SPORTING GOODS® INTELLIGENCE

News and analysis of the international market

E-mail our editors at editor@sginews.com · www.sginews.com · E-mail our staff at custserv@sginews.com

FOOT LOCKER COMES OUT SWINGING AS IT SHAKES OFF ROUGH PATCH

Although net income fell 35% to $102 million from $157 million and sales were down 1% to $1,870 million from $1,886 million for the third quarter ended Oct. 28, Big Foot easily exceeded guidance and laid out some clear plans for how it expects to compete in a dynamic marketplace. The reports evidently pleased Wall Street as the stock surged over 20% on heavy trading, its biggest trading day ever. It didn't hurt that Big Foot bought a bodacious $304 million of its own stock during the quarter, far more than expected, because it saw great value. The lift also gave a pop to Nike and Under Armour shares.

To be sure, the results from Q3 and the guidance laid out for Q4, though improved over expectations, still show that Big Foot is facing a promotional environment and has not completely put the pain of H1 behind it yet. Comp store sales were down 3.7% and gross margin took a 290 b.p. hit, about 190 b.p. of that attributed to lower merchandise margins as it looks to clear slow-moving inventory so it can position itself for 2018.

Sneaker comps were down mid-single digits, with its key basketball category showing a similar decline. Big Foot did indicate, however, that it is seeing some improvement in hoops as lower prices and smaller quantities into the market are getting traction again for Jordan and some Nike hero shoes. Casual footwear was also down double digits with strong Vans sales unable to offset weakness in Converse and a slow start to Timberland. Only a high-single-digit increase in running from key Nike and Adidas styles saved the category.

November 17, 2017
Vol. 34, No. 45

John Horan, Publisher
Jon Bogert, Editor
Tel: (610) 459-4040 Fax: (610) 459-4010
Eugenio DiMaria, Publisher, European Edition
Tel: (33) 1-4983-8242 Fax: (33) 1-4983-8224
ISSN 1060-2550

But the message was clearly that there is light at the end of the tunnel now as Big Foot makes some key moves to set itself up going forward as a more integrated omni-channel business. The most significant is a $13 million restructuring charge that eliminated a number of staff positions in order to put the store banner heads in charge of both brick-and-mortar and digital rather than have them just handle brick-and-mortar with digital under the control of the DTC division. It also announced plans to reconfigure its big DC in KS to handle DTC traffic to ease the bottleneck in WI. Big Foot also will pilot mini DCs in NJ and PA to handle the East Coast in moves that could help reduce back room space in stores and fulfill DTC sales faster, even perhaps on the same day in time. Too, it has now put its global operation on a single POS, digital and mobile platform, which will make updates to the system much less painful and improve data analytics.

In an age when the threat of DTC activity from brands is snowballing, it has also set up a special that will leverage its global presence. Naturally this starts with Nike, where Big Foot is starting a Sneakeasy pop-up store that will highlight exclusive swoosh product and also in-store programs that will see Eager Beavertons bring back some exclusive basketball product by city for the House of Hoops shops. Big Foot indicates it is looking to expand this idea with others.

A bright spot in Q3 was the apparel business, which turned in a mid-single-digit gain on better depth of branded fleece and T-shirts with men's, women's and kids' all positive. All genders were down in sneakers, with women's off double digits on tough compares with the Stan Smith and Superstar, men's down low-single digits and kids off mid-single digits. Cadence for the quarter was steady in the down 3-4% range all three months. Canada and Footaction were both up low-single digits, but U.S. Foot was off low-single digits and Kids Foot was off mid-single digits. Asia/Pacific, Europe, Sideout and Runners Point were also negative for the period, in part because of tough comps on Adidas classics. Another negative was a roughly $7 million hit from the hurricanes that affected 450 stores in total. While TX and FL bounded back, the 46 Puerto Rico stores were closed for a month or more. The hurricanes accounted for 20-40 b.p. of the comp decline. DTC sales were up 6.1% with the store banners up 5.1% and Eastbay up high-single digits.

Big Foot slightly raised expectations for Q4, narrowing its comp decline guidance to 2-4% from 3-4% and noting that the flow of in demand product has been steadily improving. Gross margin should be down 220-240 b.p. as higher than expected markdowns will continue and some 60-80 b.p. of SG&A deleverage will produce a 15-25% decline in EPS for the period, not counting a $0.12 gain from the 53rd week. Looking further out, Big Foot said it would maintain CapEx spending at current levels but shift more resources to digital and the supply chain. In addition to opening up more flagship stores in international cities like Paris, Rome, Oslo and Los Angeles, Big Foot also said it would continue to upgrade a tier of stores just under that. In lesser malls, it implied, the investment would be minimized but it added that the stores remain profitable with rents falling and there was no reason to close them.

