SPORTING GOODS® INTELLIGENCE

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ADIDAS ROLLING ON STRONG U.S., CHINA, E-COMMERCE GROWTH

Despite a troubling slowdown in Western Europe and worrisome talk of "democratizing" Yeezys, Adidas reported strong results in its key strategic priorities as net income rose 25% to €658 million ($765 mm) from €526 million for the third quarter ended Sep. 30 on a 3% increase in revenue that would have been 8% currency neutral to €5,873 million ($6,829 mm) compared to €5,677 million. The surge was led by the Adidas brand, of course, and while Reebok revenues were down ex-Numero Uno greatly improved gross margin and operating profit. Growth was relatively balanced with sneaker sales up 3% to €3,363 million from €3,266 million, apparel up 5% to €2,249 million from €2,144 million and hardware sales off 2% to €261 million from €267 million.

North America was up 16% currency neutral to €1,269 million from €1,671 million, led by an 17% increase in the Adidas brand to €1,165 million from €994 million. Reebok was off slightly to €104 million from €105 million with a slight increase in the U.S. despite fewer stores, offset by a decline in Canada. Gross margin expanded 220 b.p. in the region to 42.0% as warehouse clearance issues last year at Adidas were cleaned up and operating profit leaped 86% to €229 million from €123 million. The Big a commented that channel growth was relatively balanced at the Adidas brand with strength from the family shoe channel led by Kohl's and the sporting goods channel led by Dick's. Reebok has seen growth in Classics, about half the business, offset by weakness in training and running. However, it is sticking to its repositioning of Reebok as a fit-

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ness brand because the positioning has morphed so often in the past. Its profitability is improving nicely and the key to growth will be restarting the Performance side.

DTC sales were another major driver in Q3, especially digital sales which jumped 76%. The Adidas brand had a 28% increase in sales with a 6% comp gain in brick-and-mortar while the Reebok brand was down 4% on a 1% comp gain with fewer stores open this year, especially in the U.S. Adidas has rolled out its Creators loyalty program app in the U.S. and will be expanding that to other markets soon as it develops its e-commerce business along the same lines as Nike. The app is now in 17 countries.

Adidas Income Statement
(Q3 ended Sep. 30, Millions of €)

	2018 in €	2018 in US$	2017 in €	Change vs. 2017 in €
Western Europe	1,645	1,913	1,671	-2%
North America	1,269	1,476	1,099	15%
Asia-Pacific	1,894	2,202	1,664	14%
Latin America	340	395	502	-32%
Emerging Markets	329	383	376	-13%
Russia/CIS	166	193	173	-4%
Other Businesses	230	267	192	20%
Adidas	5,343	6,213	5,091	5%
Reebok	436	507	485	-10%
REVENUES	5,873	6,829	5,677	3%
Cost/goods	2,829	3,290	2,814	1%
Royalty Inc.	37	43	29	28%
Other income	39	45	33	18%
SG&A	2,220	2,581	2,129	4%
Interest	7	8	35	-80%
Pre-tax	907	1,055	767	18%
Taxes	251	292	219	15%
Discontinued Inc.	3	3	(22)	
Minority	1	1	1	0%
Net	658	765	526	25%

China was the other major growth story with Asia/Pacific sales up 14% to €1,894 million from €1,664 million, led by a currency neutral 26% increase in China. Brand Adidas rose 15% in nominal sales to €1,815 million while Reebok fell 2% to €78 million there. A 57.2% gross margin in the region, up 180 b.p., boosted operating profit 17% to €672 million from €576 million. Western Europe remains a disappointment that the Big a admits was self-inflicted as it was too aggressive in pricing, too dependent on Originals and unable to produce new products to replace its managed decline of the Stan Smith. Adidas sales there were off 1% to €1,508 million while Reebok was down 6% to €137 million. Gross margin was robust at 48.8%, up 340 b.p., but operating profit rose just 3% to €401 million. The Big a said it would be selectively more aggressive in pricing to regain share and also invest in wholesale to regain lost shelf space.

The shortfall in Europe was the key reason Adidas lowered its top line forecast for 2018 although it lifted the profit outlook. Revenues are expected to rise 8-9% compared to an earlier forecast of around 10%, but it now sees net income from continuing operations at €1,660 million to €1,720 million and compared to €1,430 million last year. The earlier profit forecast was for net of €1,615 million to €1,675 million. Gross margin gains are expected to more than offset currency headwinds and increased brand investment.

WOLVERINE NET JUMPS IN Q3 BUT SALES SLOW

Net income more than doubled to $58.8 million from $23.2 million in the third quarter as revenues dipped 4% to $558.6 million from $581.3 million on missing sales from divestitures, but comparable revenue was less than 1% higher after 4% growth in Q2. Gross margin expanded 190 basis points to 41.6% on better mix with more e-commerce sales and portfolio changes, as well as lower markdowns and closeouts. WWW credited the progress it's made on its restructuring with reducing SG&A by $9 million, or 40 b.p. The bottom line included $23.0 million of restructuring costs last year, and $2.1 million for the ongoing environmental cleanup in Michigan.

