $10.9 million for the last three months of 2018. Meanwhile, revenues reached $263.0 million, soaring by 21.8 percent on a reported basis and by 22.7 percent in constant currencies, coming ahead of the management's previous guidance.

The number of pairs sold for the quarter progressed by 18 percent to 13.7 million, with the average selling price gaining 3 percent to $18.44. Clog revenues jumped by around 36 percent and made up 69 percent of footwear sales, compared with 62 percent for the year-ago period. Sales of sandals climbed by 7 percent.

By channel, wholesale revenues advanced by 22.4 percent, lifted by strong sell-through and the resulting replenishment orders across all regions. Direct-to-consumer comparable sales, which include e-commerce and brick-and-mortar sales, rose by 22.0 percent, with comparable retail sales up by 16.0 percent. Overall, e-commerce revenues jumped by 34.3 percent.

The group recorded double-digit growth in DTC comparable sales in all the three regions where it operates, led by a 28.1 percent sales increase in the Americas, followed by EMEA with a 11.5 percent growth in constant currencies. Asia-Pacific grew by 5.7 percent in constant currencies.

The gross margin improved by 1.80 percentage points to 48.0 percent. The adjusted gross margin, which excludes expenses primarily related to the relocation of the group's distribution centers in the U.S. and the Netherlands, reached 49.3 percent. This was driven by a favorable product mix, price increases on certain products, lower levels of promotions and discounts, and greater volumes that helped leverage Crocs' fixed costs.

For the full year, revenues reached $1,230.6 million, growing by 13.1 percent from 2018, or by 15.6 percent on a constant currency basis. Store closures - the company had 367 stores in December 2019, compared with 383 in December 2018 - reduced revenues by $17.2 million. Wholesale revenues advanced by 13.5 percent and the e-commerce business grew by 24.2 percent, while comparable store sales went up by 12.4 percent.

The gross margin declined by 1.4 percentage points for the year to 50.1 percent. Net earnings jumped by 137.0 percent to $119.5 million and the adjusted operating margin expanded by 3.9 percentage points to 11.6 percent.

For 2020, the group has penciled in a $40 to $60 million negative impact on revenues from the coronavirus. It still expects sales for the full year to go up by between 8 and 12 percent, with the operating margin standing between 11 and 13 percent.

Strong momentum for Acushnet and Kjus

The management of **Acushnet** believes that each of its businesses is has a strong momentum in the new year. In particular, the American golf company controlled by **Fila Korea** expects that the **Kjus** brand will continue its rapid progress within golf, benefiting from the launch of a new **Gemini** rainwear technology, which features a reversible rain jacket to provide the option for both warm and cold weather protection. Acushnet bought the Swiss brand of snow and golf apparel during the third quarter of last year.

Acushnet will also launch its new **AVX**, **Tour Soft** and **Velocity** golf balls in the first quarter, and it is gearing up for the introduction of new **Titleist** clubs: the **Vokey SM8** wedges and **Cameron Special Select** putters. **Titleist Gear** will continue to build upon its **Linksmaster** line of bags by expanding the caddie collection and adding a new series, a classic canvas model. And **Footjoy** will have a heightened focus on footwear and continue enhancements to its apparel line.

The group's guidance projects sales of between $1,665 and $1,705 million for this year, including a negative $40 million impact from the coronavirus. They should generate adjusted Ebitda of between $220 million and $240 million

In the past year, Acushnet's total sales rose by 2.9 percent to $1,681 million, with an increase of 4.8 percent in constant currencie. The gross margin expanded by 0.3 percentage points to 51.9 percent, and adjusted Ebitda rose by 4.0 percent to $240.1 million, indicating an improvement in the adjusted Ebitda margin of 0.2 percentage points to 14.3 percent. Net income increased by 21.2 percent to $121.1 million.

In terms of dollars, the U.S. turnover grew by 7.1 percent, EMEA by 4.9 percent and Korea by 1.0 percent, while Japan declined by 16.4 percent. While golf ball sales increased by 5.3 percent, clubs slid by 2.4 percent, golf gear rose by 2.7 percent and FootJoy inched up by 0.5 percent. No breakdown was given for Kjus, which was acquired during the third quarter, but its addition to the results helped to boost the reported turnover in the EMEA region.

In the fourth quarter of last year, strong U.S. sales and a double-digit increase in the golf ball segment lifted Acushnet's overall revenues. They jumped by 7.3 percent to $368.3 million, or by 7.9 percent on a constant-currency basis. The gross margin inched down by 0.2 percentage points to 50.7 percent, hit by the U.S. tariffs on China, while the adjusted Ebitda margin jumped by 1.6 percentage points to 13.4 percent. Net income soared by 57.0 percent to $17.9 million.

By region, in constant currencies, revenues progressed by 20.9 percent to $182.5 million in the U.S., thanks to a favorable weather and strong ball sales. They soared by 17.1 percent to $43.8 million in EMEA, with some of the gain attributable to Kjus, and higher sales of golf balls and shoes. Acushnet's sales were up by 3.0 percent in Korea to $58.2 million, due to an improvement in FootJoy and Titleist glove sales. However, in Japan, where the consumption tax was raised at the end of the third quarter, sales tumbled by 19.7 percent to $48.0 million, with higher ball sales offset by lower club and FootJoy sales.

Overall, sales of Titleist golf clubs declined by 2.2 percent to $109.3 million in the quarter. The newly launched **T Series** irons, **TS** hybrids and putters performed well. Sales of Titleist golf balls rose by 10.6 percent to $115.7 million, driven by the **Pro V1**, **Pro V1x** and new **TruFeel** balls. Meanwhile, revenues from Titleist golf gear dropped by 7.9 percent to $23.4 million, due to lower volumes of headwear and golf bags. However, the new Linksmaster bags were well received, and the company is planning to expand the line in 2020. Finally, strong apparel and footwear sales - driven by the **Flex** and **Fury** models - sent FootJoy up by 6.3 percent to $84.3 million.

Many factors weigh on Globe's profits

The strong U.S. dollar hampered the financial results of the Australian multi-brand skate company for the first half of its fiscal year ended on Dec. 31. The net income was down by 9 percent to 3.9 million Australian dollars (€2.3m-$2.7m). This happened despite a net gain of A$ 3.7 million (€2.2m-$2.6m) from the sale of the U.S.-based **Dwindle** group to **Highline Industries** in August, with **Globe** retaining distribution rights for the brand in Australia, New Zealand, the U.K. and Spain.

The brands marketed by Dwindle include **Almost**, **Blind**, **Dusters California**, **Kryptonics** and **Enjoi**. Globe said that the sale of this business division was part of an ongoing strategic overhaul of the group's brand mix, aimed at reducing the number of smaller brands in its global operations. It believes that the company now has a much better balance of apparel, footwear and skateboard hardgoods brands, proportionate with the revenues of each product category.

The group's revenues remained flat during the six-month period in reported terms at A$ 78.0 million (€46.1m-$50.9m). They declined by 2 percent in constant currencies, but excluding the divestiture of Dwindle, they grew by 7 percent. The management said the growth was driven by the North American and European divisions.

Over the past six months, although North American sales dipped by 3 percent in reported terms to A$ 23.0 million (€13.6m-$15.0m), they soared by 26 percent organically, driven by the **Salty Crew**, **Impala**, **Globe** and **FXD** brands.

In Europe, Globe's revenues improved by 7 percent in constant currencies to A$ 12.6 million (€7.4m-$8.2m), also boosted by the same brands. However, sales in Australasia were off by 1 percent to A$ 42.4 million (€25.0m-$27.7m), due to a decline in the streetwear division.

The management highlighted the launch in December of its so-called of "dot boards" – its first line of electric skateboards – after many years of research and development.