DICK'S BEATS EXPECTATIONS BUT SEES MORE PAIN IN 2018

Dick's was able to hold serve comfortably as far as its earnings guidance in reporting net income of $36,913,000, down 25% from the results comping against the Sports Atrocity exit of $48,914,000. Sales grew 7% to $1,944,187,000 compared to $1,810,347,000 for the 13 weeks ended Oct. 28. Overall comps fell 0.9% with digital sales up 16% to an indicated $200.3 million against $173.8 million. However, it sees the promotional environment lasting through Q4 and into 2018, especially in H1, and told investors it would take the long view and increase spending on digital, store experience, private label and team sports that, coupled with flat comps for next year, could decrease earnings by up to 20% in FY18. Investors, who have heard this refrain before, knocked another 7% off the stock, which peaked at $59 a bit more than a year ago but fell to $24. Later in the week, investors reconsidered and recovered most of that drop as they viewed Dick's as the ultimate winner in the sector.

Despite investor frustration, DKS projected an air of confidence about its strategy and its long-term opportunities as it looks to grow share in a volatile market. Needless to say, it will continue to invest in digital but also vows to take up its game with the in-store experience by adding more personnel to the sales floor to speed checkout and adding technology that will both educate consumers and give store associates access to inventory lookup. It also leaves no doubt that it will continue to grow its $1 billion private label business to $2 billion in a "relatively short time." The mix in that expansion will be roughly in line with its current balance of hard and soft lines with Calia, Field & Stream and Walter Hagen the headliners. Two new brands are going to be launched and a bigger effort for the Second Skin compression line is planned for next Back-to-School. This push would not exclude continued investments in key brands like Nike and Adidas, but Under Armour was not discussed except for a pointed reference to brands that have increased distribution as being part of the cause of the current environment. Another factor playing into its long-term outlook is that competition is flagging, referencing the fact that Gander will reappear as a much smaller chain and Academy's recent operating performance.

The promotional environment has been caused by a continued glut of inventory in the market place, even as DKS maintains that its own stocks, up 4% against a 7% sales increase, are in good shape. A lack of innovation and expanded distribution are also mentioned as causes. Stricter enforcement of MAP policies is nice but won't really solve the problem, it indicates. Better innovation is the key, and going forward, it sees some vendors that have responded and some that haven't, vowing to make changes in its commitments based on its assessments of innovation. Longer term, Dick's absolutely sees a return to full-price selling rather than a new normal of everyday low pricing, but it concedes that the better values being offered in the current environment have been a key stimulus for consumers.

Part of the shift in priorities will be a slowing of store openings to 15-20 next year compared to 59 this year, but DKS explains that this is related to an expectation that rents will come down in the long-term in most locations. Too, the fast pace of 2016 reflects the conversion of a number of Sports Atrocity and Golfsmith stores that opened this year. It emphasizes that its stores remain profitable, noting that 25% of its 852 stores come up for renewal in the next three years and only two of them might be closed but were nonetheless profitable. It is mostly using the commercial real estate market right now as an opportunity to pit one landlord against another to get concessions rather than actually closing stores. This will help shave the CapEx budget next year to $250-300 million from $400 million this year.

To underscore its increased commitment to customers, DKS said it would incur a one-time charge in Q4 of about $7.4 million to improve its customer loyalty program by extending the expiration of unused reward points. Coupled with a forecast for comps to be down low-single digits against a 5.0% comp last year, DKS sees EPS of $1.05-1.17 ($116.6 mm) which includes $0.05 per share for the 53rd week. One headwind will be comping against the Cubs win in 2016. For the FY, it will mean EPS of $2.95-3.07 ($316.1 mm) which includes the store conversions of former competitors, a restructuring charge and contract termination charge and an $8.1 million benefit of a sales tax refund which net out to negative $3.2 million. The guidance for next year implies about a 100 b.p. decline in operating margin, about half of that reflected in gross margin deleverage and the balance in the SG&A investments DKS will make.

Dick's Sporting Goods Income Statement
Q3 ended Oct. 28

	2017	2016	Change
Net Sales	1,944,187	1,810,347	7%
Cost of Goods	1,410,067	1,257,504	12%
Gross Profit	534,120	552,843	-3%
Gross Margin	27.5%	30.5%	-10%
SG&A	475,120	459,782	3%
Pre-opening	8,220	19,304	-57%
Operating Income	50,001	73,757	-32%
Interest	2,839	1,265	124%
Other	-10,768	-3,778	
Pre-Tax Income	57,930	76,270	-24%
Taxes	21,017	27,356	-23%
Net Income	36,913	48,914	-25%

As for Q3, DKS saw a continuation of its recent strength in golf and private label, which were both up double digits in Q3. Athletic footwear was also solid with a low-single-digit comp gain. That was offset by a double-digit decline in hunting as well as softness in the electronics category. All of these trends are seen continuing into Q4, although DKS said its hunting business is starting to show sequential improvement as it comps against post-election numbers. Merchandise margins were down over 200 b.p. on the increased promotions to match prices and overall gross margin was off 307 b.p. as occupancy deleverage and higher shipping costs from the growing e-commerce business further eroded margins. However, cost cutting, including anniversarying the conversion of its e-commerce platform to in-house, boosted SG&A leverage 92 b.p. to 24.48%.

HIBBETT UPS GUIDANCE AFTER CLEARANCE QUARTER

Heavy promotions to clear inventory salvaged what was expected to be an awful third quarter, but the bottom line suffered a 48% drop to $7,564,000 from $14,604,000 as gross margin tumbled 340 basis points to 32.0% from the markdowns. Sales were flat at $237,834,000 vs. $237,006,000 with comps down 1.3%. Inventory ended the quarter down 9% to $265.4 million and Q4 will see additional reductions, HIBB said. Hibbett raised full-year earnings guidance to $1.42 to $1.50 per share ($30 million) from the $1.25 to $1.35 lowered guidance after Q2, but still far below its original expectations of $2.35 to $2.55. It now expects comp store sales for the year in the negative mid-single-digit range.

<u>Footwear was up mid-single digits driven by strong new product launches and better allocations from Nike, Adidas and Jordan, with men's up high-single digits and kids' up mid-single digits, but women's declining</u>. Puma, New Balance, Brooks and Vans also contributed to footwear gains. Apparel was down low-single digits, an improvement on recent trends, with men's up mid-single digits but women's and kids' down low-double digits. Transitional weight products, athletic and denim bottoms, jackets and fleece sold well, but base layers were weak. Backpack sales were up during Back-to-School, but socks and hydration fell. Licensed was down double digits with broad-based declines except for MLB, which benefitted from the Astros playoff run. Team sports declined mid-single digits, with baseball and softball up and football and soccer down. Fitness continues trend down.

<u>The newly launched e-commerce program exceeded expectations, with online accounting for 5% of total sales in the quarter driven by good response to marketing and strong conversion once shoppers are on the site</u>. A mobile shopping app is in the works. Rewards members made 57% of purchases vs. 46% last year and membership expanded by 25% in Q3, hitting 8 million, which was attributed to the tight integration of the web site and marketing messaging. HIBB noted that the online shoppers were more deal focused, snapping up the clearance product, which combined with fulfillment cost was a drag on margins. Investment in e-commerce pushed SG&A up $2.1 million, or 80 basis points. HIBB opened 13 stores, expanded one and closed 11, ending the quarter with 1,082 stores.

SHOE CARNIVAL RAISES GUIDANCE AFTER BACK-TO-SCHOOL SUCCESS

Despite a traffic impact from the three hurricanes, SCVL comps increased 4.4%, driving net income 11% higher to $10,697,000 from $9,672,000 in the third quarter ended Oct. 28 on a 5% top line gain to $287,469,000 from $274,524,000. Gross margin slipped 10 basis points to 29.8% with an 80 b.p. decline in merchandise margin from discounting partially offset by 70 b.p. of buying, distribution and occupancy expense leverage. SG&A was up $1.2 million, but improved 70 b.p. to 23.6% of sales. Inventory was down 4.3% on a per-store basis in line with plan. Hurricane damage in Texas, Florida and Puerto Rico drove store traffic down low-single digits, but that was more than offset by a mid-single-digit gain in units per transaction and a low-single-digit gain in conversion. Comps were up 7.0% in Aug., but decelerated as BTS petered out, with Sep. up 2.9% and Oct. flat.

<u>Adult athletic was up mid-single digits in the quarter, and athletic was also a key factor for children's high-single-digit increase driven by strong sell-through for Back-to-School</u>. SCVL sees no end to the solid sneaker sales, at least in the family shoe channel. In other categories, women's non-athletic was down low-single digits, with positive results from sport and athletic sandals, but boots are planned to start later in the year. Men's non-athletic was up mid-single digits with broad-based strength across categories.