The group's gross margin was down by 1.1 percentage points to 45.7 percent in the first half, while the operating profit (Ebit) declined by 5 percent to A$ 4.2 million (€2.5m-$2.7m), including the one-off profit from the sale of Dwindle. The company said that the strengthening of the U.S. dollar was a major factor in the lower profitability, with the deterioration in the exchange rate resulting in a A$ 2.5 million (€1.5m-$1.6m) reduction in gross profit, which was only partially offset by product cost reductions and price increases. In addition, the increase in Washington's tariffs on Chinese imports had a negative impact on gross margins in the U.S.

Looking at the rest of the financial year, the company warned that it will continue to face significant headwinds from the stronger U.S. dollar and continued uncertainty around tariffs in the USA, as well as the impact of Australian bushfires on consumer demand and the potential impact on the supply chain from the coronavirus outbreak. Globe expects sales to remain flat compared with the previous year, while profits are expected to be below last year by around 15 percent as a result of one-off items, environmental factors and downward pressure on margins.

Nautilus re-launches its digital platform

Significant reductions in expenses in the fourth quarter helped **Nautilus** to reach a net income of $3.5 million, up from $1.4 million for the same period a year ago, in spite of sharply reduced revenues and a lower gross margin.

The progress in the bottom line comes after the company's new chief executive, **Jim Barr**, who took this position last summer, unveiled a new restructuring plan. The job cuts announced in July 2019 are progressing and the management expects to save about $6 million through workforce and shared support cost reductions in 2020.

A year ago, the group was hit by the poor launch of the new **Max Trainer** and **Max Intelligence** connected fitness platform. The company blamed their low sales on sub-optimal advertising, resulting in low awareness and insufficient communication of their differentiated digital capabilities.

During the latest quarter, the company re-launched its digital platform under the new **JRNY** name, featuring a personalization engine driven by artificial intelligence that suggests customized workouts and adjusts to individual fitness levels. In addition, it launched several digitally connected products, including the **Bowflex 216** and **116** treadmills, the **Schwinn IC4** bike, and the **Bowflex C6** bike.

However, Nautilus' quarterly revenues dropped by 19.7 percent from the year-ago quarter to $104.2 million, weighed down by weak direct-to-consumer sales. The lower revenues and an unfavorable product mix impacted the gross margin, which dropped by 7.3 percentage points to 36.6 percent.

Sluggish sales of the Bowflex Max Trainer product line hit the Direct segment's turnover, which fell by 28.1 percent. This happened despite improvements from Bowflex bikes and treadmills and **Max Total** stair stepper/ellipticals.

Among the multiple causes of the segment's decline, which accelerated in 2018 and 2019, the main one was losing track of customers' evolving purchasing journey and media consumption habits, as well as repeating a similar unsuccessful media mix strategy for several years. The management said it expects to make progress on these and other fronts to revitalize the channel, but admitted that it is unclear when the channel will return to profitable growth.

Meanwhile, Nautilus' retail sales were up by 4.8 percent, driven by **SelectTech** weights and Schwinn IC bikes. In addition, the fourth quarter benefited from some shipment delays in the third quarter due to recently imposed tariffs as part of the trade dispute between the U.S. and China. Revenues from royalties were down by 23.2 percent.

For the full year, the company still ended up with a net loss of $92.8 million, compared with a profit of $14.6 million in the previous year, hampered by a $72.0 million impairment charge. Sales dropped by 22 percent to $309.3 million, while the gross margin tumbled by 10.1 percentage points to 35.8 percent.

Throughout 2020, the management will continue to focus on returning the company to sustainable profitable growth, but it does not expect the changes it is making to result in immediate linear quarterly improvements. However, Nautilus has entered the new year in a stronger financial position, having recently secured a new $70 million senior secured credit facility. It is also encouraged by the customers' reception of its e new digital platform and new product offerings.

Russian government postpones shoe tagging

Russia's Prime Minister, **Alexey Mishustin**, has postponed the compulsory tagging of footwear in the domestic market from March 1 to July 1, according to a decree posted on the Russian government's website on March 3.

The system was partly to curb sales of fake products, which are still rampant in the Russian athletic footwear and sneaker market. This shadow market is estimated to account for between 20 and 25 percent of the total shoe market.

The new rules were called off urgently because the technical base was not sufficiently prepared, paralyzing sales of footwear for two days. Reportedly, the government-run electronic system was not recognizing the tags and was not allowing the sale of the shoes. There were similar problems with custom clearance of imported shoes.

In follow-up statements, Russian government officials blamed footwear companies for sabotaging the tagging project.

A group of Russian companies – including **Kant**, one of Russia's major sporting goods retail chains, along with the online retailer **Lamoda** and the **Pazolini Group** – had previously filed an open letter to the Russian government asking for a postponement of the ban on untagged shoes until Sept. 1.

According to **Maxim Vinogradov**, who runs Kant, there were numerous glitches in the system, delaying supplies and preventing the sale of products.

In fact, Russian authorities were reportedly surprised as shoes manufacturers and importers had ordered 1.1 billion tags to put on their products, a much higher volume than projected. Officially, the size of the Russian shoe market was estimated at close to 460 million pairs in 2018.

The system being put in place to issue the tags came under great pressure, as Russian footwear companies were ordering around 70,000 new tags every day.

Polartec starts to make some more noise

Polartec wants to raise its brand awareness with a bigger marketing budget under the ownership of **Milliken& Company**, the big American textile group that took over the fleece fabric producer a few months ago (*Compass* Vol. 12 N° 11+12 of June 28, 2019). It has already changed its logo, making it more contemporary.

"I think you'll see us getting louder with consumers," said **Steve Layton**, the new president of Polartec. With this, he wants to provide more support to the brands that use its fabrics by highlighting the ways in which people use them and the stories behind the products. He added that the company is also boosting its salesforce and deploying new human resources for production planning and the supervision of the manufacturing process.

Layton, who has been with Milliken since 2012, took the place of **Gary Smith** at Polartec following the takeover. Smith is now working for a luxury yacht company, while Layton is working on a strategic plan for Polartec through 2025.

Many new products are in the pipeline, making use of Milliken's vast capabilities in terms of material science, but Layton declined to provide any details, except for pointing to the biodegradable solutions that the company is still working on.

For the time being, Polartec wants to go deeper in the areas where it is strong, scaling platforms such **Polartec Neoshell**, **Polartec Power Air** and **Polartec Alpha**.

The company is increasing five-fold the capacity for Power Air, with Milliken helping out with the supply of the yarn. In addition to **Houdini**, the first client to have adopted a lighter version of Power Air, many other sports and outdoor brands have adopted the regular Power Air for the first time in their autumn/winter 2020/21 collections including **Helly Hansen**, **Norrøna**, **Griffin**, **Cape Horn**, **Mammut**, **Millet**, **Montura**, **Teton Bros.** and **66 North**.

In cycling, **Santini** has also applied Power Air to an UCI lifestyle collection. In fashion, new adopters have been **Bleed**, **Diva** (Japan) and **LC23**. Polartec has already made some headways in the broader active lifestyle fashion market in the past season, thanks in part because of its use of recycled fabrics, which were taken up by **Kappa**, **Diadora** and two other special brands: a Japanese outdoor fashion label called "**and wander**" and a Danish contemporary cycling label, **Pas Normal Studios**.

Primaloft will make more noise

No figures are available, but **Primaloft** is said to have become very profitable after growing for a while at a double-digit rate every year. Some of the profits are going to be reinvested in consumer-oriented advertising to build up brand awareness, probably starting with the autumn/winter 2021 season, to accompany the considerable investments already being made in B2B advertising.