SCVL opened seven stores and closed one in Q3, ending with 424, with no openings and 16 stores closing in Q4. An additional 30-35 stores are planned for closing in 2018 if they continue to underperform, with low-single-digit new stores opening. SCVL is in the final stage of implementing its holistic CRM strategy which will roll out in 2018 and ultimately be integrated into its Shoe Perks rewards program. A new website launched in Sep., and 2018 will also see the addition of vendor drop-ship to consumers.

Shoe Carnival plans to keep riding the athletic and athleisure trend through Q4, re-allocating inventory dollars accordingly, and hopes to remain less promotional than last year to keep merchandise margins up. The store closings will be a headwind to margins, however. SCVL raised full-year guidance again after the strong quarter, and now expects sales of $1.020 to $1.025 billion, up from $1.06 to $1.19 billion guided previously, with comparable store sales flat to up low-single digits. Earnings are now expected to come in at $1.42 to $1.49 per share ($23.3 million) up from $1.35 to $1.45 earlier.

SPORTSMAN'S WAREHOUSE SALES STILL SOFT ON WEAK FIREARMS

Net income declined 7% to $9,808,000 from $10,514,000 last when the election drove strong firearms demand as sales inched up to $218,115,000 from $217,161,000 for the 13 weeks ended Oct. 28. Overall comps were down 7.0% despite being positive in four of its six categories but a 12.4% decline in firearms comps and a 19.4% decline in ammo comps more than offset the gains as firearms historically represents about 50% of total sales. Footwear comped up 1.0% while fishing was up 4.3% and camping was up 0.2%. Apparel was down 1.1% stacking against a 5.2% comp last year.

While the glut of ammunition is expected to last through Q4 and into 2018, SPWH said that vendors are starting to listen about rolling back some of the recent price increase and it sees some positive signs in the gun market as non-MSR sales of guns actually comped up 6.6% this quarter. Q3 will be the last of the biggest spike in MSR sales it is facing because of the election and while it does see ongoing softness in pistols aimed at the personal proection market, it is more positive about the outlook for hunting use firearms due to increased participation of women and children. It also believes it is gaining share as it saw NICS checks in the states where it operates down 15.2%.

Shorter term, SPWH expects a continued promotional environment in Q4 as the industry clears ammo stocks and steps up promotions during the consolidation. It reduced sales guidance for Q4 from $253-258 million to a new range of $240-245 million that will see a 6-7% comp store decline and produce net income of $11.0-12.4 million, including a $400,000 boost from the 53rd week this year and adjusted for $1.0 million in professional fees to evaluate the Gander Mountain potential. The forecast takes into account somewhat less impact from competitive store openings and an improvement in sales of stores located in oil and gas dependent markets.

E-commerce sales rose 22% to $2.7 million as SPWH continues to expand the offerings online, including 7,500 guns. However, it notes that these sales must still be picked up in store because of background checks and so are counted as retail sales. It plans to continue increasing offerings in all product categories online while building its loyalty program that now has 1.5 million members and accounts for 45% of sales. Meanwhile, it will slow store openings next year from 12 this year to five as it focuses on debt repayment while the industry shakes out. It has not seen any changes yet in the Bass Pro-Cabela's merger, saying they continue to operate as separate companies.

Gross margin in Q3 expanded by 110 b.p. to 35.3% with both better product margins and a more favorable mix contributing. SG&A deleveraged 160 b.p., however, with higher state-mandated minimum wages and fixed cost deleverage the main factors. That said, it remains pleased with its inventory management, which is down 8.7% on a per store basis and it paid down $24 million in debt from better cash flow generation.

REMINGTON SWINGS TO LOSS AS REVENUES TUMBLE

Net loss was $16.0 million in the third quarter ended Oct. 1 against income of $9.5 million last year, as sales plunged 30% to $154.1 million from $221.7 million with weakness across all segments. The soft MSR market since the 2016 election hit ROC especially hard along with overall reduced consumer demand and elevated inventories throughout the distribution chain. The company has cut production schedules to reduce inventory levels, and negotiated an amendment to its ABL revolver to temporarily increase total borrowing availability to $259.0 million from $225.0 million through April 2, 2018 to give it some headroom. The $15 million quarterly interest payment on $948 million in debt continues to be a burden, and its $551 million term loan comes due in Apr. 2019.

Firearms segment sales declined 42% to $64.1 million, with rifle sales, including MSRs, off $32.4 million and other guns down $13.7 million. Segment gross margin was just 8.4% compared to 22.2% last year due to deleverage of manufacturing costs combined with price reductions. Ammunition sales were down 13% to $80.8 million, with a gross margin of 25.4% down from 36.3% from sales mix and price discounting, while Consumer segment sales of parts and accessories were halved to $9.2 million with a gross margin of 36.2% against 42.6%. Operating expenses were down 33% in the quarter, mostly from SG&A cuts in salaries, travel and distribution expenses.