While expanding the range of insulation for technical fabrics that make use of its patented biodegradable material technology, applying them to different segments of the core outdoor clothing market, including the lifestyle segment, Primaloft is looking for new opportunities for its use in other areas such as, for example, acoustics in the automotive sector.

W.L. Gore & Associates, which is much bigger and invests more in advertising, is already involved in many other sectors besides sports clothing and footwear.

With this in mind, Primaloft has established **Primaloft Licensing**, a new business unit that will focus on licensing the company's technologies. The company has been licensing them in the home furnishing sector for 15 years, but this has been a minor portion of its business.

Jochen Lagemann, the current senior vice-president and managing director for Europe, will take on the additional role of running the new unit as president of Primaloft Licensing. He will continue to be based in Munich, where he set up Primaloft's European business in October 2000. He worked previously for **Gore-Tex**.

Bob Sameski will be the unit's vice-president. He is described as an expert on licensing. He led all the licensing, marketing, brand management and e-commerce operations for the **Body Glove** brand, and he worked as an adviser to **Symphony Investment Partners** on licensing partnerships, mergers and acquisitions.

Meanwhile, Primaloft has promoted **Chris Humphris** to senior vice-president of global sales. Humphris was most recently senior vice-president of sales for the Americas.

Sports brands celebrate women

A number of sports brands celebrated International Women's Day on March 8.

Asics teamed up with **Pyrates Smart Fabrics** to launch a new range of yoga products for the occasion. The seven-piece capsule collection was designed by **Regina Polanco**, founder of Pyrates, and its items are made with her company's knit fabric and natural, biodegradable dyes derived from plants and minerals. The colors are sourced from Indian madder root, Mediterranean oak gall and pomegranate. The packaging, made of natural and reusable fabrics, is eco-friendly as well.

The North Face released an all-female capsule collection consisting of T-shirts and tote bags made with technical fabrics. The items come in green, purple and white and incorporate a photograph of two women wearing dresses and heels and standing atop a cliff in Yosemite National Park. The collection is manufactured entirely in the country of Jordan at the **Jerash Garment Factory**, all of whose 500 posts are filled by women. The factory's founder, the activist **Oryana Awaisheh**, oversaw the capsule's design and execution as well as an advertising campaign which features women in music, art, business and sport. Four of these women – the singer **Jess Glynne**, the freeride champion **Marion Haerty**, the adventurer **Sofia Jin** and the stuntwoman **Marie Mouroum** – are now ambassadors for The North Face. The International Women's Day collection is sold through TNF's website and selected retailers.

Merrell collaborated with **Trail Sisters**, a trail-running association for women, to design prints for two of its trail-running models, the **Antora** and the **Banshee**. Trail Sisters' founder, **Gina Lucrezi**, chose the artist **Sarah Uhl** to come up with a bold design. The new shoes will be launched at the end of the month. In addition, Merrell introduced a short film, called *Ripple Effect*, to commemorate the passage of the 19th amendment to the U.S. Constitution, which gave women the right to vote at both the federal and state level. The film was shot by women and explores the sculpture of **Jane DeDecker**, creator of a monument to the cause. In it, Lucrezi and two of Merrell's sponsored trail runners, **Anna Frost** and **Mirna Valerio**, pay a visit to DeDecker's studio in Loveland, Colorado.

Adidas has established a partnership with **iFundWomen**, which provides female entrepreneurs in the sports industry with capital, coaching and networking. Earlier this year, the start-up platform supplied the female founders of nine companies with some funding and invited them to a series of workshops in New York City, where they heard from the tennis champion **Billie Jean King** and executives from Adidas and iFundWomen.

The entrepreneurs in question were **Alex Taylor**, founder of **Hoop York City**, a basketball association for women in New York City; **Susan Sullivan**, founder of the **Women Sports Film Festival** in San Francisco, California; **Kelly Bessis**, founder of **Dada**, a boxing and fitness group for women in Paris, France; **Marisa Hamamoto**, founder of **Infinite Flow**, a company of dancers with and without disabilities in Los Angeles; **Hélène Guillaume**, founder and CEO of **WILD.AI**, a fitness app for women based in San Francisco; **Jasmina Srna**, a former professional football player and co-founder of **Safe-Hub**, which combines sports and holistic education for young people in Berlin, Germany; **Mariana Pajón**, a two-time **Olympic** gold medalist, **BMX World Champion** and founder of the children's sports association **Pedaleando por un Sueño** (Pedaling for a Dream) in Medellín, Colombia; **Brittany Edwards** and **Khiana Lowe**, founders of **Incorp[HER]ated**, which creates inclusive spaces in creative industries in New York; and **Francesca Brown**, CEO and founder of **Goals4Girls**, a football program for girls and young women in London, U.K.

Adidas and iFundWomen will be extending further invitations throughout this month. Applications are due by March 31.

Meanwhile, **Under Armour**'s latest shoe for **Stephen Curry** of the **NBA**'s **Golden State Warriors** takes inspiration from an actress, **Storm Reid** of the television series *Euphoria* on **HBO**. The **Curry 7 Bamazing Colorway** takes its name from the **Bamazing** initiative Reid started to inspire girls – hence the words "Btrue" and "Bbrave" on the sock liner. Reid and Curry began collaborating earlier this month by hosting a filmmaking workshop around San Francisco. Participants there pitched three short films derived from a brief submitted by Under Armour. Each film will celebrate inspiring girls in sports.

For last year's International Women's Day, Curry and his wife, **Ayesha Curry**, founded the "**Eat. Learn. Play. Foundation**." Under Armour has now helped boost that initiative, enabling it to award not one but four scholarships of $30,000 for 2020.

Forced labor in China for some sports brands?

Several Chinese factories under foreign contract appear to be resorting to forced labor from ethnic minorities. The suspicion stems from a report on the plight of China's Uyghurs and other minorities recently released by the **Australian Strategic Policy Institute** (ASPI) – a self-described non-partisan think tank founded in 2001 to influence Australia's policy on national defense and security – following an investigation made by five members of its **International Cyber Policy Centre**.

According to the report, from 2017 to 2019, under a policy called Xinjiang Aid, the Chinese government forcibly transferred some 80,000 Chinese citizens, mostly of Uyghur ethnicity, from the western region of Xinjiang (formerly known as Chinese Turkestan) to other parts of China and set them to work in factories that feed the supply chains of at least 83 major international brands, among them **Adidas**, **Fila**, **Lacoste**, **Nike**, **The North Face**, **Puma** and **Uniqlo**, as well as **BMW**, **Volkswagen**, **Mercedes-Benz**, **Apple**, **Dell**, **Huawei**, **Microsoft**, **Nintendo**, **Samsung**, **Sharp** and **Sony**. The report asserts in addition that "local governments and private brokers are paid a price per head by the Xinjiang provincial government to organise the labour assignments."

Questioned by us, Adidas and Puma indicated that they have taken action to address the problem, but Nike failed to give us an answer.

Speaking to the *BBC*, one of the report's authors, **Nathan Ruser**, said that "the dispossession of Uighurs and other ethnic minorities in Xinjiang also has a really strong character of economic exploitation," calling it a "previously hidden contamination of the global supply chain."

The ASPI claims to know of 27 factories in nine Chinese provinces that now employ Uyghurs transferred from Xinjiang. It cautions, however, that foreign and even Chinese companies might be benefiting from forced labor "unknowingly."

The report contains case studies of three such factories, supplying shoes to Nike, sportswear to Adidas and Fila, and components to Apple.

The ASPI describes the factory that supplies Nike – **Qingdao Taekwang Shoes Co.** of Laixi, China – as being "equipped with watchtowers, barbed-wire fences and police guard boxes." An investigative report published in the *Washington Post* on Feb. 29 corroborates this. Taekwang Shoes has been a Nike supplier for some 30 years, and currently produces **Shox**, **Air Max** and seven other lines. According to **Kim Jae-min**, chief executive of Taekwang, the factory's South Korean parent, the factory employs about 600 Uyghurs in a total workforce of 7,100. Nike's manufacturing map claims there are 4,095 employees at the factory, 81 percent of them female. According to the *Post*, almost all of the Uyghurs are "women in their 20s or younger."