The recent results led to a sharp plunge in the company's bond prices. The $551 million term loan slumped to 66 cents from 72 cents on the news while the $250 million 7.875% senior secured third lien notes due in 2020 fell to 42 cents from 50 cents. The real trading levels, according to *Debtwire,* are much lower than that with bids coming in at 20 cents on the notes. It projects that Remington will burn about $50 million in cash this year out of its $116 million in cash and remaining $63 million of availability on its revolver. *Debtwire* also notes that institutional investors are unlikely to restructure its balance sheet by swapping debt for equity, given the prevailing charged political climate. Remington owner Cerberus tried to divest the company after Sandy Hook under pressure from its investors who had concerns about owning Remington in their portfolio, but was unable to get a satisfactory bid at auction.

YUE YUEN PROFIT RISES 5% IN NINE MONTHS

Net income after minority interests was $395,857,000 compared to $378,771,000 for the nine months ended Sep. 30 as sales improved 7% to $6,718,014,000 from $6,293,301,000. The results included nonrecurring gains totaling $20.9 million, which would have grown earnings 4% to $375.0 million on an adjusted basis. Sneaker sales were up 3% to $3,101.9 million from $3,011.3 million while outdoor sales fell 4% to $885.2 million from $917.3 million and sport sandals were down 14% to $57.7 million from $66.8 million. In its other lines of business, the Pou Sheng retail business sales were up 19% in US$ to $2,201.5 million from $1,843.6 million while components revenue gained 4% to $471.7 million from $454.3 million. Yue Yuen noted that gross profit on sneaker making improved 9% to 20.7% as a result of greater efficiencies and labor savings while Pou Sheng also expanded its gross margin by 6.3%.

In local currency, Pou Sheng sales rose 14% to RMB13,883,316,000 from RMB12,164,815,000 but net declined 35% to RMB336,953,000 ($50.8 mm) from RMB522,162,000. The shortfall in the bottom line was attributed to increased promotions that were used to reduce inventories. Also, staff costs, amortization and depreciation increased.

Meanwhile, Oct. was another strong month for Yue Yuen, with sales gaining 9.6% to $781,994,000 last month up from $713,423,000, and Pou Sheng retail sales surged 18.8% to $267,901,000 from $225,599,000. Year-to-date, Yue Yuen is up 7.0% to $7,500,008,000 and Pou Sheng is up 14.0% to $2,358,538,000. At Feng Tay, Oct. production was up 15.1% from last year to 9.0 million pairs.

NETSHOES LOSS EXPANDS IN Q3

Net loss at the Brazilian e-tailer increased to BRL47.8 million ($15.1mm) from a loss of BRL30.3 million in the third quarter as net sales increased 7% to BRL414.2 million (140.6 mm) from BRL444.6 million boosted by marketplace sales and a fast-growing private label business. Gross margin contracted 100 basis points to 32.2% due to discounting of cold weather merchandise to clear slow selling inventory after a warm southern hemisphere winter. An extra BRL24 million of operating expenses included BRL14.7 million in bad debt allowance for NETS' small B2B business, which is being restructured, as well as additional marketing spending.

The home Brazil market saw sales up 7% to BRL397.0 million with the Zattini's fashion and beauty category up 52% in gross sales but sporting goods up just 16%. Private label penetration was up

270 b.p. to 11% of sales. Sales outside Brazil gained 9% in reals to BRL47.7 million but were up 22% constant currency. Netshoes marketplace of third party sellers continues to grow, adding 155 in Q3 and 452 year-to-date, resulting in marketplace sales up 419% from last year to about 9% of revenues with an ultimate target of 30%.

NETS touted improving metrics with a 21.2% increase in registered members and 18.5% more active customers. The company has partnered with Correios, Brazil's national postal service, to offer 7,000 order pick-up points in the country. 46.7% of orders are now placed from a mobile device, up from 33.5% last year. Orders were up 19.8% to 2.9 million but average basket was off 0.8% to BRL205.6 on a mix that included more discounted and lower-priced items driven by the high unemployment rate in Brazil.

COLUMBIA AGREES TO SETTLEMENT OF OUTLET PRICING SUIT

A class action suit in Northern CA district court has been partially settled with Columbia agreeing to modify its signage on pricing to use agreed terminology for its reference price and to post signs in its stores that say, "The higher price on our price tags refers to either the price the same Columbia product was offered at by Columbia in its own stores, its own online properties, or at third party retailers, or the price at which a similar but not identical product was offered in any of those channels." The court approved the settlement, enjoining Columbia from its former practices. The settlement does not prevent plaintiffs from seeking monetary damages in addition, but some of the court's ruling suggested that the plaintiff's case was no slam dunk. The settlement did approve a hearing on plaintiff's legal fees which would presumably be paid by Columbia.

There have been a number of class action suits challenging the pricing practices of brands in their own stores. Perhaps the most vigorously defended one involves Nike. The Eager Beavertons have twice managed to have the suit dismissed by the court but the court allowed the plaintiff's attorneys to refile the claim with more specifics. The court also denied plaintiff's request for an injunction in the case because it reasoned that the plaintiff, Monika Taylor, is now aware of Nike's alleged deceptive practices and therefore was not at risk for future injury. The E.B.s have been fighting the case tooth and nail while plaintiffs are urging the judge to approve discovery so they can prove their theory that Nike's reference prices do not meet the standard required by the state.

LAX WORLD SHUTS DOWN RETAIL STORES

The struggling retailer has closed all 16 of its stores, although it continues to process orders on its website. The chain has a number of judgments against it from landlords and from Champion Products for non-payment and a just-filed suit from Maverick that claims LAX World owes it for $466,257.18 in unpaid invoices plus $34,361.81 in interest. There has been no bankruptcy filing. The company has also vacated its DC and headquarters in Cockeysville, MD, with an eviction notice on the door that said the chain owes more than $11,200 in unpaid taxes, according to the *Baltimore Sun* which first reported the story.

The chain was founded in 1988 by Jim Darcangelo and sold four years ago to Bobby Martino, a LAX World executive, and two former Jos. A. Bank executives, Frank Barbarino and Michael Stewart. They had big plans to open 40-50 stores nationally as well as develop an online and a wholesale business. Tougher competition in the team market appears to have short circuited these plans. These are the kinds of customers that Dick's covets and one imagines it is circling above to get the customer list if it becomes available.

PHIT BILL EXPECTED TO MOVE AFTER TAX BILL

With 100 co-sponsors in the House and 12 co-sponsors in the Senate, the campaign to expand the definition of deductible expenses from Health Savings Accounts to include certain fitness related activities and equipment is gathering momentum that has proponents hopeful it will pass before the end of the year. However, it is ineligible for consideration under the tax bills moving through Congress. Under budget reconciliation rules, which are being used to prevent a Democratic filibuster, Congress could change the amounts that could be salted away in HSAs but it cannot change the definition of what's deductible.

Some 60 proponents of PHIT, including SFIA, NSGA and key brands like Nike, Adidas, Under Armour and New Balance, have sent a letter to majority and minority leaders of the House Ways & Means Committee and the Senate Finance Committee urging passage as part of a separate bill that would reform HSAs. PHIT has attracted broad, bipartisan support with 61 Democrats and 51 Republicans sponsoring it and Congressional leaders have indicated that they hope to get this measure passed after the tax bill but before the end of the year.

RETAIL

ATHLETA is showing strong top and bottom line momentum, Gap said on its earnings call. Some 50% of the assortment is on a 6-11 week fast fashion cycle and its marketing investments have enabled it to grow awareness and customer lists. The chain is now at 140 doors, up from 133 at the beginning of Q3. It sees the footprint growing to 150 doors by the end of the FY. Gap doesn't disclose specific operating figures. Meanwhile, it also said it got a solid lift from Back-to-School as its test with the girls division in Athleta has been expanded to all stores. It said it was able to do this expansion with minimal additional investment, making the sales "highly accretive."

SIERRA TRADING POST saw little discussion of the chain in the overall context of TJX, but the schedules did show that its store base grew from 16 units to 26 with floor space at 600,000 sq. ft. compared to 400,000 sq. ft. Overall, TJX turned in a strong Q3 with net income rising 17% to $641,436,000 from $549,786,000 on a 6% sales improvement to $8,762,220,000 from $8,291,688,000.

SPORTING GOODS/HOBBY/BOOK AND MUSIC STORES adjusted sales were down 2.4% to $7,112 million in Oct. from $7,291 million, according to Commerce Dept. data. Unadjusted sales were down 4.5% for the first 10 months of 2017 to $66,001 million. Also, adjusted sales at clothing and footwear stores gained 1.8% to $21,886 million from $21,497 million in Oct.