The *Post* also mentions a "psychological dredging office" where officials from Taekwang's women's federation "conduct 'heart-to-heart' talks and provide psychological consulting to encourage integration."

Speaking to the *Post*, a spokeswoman for Nike, **Sandra Carreon-John**, said that "we respect human rights in our extended value chain, and always strive to conduct business ethically and responsibly." She also said that Nike is "committed to upholding international labor standards globally" and that its suppliers are "strictly prohibited from using any type of prison, forced, bonded or indentured labor."

Adidas told us that, after the first allegations of forced and prison labor were made in the spring of 2019, the company "immediately and explicitly instructed our suppliers not to source any products or yarn from the Xinjiang region. The use of forced labor by any of our partners will result in the termination of the partnership," Adidas said through a spokesman.

Puma said it has no direct relationship with **Huafu Dyed Melange Yarn Co.**, one of the world's largest cotton spinners, which is said to have been engaged in forced labor. Some of Puma's Tier 3 suppliers of fabric buy yarn from that company, but a spokesman for the German firm said it was "closely monitoring the situation," noting that it had already raised this issue with its manufacturing partners. "We continue to observe the case and conduct further investigations," he added. Puma, which was recently re-accredited to the **Fair Labor Association,** monitors its Tier 1 suppliers frequently, and in the last three years it has extended the program to Tier 2 suppliers of fabrics and components. "For the lower levels of the cotton supply chain, we rely on industry partners in terms of ethical business conduct," said the Puma spokesman.

The issue has become a hot subject in the U.S., where the **American Apparel and Footwear Association** and four others called on the U.S. government to take the lead in forming a working group to accurately assess labor conditions in the Xinjiang region. The group would then be asked to develop constructive solutions, targeting bad actors.

The ASPI believes that many of these new laborers have been transferred straight from detention camps and that their true numbers actually exceed 80,000. The laborers, the report says, are forced to live in "segregated dormitories," are assigned minders and otherwise surveilled, may not go where they please, may not practice their religion, and undergo instruction in Mandarin and the ruling party's ideology when not working or sleeping.

According to various reports, China has locked about a million Uyghurs – along with Kazakhs Uzbeks and others – into internment camps for what the government calls "reeducation" or "vocational training." There they are obliged to pledge allegiance to the ruling party and renounce Islam. The ostensible purpose – in the words of Xinjiang's governor, **Shohrat Zakir** – is to curb "terrorism, extremism and separatism," although China appears to have leveled few if any accusations of crime against the interned. Government documents detailing some of the arrests and other practices leaked to the press in November. At least some Chinese officials, Zakir among them, are referring to those released, or moved, from the camps as "graduates."

Apple has said that it is "dedicated to ensuring that everyone in our supply chain is treated with the dignity and respect they deserve." Dell has pledged to investigate. According to the ASPI, a few of the companies involved, such as **Abercrombie & Fitch**, will be seeking other factories.

The *Global Times*, a tabloid controlled by the Chinese communist party, quotes an official from Xinjiang as follows: "This type of report is full of lies. The aid program is a beneficial scheme that helps Uygur people to earn income and learn new skills. Xinjiang workers are recruited in a formal and legal way, some through local personnel departments, and others via human resource agencies. They [the workers] are all voluntary."

News Briefs & Short Stops

Corporate

VF Corp. announced on Feb. 27 the closing of the first "**green bond**" in the apparel and footwear industry. The net proceeds from the €500 million bond offering will be used for investment in programs within the company's "Made for Change Sustainability & Responsibility Strategy," and to drive progress toward the achievement of VF's recently announced science-based targets and its vision on sustainable materials. The projects that are eligible for funding will be chosen in the areas of sustainable products & materials, sustainable operations & supply chain, reforestation and regenerative agriculture. They will have to contribute to the United Nations Sustainable Development Goals. The green bond is one of two tranches in a series of senior unsecured Euro-denominated notes offered by VF that have received high ratings by **Moody's** and **Standard & Poors**. They were also intended to buy back $650 million in notes carrying interest of 6.0 percent and 6.45 percent.

Standard & Poors and **Moody's** have both downgraded the credit rating of **Boardriders**, the parent company of **Quiksilver**, **Roxy**, **Billabong** and other action sports brands. S&P has reversed its outlook to negative based on results and guidance provided by the company to the rating agency. It feels that its operating cash flow will continue to be negative in 2020, but it doesn't expect Boardriders to default on its loans, noting that its owners are in negotiations with lenders and may inject more liquidity to shore up the balance sheet. Moody's is concerned that the group continues to burn cash but feels that it will be able to fulfill its bank covenants and maintain adequate liquidity thanks to synergy-related improvements in the gross margin over the next 12 to 18 months.

Rallye, which controls the French **Go Sport** chain, has reached an agreement for the rescheduling of its debt of €2.9 billion, setting deadlines of four years with its banks and ten years with other creditors. It is not yet clear how the package will be financed. One of the options is the sale of the remaining assets of Go Sport, as the group has done with the disposal of the **Courir** chain of athletic footwear stores and the Polish Go Sport stores. The latter have been taken over by the Russian **Sportmaster** group, as we have already reported. Sportmaster and **Intersport France** decline to comment on rumors that they might be interest in the French Go Sport stores.

Hyperice has announced the acquisition of **Normatec**, the company known for its pneumatic compression systems, with headquarters in Boston. Hyperice, based in Irvine, California, is best known for its **Hypervolt** vibrating massage tool. Normatec's chief executive, **Gilad Jacobs**, will join Hyperice's board of directors as chief innovation officer. The products of both companies are known for their applications in the world of professional sports.

Louis Garneau, the Canadian brand of cycling apparel, has filed for bankruptcy protection in Canada and suspended the employment of 66 members of the staff at its headquarters in Quebec. The proceedings would not affect the

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

company's **Sugoi** subsidiary or its sales subsidiaries in the U.S. and Mexico. The filing lists debts of 32.7 million Canadian dollars (€21.7m-$24.6m). According to the *Montreal Gazette*, the president and founder, **Louis Garneau**, said in a press release that his company has lacked liquidity for the past three years, ever since two of its largest clients in Europe went bankrupt. Garneau's immediate objective is to keep the headquarters functioning and retain as much staff as possible. The company will undergo a financial restructuring as well as "strategic and operational change." Altready last autumn, it closed down its manufacturing facility at St-Augustin, Quebec, laying off 46 workers.

Footway has secured additional financing worth 150 million Swedish kronor (€13.8m-$15.3m) prior to its planned acquisition of all the shares in **Sportamore** (see our previous issue). The Swedish e-retailer has entered into a credit agreement with **Svea Ekonomi** with a maturity of five years. The board of Sportamore, which is the largest online pure player in the Scandinavian sporting goods market, has recommended acceptance of Footway's takeover offer.

Woolpower, the Swedish specialist in wool bodywear and accessories, says it intends to further expand the production capacity in its own factory because of its good long-term order situation and is investing in new employees and machines. Up to 30 knitting machine operators, converters and seamstresses are to be recruited in order to cope with the increased order situation. Woolpower is owned by a family-run holding company, **Ekstigen**, and was previously called **Ullfrotté**. Woolpower has a presence in approximately 20 international markets and about 70-80 percent of the products are exported.