ON THE MOVE: **Arc'teryx** reopened its newly renovated 5,000-sq.-ft. flagship store in Montreal, Canada.++++ **Dick's SG** hired Paul Gaffney as CTO. He joins DKS from The Home Depot, where he was SVP of IT.++++**Pendleton** opened two new stores, at River Park Square in Spokane, WA, and at Boise Towne Square in Boise, ID.++++**Sportsman's Warehouse** is opening a new store in Anderson, SC, in a former Kmart, it's 90th nationwide.

COMPANIES

BADGER SPORTSWEAR acquired Garb Athletics, a maker of premium custom tailored uniforms, shortly after it acquired Alleson Athletic. Garb is said to have proprietary technology that allows customers to design custom uniforms with unlimited decoration options. They are produced in its 275-person Philippines factory and delivered in less than four weeks. Terms of the transaction were not disclosed. Badger is controlled by CCMP, a private equity firm.

BRAND JORDAN adds the University of Oklahoma as its third college sponsorship along with Michigan and North Carolina. The partnership will include the football team and the men's and women's basketball teams, with uniforms featuring the Jumpman coming for the 2018-19 season. Fan merchandise will be available starting next summer. Oklahoma's current deal with Nike pays the school $3.3 million a year in cash and product. Brand Jordan also signs on as uniform supplier to the French Basketball Federation, replacing Adidas, in a multi-year deal rumored to be worth as much as €2 million ($2.2 mm) a year, *L'Equipe* reported.

MERRELL named Strick Walker as its new chief marketing officer overseeing global brand strategy and marketing efforts. He comes from Spindrift Beverage Company most recently, where he was CMO, with stints at Patagonia and Converse before that. Also, Merrell tapped Keen, Sorel and Adidas veteran Johanna Koeberle as its new senior product director for active lifestyle.

SKECHERS hired John Vandemore as its new CFO, replacing COO David Weinberg who has been in the role on an interim basis. Vandemore previously had stints with Disney and Mattel.

STOCKS & EARNINGS

ACUSHNET shareholder Mirae Funds is offering its entire holding of 9,165,542 shares of GOLF for sale, amounting to 12.3% of the company at $17.00 per share, according to an S-1 filed by Acushnet. GOLF priced the offering about 10% below where the shares had been trading prior to the announcement, for total proceeds of about $141.6 million. The offering is expected to close on Nov. 16. Fila Korea, which owns 52.8% of GOLF shares, will continue to have majority control, and none of the proceeds from the sale will benefit Acushnet.

FILA consolidated net income was KRW20,683 million ($18.3 mm) against a loss of KRW69,537 million in the third quarter as revenues were KRW569,274 million ($502.7mm) this year including Achusnet from KRW175,537 million in 2016 in the last quarter before the GOLF IPO. Fila's U.S. business' bottom line dipped 43% to $1,425,000 from $2,511,000 on an 11% sales decline to $67,178,000 from $75,237,000, but gross margin ticked up 120 basis points to 30.3%. The home Korean market saw the net loss narrow to KRW1,542 million from a loss of KRW18,679 million on sales of KRW79,039 million up from KRW72,401 million in the quarter. Royalty income inched up 1% to KRW9,291 million with gains in Asia and EMEA, but North America off 40%.

NIKE sees the AFL-CIO, which owns some $21 million in Nike stock, asking it to disclose a formal set of tax principles in the wake of the Paradise Papers disclosures about the completely legal tax structures of multi-nationals that allowed them to pay minimal tax on overseas profits, including Nike. Their proposal suggests Nike consider the impact of tax strategies on local economies; pay tax where they're creating value; assess the "reputational consequences" of its tax practices; and annually review tax policies and their alignment with Nike's values, according to *The Street.com.*

THULE net income from continuing operations was up 17% to SEK185 million ($22.2 mm) from SEK156 million for the three month period ended Sep. 30 on a 7% sales improvement to SEK1,385 million ($165.9 mm) from SEK 1,295 million. Thule indicated that sales in its sport carrier product category remained stable in the U.S. and Europe, while it is seeing growth in its kids' stroller business in both regions.

VISTA OUTDOOR will see ratings agency Moody's review its $350 million of unsecured notes for downgrade from the current Ba3 rating. Moody's said it was concerned with VSTO's ability to improve its operating performance and credit metrics following the weak quarterly report and outlook it gave on Q2. The review will focus on VSTO's ability to improve performance amid the weakness in the gun market and how it can reduce its leverage.