+++ **Bafang**'s bike factory in Suzhou, China, is back to full production after a shutdown connected with coronavirus +++ **Winora**, a subsidiary of **Accell Group**, has opened a new "Innovation & Service Center" in Sennfeld, Germany, which houses the global innovation and technology center and the sports headquarters, as well as the service, quality management and compliance departments +++ **Arena** is moving into a new 500-square meter office in Munich for its German subsidiary for its further growth in the country +++

Executive Changes

American Nike, **Nike**'s Iberian subsidiary, has named **Marco Deotto** president. For the past five years, Deotto has been Nike's senior finance director for southern Europe. He also spent more than a year as finance director for Italy. Before joining Nike, he held various finance-related positions with **Heinz Italy** and rose to become the company's global finance manager for its infant & nutrition division. **Ignacio Serrat** will continue as Nike's vice president and managing director for Spain, Portugal, Italy and Greece and as the titular executive for the Iberian market.

At its meeting of Jan. 24, the board of directors of **Columbia Sportswear** appointed as its chairman the company's long-standing president and chief executive, **Tim Boyle**, who is now 70 years old. He takes the place on the board that was previously occupied by his "tough mother," **Gert Boyle**, who died on Nov. 3 at the age of 95. Columbia's board also formalized the post of lead independent director and filled it with one of its longtime members, **Andy Bryant**. Bryant was the chairman of Intel from May 2012 to January 2020 and will be leaving its board after the company's 2020 annual stockholders' meeting. He has served on Columbia's board since 2005 and chairs the nominating and corporate governance committee.

Jochen Gärtner has taken over the position of sales director Europe for **Fila**, a brand for which the **Deichmann** group holds the European license indirectly. With immediate effect, he will be responsible for sales and marketing for all collections – with the exception of the tennis category. Gärtner was hired in 2010 by **Lee** and **Wrangler**, the denim brands of **VF Corporation**, and continued to work for them after the recent separation of the group's denim segment, which has changed its name to **Kontoor Brands**. Other former stations in his professional career were the **Tom Tailor Group** and the **Holy Fashion Group**.

Jochen Zeitz, the former chief executive of **Puma**, will temporarily take over the position of CEO and president of **Harley-Davidson**, the famous American brand of motorcycles. The German executive, who has been of a member of its board of directors since 2007, will hold the position until an official successor is found for Harley-Davidson's previous CEO, **Matthew Levatich**. The latter has resigned but has agreed to support Zeitz until the end of March. Levatich has spent 26 years working for the brand, which has been struggling with declining sales in recent years.

The **Signa Group** has entrusted **Richard A. Johnson** (no connection with the current chairman, president and CEO of **Foot Locker**) with the management of its expansion in international capital markets, with a particular emphasis on the Asia-Pacific region, the Middle East and the non-German speaking European markets. With Johnson, Signa wants to further expand the company's investor base outside the core European markets. The Austrian-based real estate and retailing group that has become a big player in the sporting goods market through **Signa Sports United**, **Karstadt Sports** and **SportScheck**. More than a year ago, the Austrian group brought in **Aeon** of Japan and **Central Group** of Thailand as partners in Signa Sports United, the parent company of **Tennis-Point** and other sports e-tailers (*SGI Europe* Vol. 30 N° 1+2 of Jan. 11, 2019). It partnered more recently with Central Group for the takeover of the **Globus** department store chain in Switzerland (*SGI Europe* Vol. 31 N° 5+6 of Feb. 9, 2020).

Richard A. Johnson, who has worked in the global real estate industry for 33 years, was most recently managing director for the global real estate business of **UBS Asset Management** in Zurich, where he will be based in the future, too. Previously, he held senior positions at **Standard Chartered**, **JLL** and **CBRE**, stationed in Hong Kong, Singapore, Beijing, Dubai and London.

Accell Group has announced that its current managing director for Southern Europe, **Benjamin Huguet**, will be leaving the company in mid-March to pursue a new job opportunity. Huguet, who has spent 15 years with Accell, has held that position since 2018. According to reports in *Bike EU*, Huguet will join a large bike group at the beginning of April. The name of the new employer has not been disclosed.

X-Technology Swiss, the owner of **X-Bionic**, **X-Socks** and **Apani**, has hired **Luca Bacherotti** as its new chief operations officer. Bacherotti has more than 30 years of high-level managerial experience in the textile industry, having worked for **Asics**, **Tommy Hilfiger** and **Levi Strauss**. In his new role at X-Technology, he is expected, among other things, to further expand the company's international reach.

TaylorMade has appointed **Rick Paschal** as its new chief financial officer. Paschal has more than 20 years of business and finance experience. For three years prior to TaylorMade he held the role of chief financial officer and treasurer at **Varsity Brands**. He has also worked for **Coach**, **Nestlé**, **Godiva**, **Pillsbury** and **Häagen-Dazs**.

Thule has announced that **Marianne Bonrud Hagelqvist**, the current group accounting director, has taken over as acting chief financial officer of **Thule Group**, effective Feb. 14. She is replacing **Lennart Mauritzson**, who has resigned as CFO, until **Jonas Lindqvist**, currently chief financial officer at **Arjo**, a global supplier of medical devices, services and solutions, will assume the role on March 23, 2020. Hagelqvist will then return to her role as head of group accounting.

Callaway Golf Company has made **Joe B. Flannery** executive vice president for apparel and other soft goods. This will include the supervision of the **Jack Wolfskin** brand, which was acquired by the American golf company one year ago, as well as other properties such as **TravisMathews**. Flannery has been with **Newell Brands** for more than four years, serving as senior vice president and general manager of its technical-apparel division, notably consisting of the **Marmot**, **ExOfficio** and **Coleman** brands. He has also been president of **CMH Heli-Skiing & Summer Adventures**, chief marketing officer at **The North Face**, vice president and global general manager of the Originals division at **Adidas**, and a product manager at **Nike**.

+++ **Nike** has appointed **Lauren Gallo** – most recently global head of content marketing at **Snap** – as senior director, brand creative +++ **Thun** has announced that **Leury Kerpen** is its new corporate social responsibility (CSR) manager +++

Distribution

Tony Grimaldi, the chief executive of **Cycleurope**, is set to establish a common management for all the Nordic countries, according to *Sportfack*. In view of this, **Jonas Netterström**, who became the CEO of Cycleurope's Swedish subsidiary at the beginning of 2017, is set to leave the group for another position as CEO of an investment company, **Midaq**. Under him, Cycleurope started manufacturing electric bikes in Varberg.

Snowlife, the Swiss family business specializing in ski gloves, wants to further strengthen its international distribution, which is now largely limited to agents in Italy, Austria and France, plus distributors in Spain, Russia and Eastern Europe. For this purpose, the company has appointed an industry veteran, **Robert Demetz**, to the new position of export manager, and he has already signed a deal with the **VP Agency** for the U.K. Demetz has worked in marketing and sales for numerous companies, the majority of them Italian. The list includes **Tecnica**, **Nordica**, **Ride Snowboards**, **Diadora**, **RH+**, **La Sportiva** and **MGM**. Snowlife does not sell its products directly to customers. The brand was founded in 1973 by a Swiss ski racer, **Nando Pajarola**, with the aim of developing functional and fashionable ski clothing. Since 2005, the Snowlife collection has consisted exclusively of gloves. Snowlife is also a Swiss wholesale distributor for various snow sports brands including **Phenix**.

Vernon, the Danish sports distribution company, is expanding into new markets with the help of a Russian brand of rainproof and windproof apparel, **Shu**. Founded in 2012 in Saint Petersburg, Russia, Shu operates three stores (in its hometown, in Moscow and in Yekaterinburg), maintains its head office in Moscow and farms out its production to China. The brand's clothes have a minimalistic cut, with a focus on technology and design. Vernon will be selling them not just on its home turf in Scandinavia but also in Benelux, France and the U.K.

+++ **Assosport**, the association of the Italian sporting goods industry, has announced that the fourth edition of its "**Accademia IOG**," originally scheduled for March 16, and already postponed to March 30, has finally been cancelled due to the ongoing coronavirus crisis +++

Retail

As reported by *Fashion Network*, **Asos** and **Nike** recently invited customers to take part in immersive or high-intensity classes in exercise, yoga, meditation, and arts and crafts such as candle-making, make-up application, terrarium set-up and illustration. The event, called **Re:Set**

Lab, was held from Feb. 28 to March 1 at a pop-up store at **White Rabbit**, a studio of 10,000 square meters in the Hackney borough of London. Among the event's partners were **The Ordinary**, a line of skincare products from the Canadian company **Deciem**, and **Erin Aniker**, an illustrator whose clients include **The Body Shop**, **Tate** and **The V&A**.

Castore, the brand backed by **Andy Murray**, is opening in Liverpool its second retail location, after its first store in London's Chelsea in October. The new store at Liverpool One is expected to open on April 10. Liverpool is the city where Castore's headquarters is located. The 1,579-square-foot store will open at 17/18 Manesty's Lane. In addition to the London shop, the brand already operates an e-commerce site and is also available at **Selfridges**, **Matchesfashion** and **Mr Porter**.

+++ **Goldwin** has opened a new 676-square-foot brick-and-mortar store in Japan, in the city of Harajuku +++ **Sport 2000**'s third **Absolute Run** store has opened in the German city of Bremen +++

Results & Statistics

BasicNet has reported a net profit of €21.05 million for 2019 as compared to €21.01 in the previous year. It actually recorded an increase of 11 percent excluding a tax benefit received in 2018. As previously reported, the aggregated wholesale-equivalent sales generated by its brands, including **Kappa** and **Superga**, grew by 17.1 million to more than one billion euros. Consolidated sales went up by 45.3 percent to €305.7 million, thanks in part to the takeover of its French master licensee. Ebitda increased by 28.7 percent to €42.5 million and the operating profit after amortization and depreciation (Ebit) rose by 15.0 percent to €30.6 million.

+++ The Swedish e-bike market continued to grow in 2019, despite the end of a government subsidy scheme, which covered 25 percent of the purchase price, and established Sweden as one of Europe's top e-bike countries, according to reports in *Bike EU* +++

Legal & Institutional

Adidas has avoided a fine from the Spain's National Commission for Markets and Competition (CNMC) in exchange for voluntary changes to its franchising policy. The commission opened an inquiry after a franchisee in Spain accused the company of anti-competitive practices in November 2018. In essence, Adidas had different contracts in force simultaneously with different franchisees. The contracts contained various anti-competitive terms to restrict online sales, online advertising or cross-selling as well as, in some cases, post-contractual non-compete clauses. Adidas has now pledged tocancelthe non-compete clauses, clarify its rules on the URLs that distributors may use, and permit cross-selling between distributors in general and franchises in particular.

The **American Apparel & Footwear Association (AAFA)** has released an updated version of its *Restricted Substance List* (RSL), the open-industry document that provides apparel and footwear companies with information related to regulations and laws that restrict or ban chemicals and substances in finished home textile, apparel and footwear products around the world. The document is developed by a special working group of the AAFA's Environmental Task Force. The 21st edition of the RSL covers 12 categories and more than 250 chemicals. It can be downloaded at https://www.aafaglobal.org/AAFA/Solutions_Pages/Restricted_Substance_List.aspx

On Feb 25, at Madrid's Instituto de Comercio Exterior, the **Spanish Association of Sporting Goods Manufacturers and Distributors (Afydad)** pitched what it called the **International Pádel Cluster (CIP)** to a gathering of about 60 professionals with ties to the sport. The CIP's objective would be to federate the various companies involved – producers of equipment, apparel and footwear, providers of raw materials, retailers, distributors, importers and exporters, event organizers, court installers and so forth – and lobby internationally on their behalf. Not only would the CIP operate under the aegis of Afydad but its members would in turn receive full membership in Afydad itself. Taking part in the pitch were the department chief at ICEX (an agency of the Spanish government that promotes exports and investment abroad), **Fernando León**; Afydad's president, **Andrés de la Dehesa**; the director of **SportPanel**, **Jaume Ferrer**, who explained the CIP's objectives for the next few months; and the current director of the CIP, **Jorge Gómez de la Vega**, who is also the former chief executive of a pádel company, **Star Vie**. In May, the CIP will be holding a first general meeting to set bylaws, establish a hierarchy and duties, and lay down a first-year and mid-term plan. According to Afydad, a majority of those present for the pitch expressed enthusiasm.

Brooks Brothers has reacted to **Brooks Sports**' suit (see our previous issue) by launching a countersuit, claiming that the latter may use the "Brooks" name alone only for athletic footwear, whereas the clothing company can use the "Brooks" name alone for all other kinds of products, including sports apparel, sports bags and other sporting goods. The two companies have been at odds for many years. Noting that Brooks Sports has been unable recently to register the Brooks name alone for clothing, Brooks Brothers argues that they had agreed in a settlement of their disputes that Brooks Sports would sell apparel only under a different name or a symbol of a defined size. Meanwhile, **Berkshire Hathaway**, the parent company of Brooks Sports, mentioned in its 2019 annual report that the running footwear company had a global sales increase of only 3.5 percent last year on a comparable basis. It added that its operating results were negatively affected by problems encountered in connection with the opening of a new distribution center in the U.S. during the second quarter. As previously reported, Brooks Running grew by 18 percent in the EMEA region last year.

+++ **Decathlon**'s e-bike business unit leader, **Didier Morelle**, has joined the board of directors of the **World Federation of the Sporting Goods Industry (WFSGI)** +++

Product

Champion's more affordable **C9 Champion** line will be available for the first time globally through a dedicated store on the marketplace of **Amazon**, which has agreed to take the place of the American **Target** chain of mass market stores. The line sold on Amazon, which reached annual sales of about $380 million in Target stores, comprises more than 100 styles of clothing, footwear and accessories. The premium Champion line will continue to be available on the **Amazon Fashion** store.

Hoka One One, the fast-growing running footwear label of **Deckers Brands**, is launching its first apparel line for runners, walkers, fitness enthusiasts and outdoor adventurers. The 27-piece collection for men and women will be available only online at the brand's websites, including hokaoneone.com and hokaoneone.eu. More in *The Outdoor Industry Compass*.

Primark, the international fast-fashion retailer, has introduced a capsule collection co-branded with **Lotto**, whose brand features a typically sporty touch and an Italian design with strong color accents and special prints. **Lotto Sport Italia** has been leveraging its sports heritage in other collections with brands that have different roots, such as **Damir Doma**.

In conjunction with local retail partners, **Schöffel** started renting out ski clothing in Austria and Switzerland this winter. The German brand of functional outdoor and ski apparel says the offer is intended not only to appeal to skiers who seldom or only occasionally hit the slopes, but also to bolster its efforts in sustainability. In Austria, the rental clothing is available through an online platform, "**Intersport Rent**." Users can book all of their gear – clothing, skis and helmet – online and make any necessary adjustments when picking it up. They can also buy it after use if they are impressed. In Switzerland, rental clothing is available from various retailers, including the **Titlis Sport** rental station in Engelberg – which has established a partnership with **Electrolux** laundry machines to ensure professional, reliable cleaning – as well as **Quattro Sport** in Engelberg, **Graf Sport** in Grindelwald, **Paarsenn Sport** in Davos, Alpia Sport in Wengen and **Bayard Sport** in Zermatt. Schöffel points out that a rental program like this is only possible with robust clothing. The family-run company is building on its experience with around 270 ski schools, ski clubs and ski lift operators in Germany, Austria and Switzerland, some of which have been equipped by Schöffel for decades. That said, regular maintenance remains important. Schöffel guarantees not only the cleaning and re-waterproofing of individual items, but also their maintenance and repair by the **Schöffel Service Factory**, the in-house repair and tailoring department. Keeping the clothing in use for as long as possible is important to Schöffel's sustainability strategy. **Stefan Merkt**, Schöffel's head of sales, said that his company has received positive responses this winter and is planning to expand the new service soon.