TRADE & SOURCING

FIREARMS EXPORTS were higher in August, with handgun exports increasing 69% to 27,126 units, rifles up 53% to 37,788 units and shotguns jumped 54% to 9,868 units in Aug., according to ITC data compiled by the NSSF. Ammunition exports were also strong with shot shells doubling to 4.2 million and other cartridges up 12% to 75.0 million. But imports continued their recent string of monthly declines: handguns were down 40% to 182,750 units, rifles also dipped 40% to 39,099 units and shotguns fell 31% to 55,960 units. Ammo imports were down as well, with shot shells off 44% to 22.2 million and other cartridges down 44% to 215.8 million.

INDONESIA forecasts footwear investment at $4.6 billion. The estimate from the Industrial Research and Development Council of the country said the forecast would represent a four-fold increase from last year. It believes the crucial bottleneck now for the world's fifth largest producer of footwear is investment in raw materials, especially quality leather. The total value of exports in 2016 was up 3% to $5.01 billion from $4.85 billion.

LEGAL

ADIDAS will appeal to the Federal Circuit Court in DC, which hears most IP appeals, the unanimous ruling of the administrative judges Patent Trial and Appeal Board upholding key provisions of Nike's Flyknit patents. Adidas had argued that prior articles on circular knitting would make Nike's conclusions obvious to a person of ordinary skill in the field of knitting but the administrative judges found that Adidas did not meet the test of proving its case by a preponderance of evidence.

HOOPGATE: Adidas basketball marketing chief Jim Gatto and seven others indicted following the FBI's investigation of college basketball recruiting practices entered not guilty pleas in a Manhattan court room. Besides Gatto, an Adidas associate, Merl Code, agent Christian Dawkins, four assistant coaches and Rashan Michel, a high-end tailor who caters to athletes have entered not guilty pleas. Two others named in the indictment, Munish Sood and Jonathan Augustine, have yet to be indicted as they have been negotiating plea bargains.

SANDY HOOK families for the victims of the 2012 shooting argued in CT Supreme Court that Remington, which made the Bushmaster used in the attack, should be held liable for marketing the gun using slogans and product placement in video games that were designed to make the weapon more appealing to young men like the shooter, Adam Lanza. The case has been working its way through the courts as it represents a new tactic of gun control advocates to get around the Lawful Commerce in Arms Act and conduct discovery into their marketing practices. The specific legal theory being argued is that the LCAA provides exceptions for marketing and selling arms if there is "negligent entrustment." That has been applied to sue gun sellers but has never been extended to a manufacturer. Attorneys for Remington told the judges that the law was specifically passed to prevent these kinds of lawsuits against manufacturers.

SHORT STOPS

National Shooting Sports Foundation begins a public campaign in the Boston area that advertises the penalties for straw purchases.++++**Fjällräven** names Steve Golaszewski as director of Latin America.++++**K2 Skis** promoted 10-year company veteran Ryan McBride to head of U.S. sales.++++**Implus** brands Yaktrax and TriggerPoint signed marathon runner, aerial skier and 2018 Olympic hopeful, Winter Vinecki to an endorsement contract.++++ **Perry Ellis** appointed 13-year company veteran Jorge Narino as interim CFO, replacing David Rattner who is leaving the company after just nine months in the role.++++**Perfect Storm Boot Corp.** adds Summit Sales NW as its reps for the Pacific Northwest.++++**Wilson** signs women's pro squash player Nicol David to its advisory staff. ++++**Matrix Fitness** appointed Jake Glore as the new territory manager for Florida.++++**Nation's Best Sports** and **Athletic Dealers Association** attracted 100 dealers to Oklahoma City Nov. 10-12 to their co-located show are exploring additional opportunities to co-locate buying shows.++++**Puma** will make Formula 1 driver Lewis Hamilton the face of its training advertising that focuses on its 24/7 theme of training.

SUBSCRIPTION INFORMATION

Sporting Goods Intelligence is available only by subscription. *SGI* is published 50 times per year, weekly except in December and July.

PRICING

50 issues - one year	U.S.	Foreign
Via E-mail	$545	US$545
Via First Class Mail	$625	US$665
Via E-mail & Mail	$635	US$675

SGI NewsWire daily e-mail news feed is free to all subscribers. E-mail us and we'll put you on the list.

We appreciate payment with order but will invoice you. Foreign mail service is via Airmail. We accept payment only by wire, credit card or check drawn on a U.S. bank.

Sporting Goods Intelligence is published by Sporting Goods Intelligence, Inc. All material is strictly confidential and worldwide copyrights are reserved.

To obtain a subscription, please call, fax, e-mail, or visit our web site:

Tel: **(610) 459-4040**
Fax: **(610) 459-4010**
E-mail: **sginews@sginews.com**
Web: **www.sginews.com**

Or send your name and address to:

Sporting Goods Intelligence
442 Featherbed Lane
Glen Mills, PA 19342