Vibram has unveiled the **Vibram Arctic Grip All Terrain**, a new version of the **Vibram Arctic Grip**. The Vibram Arctic Grip technology was designed to enable enhanced grip on ice, especially wet ice. The new version combines this technology with a new compound, the **Vibram XS Trek Evo**, developed by the Vibram R&D department. The resulting combination is said to offer unaltered grip performance on wet ice while increasing the durability of the sole on non-icy winter terrains. The Vibram Arctic Grip All Terrain is therefore designed for a wide range of situations, from urban winter casual to winter trail running, winter hiking, and winter trekking.

+++ **Puma**'s collaborative collection with the **BMW M Motorsport** team, called the **RCT** ("ready to react") line, uses a thermoregulating technology that is said to remove moisture when the wearer is hot and retain warmth when the wearer is cold +++ **Puma** and **X-Bionic** have received the **Plus X** award for their collaborative collection, launched at the beginning of January +++

Marketing

Nike has released a spot on social media to pay tribute to the late **Kobe Bryant**. The spot is entitled "**Mamba Forever**," after Bryant's nickname "Black Mamba," and shows some of the most iconic moments and achievements in the basketballer's career. Bryant died in a helicopter crash with his 13-year-old daughter, **Gianna**, on Jan. 26. He was widely considered one of the best **NBA** players of all time.

New Balance is reinstituting **The Runaway**, the pub where customers can purchase their pints with running miles logged on **Strava**, the fitness tracking app. The company has changed the decor since the inaugural year of 2019 and introduced four new "challenges" through the app, hoping to draw runners of all levels. The upper floor consists of a full bar, with seating and a dartboard. On bthe ground floor customers can try on New Balance products and place online orders, or else step into the gym, which has two treadmills, changing rooms and lockers. The pub's bathrooms have blank walls on which customers may scribble encouraging graffiti. The pub is celebrating the 40th anniversary of the **Virgin Money London Marathon** and has decorated with imagery relating to the history of New Balance and its factory in Flimby, in the English county of Cumbria. It is encouraging London running events – such as the New Balance Run Club's own **Run the Boroughs** – to use the pub as a start or end point for organized runs. Finally, the pub will be taking part in the brand's "**We Got Now**" campaign to encourage personal independence and living in the moment. This is part of a larger campaign called "**Fearlessly Independent**," which tells the stories of New Balance athletes and ambassadors through photographs by **Ewen Spencer**.

New Balance has signed a long-term deal to become an official marketing partner of the **National Basketball Association (NBA)**. This will enable the American company to use NBA uniforms and team logos in its advertising, on its social media and in store displays. In 2018, New Balance signed both **Kawhi Leonard** of the **Los Angeles Clippers** and a high school prospect, **Darius Bazley**, to endorsement deals. Bazley now plays for the **Oklahoma City Thunder**.

Cervélo has signed up as the official bike partner for the **2020 Brighton and Hove Triathlon** in the U.K., which is set to take place on Sept. 12-13. This year marks the fifth edition of the race. During the weekend of the event, Cervélo will have a tent at the Event Village, to offer sampling and experiential activities and to answer questions on cycling from participants and spectators. The organizers are expecting around 1,600 people to take part, coming from across the U.K. as well as the rest of Europe, the U.S., Hong Kong and Australia. The event also incorporates a children's triathlon and a Scootathlon for 3-8 year olds.

Le Coq Sportif has secured an agreement to supply apparel for the French **Olympic** and **Paralympic** team for the **Paris 2024 Games**. The French brand was awarded the wide-ranging kit deal by the Paris 2024 organizers as a result of an apparel supplier tender that was issued back in September. French athletes will be wearing Le Coq Sportif for the first time since the 1972 Games in Munich. The company has won the rights to the Performance and Representation packages. The Performance rights package covers the supply of competition kits for the French sports federations and Paralympic federations competing at Paris 2024. The Representation package includes the apparel worn by the French teams at the opening, closing and medal ceremonies as well as in the Olympic Village. The Representation package also includes the supply of clothing to Paris 2024 staff, volunteers and referees, excluding footwear. Further, the deal between Le Coq Sportif and the Paris 2024 organizing committee, **French National Olympic and Sports Committee (CNOSF)** and **French Paralympic and Sports Committee (CPSF)** covers the **International Olympic Committee** and **International Paralympic Committee** events from 2021 to 2024.

Leatt has announced **David Cachón**, the two-time **MTB Trials World Champion**, as a new brand ambassador in Spain. Leatt is the South African brand specializing in the design and manufacture of protective neck braces, body armor and sports gear for motorsports, bicycle, snowmobile and other extreme sports. Cachón has retired from competitive riding and is now an adventurer, publisher, editor and storyteller. He also runs a local bike shop just outside Barcelona. In his new adventures, he will be using Leatt's latest protection and apparel.

Macron is the new kit sponsor of the referees of the **Royal Spanish Football Federation (RFEF)**, starting from the 2020/21season. The referees will wear Macron in all RFEF competitions, including the **Liga**, **Liga2**, **Segunda División B**, **Tercera División**, **Copa del Rey**, **Copa Federación**, **Super-Copa**, **Primera División Women**, **Segunda División Women**, **Copa de la Reina**, **División de Honor Juvenil**, **Copa de Campeones Juvenil** and **Copa del Rey Juvenil**, as well as all the regional competitions of Andalucía, Aragón, Principado de Asturias, Canarias, Cantabria, Castilla y León, Castilla-La Mancha, Cataluña, Ceuta, Comunidad Valenciana, Comunidad de Madrid, Extremadura, Galicia, La Rioja, Islas Baleares, Melilla, Región de Murcia, Navarra, and País Vasco.

Mammut is entering a long-term partnership with **Powdr**, an American ski resort operator. The partnership makes the Swiss sports brand the official uniform and clothing supplier for more than 8,000 mountain professionals working at 10 of the Powdr mountain resorts in the U.S. The partnership starts with the 2020/21 winter season, lasts until 2026 and also includes the **Powderbird** heli-skiing operation in Utah. As part of the agreement, Mammut and Powdr will also be working together on marketing initiatives and consumer events, while Powdr's ski patrol and mountain guides will be equipped with **Mammut Barryvox** transmitters, probes, shovels, ropes, avalanche airbag systems and other technical accessories. Powdr is one of the largest operators of ski resorts in North America, alongside the more well-known companies **Alterra Mountain**, **Aspen Skiing** and **Vail Resorts**. Unlike its competitors, Powdr claims to focus on being an adventure lifestyle company rather than a real estate development. Powdr expanded its business last December by acquiring **Silverstar** in British Columbia, its first Canadian ski resort and 11th resort overall.

Millet has launched a new video revolving around the **Rise Up** concept, an invitation for sports enthusiasts and people in general to pursue their objectives without giving up. The two-minute video, produced by **Almo Film**, was shot in the French Alps as well as Nice and Paris between January and July 2019. The video has been launched across Europe as part of Millet's digital marketing plan, with a focus on the countries where the brand is distributed. These include France itself, where the brand is based, as well as Italy, Switzerland, Austria, Germany, Spain, Belgium, Norway and Poland. Alongside the range of outdoor activities covered by the brand's products, the video shows a more urban dimension. Millet will celebrate its first centenary in 2021.

O'Neill has launched a new marketing campaign with the title "**First Name in the Water**." The campaign consists of cinematographic shots of different corners of the world, featuring O'Neill's top athletes. **Riley Blakeway**, a renowned filmmaker, and **Deke Angel**, O'Neill's art director, used classic imagery and video from the brand archive and projected the footage against world-famous landmarks throughout Santa Cruz County, the brand's birthplace. **Jack O'Neill**, who passed away in 2017 at the age of 95, opened the world's first surf shop in 1952 in a garage off the Great Highway in San Francisco. He created the first neoprene wetsuit and moved his shop to Santa Cruz in 1959, where he founded O'Neill.

Smartwool, the maker of woolen sports apparel and a division of **VF Outdoor**, launched its first online store in Germany this month. The store offers the entire range of Smartwool products, including base layers, shirts, underwear, and socks. The website also provides information about the brand, the materials used for its products and its corporate social responsibility.

Snow+Rock, the U.K. outdoor retailer, has announced a partnership with **GB Snowsport**, the national governing body for ski and snowboard disciplines in the U.K. Snow+Rock will be the official retail partner of GB Snowsport up to and during the **Beijing 2022 Winter Olympic Games**. GB Snowsport athletes will help activate the partnership through campaigns to inspire people to get involved in snowsports in the U.K. In addition, Snow+Rock and GB Snowsport will work on initiatives that protect the winters for athletes and the future generations.

+++ **Nike** has signed a five-year contract with the **Celtic** football club in Scotland, replacing **New Balance**, which was reportedly paying £5 million a year +++ **Joma** has extended its kit deal with **Cruz Azul**, the football team that plays in the top division of Mexican football, until 2024 +++ **Erreà Sport** has extended its sponsorship contract with **Benetton Rugby**, the Italian rugby union team based in Treviso, until 2023 +++ **Macron** has extended its contract with **Bologna FC 1909** until 2023, making it a partnership of 22 years, one of the longest technical sponsorships in the Italian and international football scene, the company said +++ **Puma** has signed up **Kareen Kapoor Khan**, the Bollywood actress, as a brand ambassador for the soon-to-be-launched **Studio Collection** of yoga apparel +++ **Babolat** has signed up **Lucas Pouille**, a 25-year-old French tennis player who is now 57th on the **ATP Tour** +++

Trade Shows & Other Events

Outdoor & Running Business Days, the Italian B2B fair for the outdoor and running industry, has announced an additional winter edition for 2021. More details will be unveiled in the coming months. Meanwhile, this year's edition of the trade show in Riva Del Garda, in the northern Italian province of Trento, is scheduled to take place on July 19-20. The event is organized by **Sport Press**. The location, the "PalaVela" of Riva Del Garda, is a multifunctional 2,000-square-meter facility along the lake front, which is usable for indoor as well as outdoor activities and events.

+++ The **2020 China Cycle Show** is still expected to take place on schedule on May 6-9, the **China International Bicycle Exhibition Organizing Committee** announced +++

CSR & Sustainability

According to *sportstextiles.com*, **Puma** has introduced a collection of sports apparel and footwear in conjunction with **First Mile**, a "people focused" company in the U.K. that collects waste from businesses and dispatches it to partners for recycling into yarn, the objective being to curtail the flow of waste into landfills. First Mile employs a network of about 4,000 people – notably in Haiti, Honduras and Taiwan – to handle the waste collection, mostly of plastic bottles. Its efforts produced about 300 tons of yarn in 2018. Puma's new co-branded collection consists of shoes, T-shirts, shorts, bottoms and jackets, 83 to 100 percent of whose raw material consists of this yarn. According to Puma's head of corporate sustainability, **Stefan Seidel**, the partnership has "diverted over 40 tons of plastic waste from landfills and oceans, just for the products made for 2020. This roughly translates into 1,980,286 plastic bottles."

Puma has teamed up with the BA fashion course at **Central Saint Martins (CSM)**, the London-based design school, to study sustainable technologies in textile manufacturing. The result is a "**Day Zero**" collection that consists of new takes on the **RS-X3**, **Future Rider** and **Ralph Sampson Low** shoes. Designed by CSM's students, the footwear is inspired by the threat of water shortages in today's world. "Day Zero" refers specifically to the water crisis that has affected Cape Town, South Africa, since 2015. The term is the name the city's authorities gave in 2017 to the future day when the water level of the major dams supplying Cape Town would fall below 13.5 percent, and force them to switch off municipal water supplies. Serious challenges in sustainable water supply persist, but the city has managed to avoid the disaster so far.

Snugpak, the British maker of sleeping bags and insulated clothing, has announced a change in its working hours as part of its efforts to reduce the company's carbon footprint. From April 3 until autumn, the company will be switching to a four-day week, Monday to Thursday. The manufacturing company has concluded that the traditional short day on Fridays leads to a drop in productivity while leaving unchanged the costs and environmental impact of commuting, heating and lighting. The move has also been adopted in the larger framework of initiatives in the U.K. and other countries to increase productivity while ensuring a better work-life balance.

Bergans of Norway and **WWF Norway** delivered a letter to the Norwegian Ministry of Climate and Environment in mid-January asking the Minister to help get the seasons – the actual seasons of the year – onto the **UNESCO World Heritage List**. The initiative originated with Bergans, which has entered into a long-term partnership with the WWF since the idea was conceived. **Jan Tore Jensen**, chief executive of Bergans, emphasizes that although the seasons are of fundamental importance to them as equipment manufacturers and tour operators, the motivation here goes beyond product sales: it is to preserve the seasons for future generations. Although the petition is based on Norwegian conditions, both Bergans and WWF Norway hope for international involvement. To sign the petition, visit www.savetheseasons.com.

Etnies is expanding its "**Buy a Shoe, Plant a Tree**" project, which calls for the donation of one tree to **Trees for the Future** for every purchase of a pair of shoes from this year's collection. The program has already enabled the skate shoe brand to reach its goal of planting two million trees by 2020.

Teva, a division of **Deckers Brands**, is launching "**Strap In To Freedom**," a new brand campaign to celebrate its **Original** sandal collection and highlight its commitment to sustainability. All the straps across the brand's 2020 collection are made of **Repreve** yarn, a performance fiber that itself is made of recycled plastic. In 2020 alone, by the company's estimate, this will keep more than 9 million plastic bottles out of landfills.

Toray is launching a PET-recycled iteration of its **Primeflex** series of flexible stretch fabric. The new version, which will be available in spring/summer 2021, is to meet the increasing demand by sportswear consumers for sustainability without compromising stretch. The Primeflex PET-recycled type incorporates recycled PET that would normally be discarded as waste. The fabric itself is a composite of PTT (polytrimethylene terephithalate), derived partially from plant-based materials, and recycled PET waste. Toray is developing a range of woven and knitted textiles featuring the PET-recycled Primeflex and aimed at the sportswear and casual apparel markets. The company is aiming for initial annual sales of 500,000 square meters of this fabric, envisioning three million square meters by fiscal 2022.

+++ The **Better Cotton Initiative (BCI)** welcomed more than 400 new members in 2019, including brands, retailers, suppliers, manufacturers and civil society organizations, bringing the total membership to 1,842 as of Dec. 31, 2019 +++**YKK**, the specialist in zippers and other fastening products, has become a signatory to the **Fashion Industry Charter for Climate Action**, the industry initiative that was launched under the auspices of United Nations Climate Change at the COP24 in December 2018 +++ The **United States Golf Association (USGA)** has announced that it will fund 73 research grants, totaling nearly $2 million in 2020, in the area of golf course sustainability +++ **Tokyo 2020** has obtained **ISO 20121** certification, an international standard for sustainable event management, created by the Geneva-based **International Organization for Standardization (ISO)** +++

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