Outdoor & Lifestyle group sales slipped 1% to $243.6 million from $245.2 million, led by low-single-digit sales gains at Merrell. Its sales were limited by lean inventories following its 19% jump in Q2 combined with high-teens growth in at-once orders. Some late-arriving shipments, along with fewer closeouts and sluggish overseas markets were also headwinds. E-commerce sales were strong, and Merrell is on track for low-teens growth in Q4 now that the inventory issues have been corrected, boosted by new products and a higher marketing spend. Chaco dipped low-single digits with a jump in digital sales more than offset by softness in the Z/Sandal line. CAT was up mid-teens in the quarter, but Hush Puppies sales declined low-double digits.

The Boston group declined 4% to $214.6 million from $223.6 million in Q3. Saucony was down high-single digits, attributed to legacy product issues that the new leadership team is addressing. WWW expects sequential improvements from the running brand as changes take hold, but 2019 will be a turnaround year. Keds sales grew mid-teens including 40% e-commerce gains, driven by designer collabs that built buzz, and kids' was up mid-single digits. The Heritage group was down 6% to $84.1 million from $89.2 million with Wolverine up double digits and Other sales off 30% to $16.3 million from $23.3 million. Sperry sales were flat despite solid online sales and good results from U.S. wholesale, especially vulcanized sneakers, perhaps getting some pull from booming Vans sales. Boat shoes continued to decline. Sales were also impacted by some late deliveries, and Sperry was also caught short of transitional product during Back-to-School. Going into Q4, good boot momentum is expected to drive high-single-digit gains for the quarter and 3% total growth for the year.

U.S. led all regions with mid-single digit growth in the quarter. EMEA was up low-single digits, but Latin America was challenging due to civil unrest, economic issues and inflation there. E-commerce, a key focus of WWW's revised business model, accelerated 33% in Q3 and is up 27% year-to-date, benefitting from the $15 million invested into growing digital sales. Inventories were down 4% to $324.4 million, mostly from store closures.

WWW expects sales of $2,240 million for the full year, the low end of its previous range, with 150 b.p. higher gross margins driving earnings of $2.09 to $2.13 per share ($200 million), up from $2.05 to $2.12 guided earlier. The guidance includes $40 to $45 million in investments this year to fund future growth initiatives. The fourth quarter got off to a strong start with e-commerce sales up over 35% and store comps up 10%. Asked about tariffs, management noted that it has been working to transition away from China for years, and has only about 15% exposure in the worst case of tariffs being imposed on all Chinese imports.

NEWELL SELLS PURE FISHING FOR $1.3 BILLION, TAKES IMPAIRMENT

Private equity group Sycamore Partners will take over the ownership of the parent of Abu Garcia and numerous fishing tackle brands. The business had sales of about $556 million in 2017 and even at the high end of multiples these days, it would have to be generating over $100 million in EBITDA consistently. Newell also said it sold Jostens business, which had sales of $768 million, to Platinum Equity for another $1.3 billion. It will use the proceeds to pay down debt as part of the restructuring plan and portfolio shuffling plan it implemented after taking over Jarden.

Meanwhile, Newell's Home and Outdoor Living segment, which includes Coleman, will take a $3.3 billion impairment charge, part of an $8.1 billion corporate writedown to reflect current cash flow projections. Adjusted net income in the segment excluding the charge was down 13% to $83.0 million from $95.5 million. The segment had a 7% sales decline to $726.5 million from $779.5 million, partially due to lost distribution for Coleman at a key U.S. retailer. Newell's main sporting goods business remaining from the transaction at this point is Coleman, which was identified at the outset as a brand that Newell planned to keep. The Marmot brand is also under Newell's control and they combine for sales of about $1.6 billion. Overall, NWL's net loss was $7,112.4 million against income of $234.4 million including the impairment and a related $1.2 billion tax benefit. Sales slipped 8% to $2,277.2 million from $2,466.6 million. Without the writedown and other one-time charges, normalized net income was $384 million against $421 million. Full-year sales guidance was maintained at $8.7 to $9.0 billion but normalized EPS guidance was raised by a dime to $2.55 to $2.75.

No matter how you slice it, this has been a horrendous deal for Newell. It paid a whopping $15.4 billion for Jarden. That's not including the $350 million in golden parachute payments that the top three executives took out with the transaction, so Newell had to value Jarden at something close to $15.8 billion to justify those payouts. It sold its own tool division to Stanley Black & Decker for $1.95

billion and has received $1.9 billion for its sporting goods divestitures. Let's add another $1.3 billion for Jostens and $2.3 billion for Waddington and a relatively small deal to sell Goody's whose price wasn't disclosed. Other brands still on the block are U.S. Playing Cards and Rubbermaid, both in stagnant markets that could bring another $1 billion. The target was to raise $10 billion in asset sales, but the Jarden assets have so far produced just $5.5 billion in proceeds, leaving Newell with the remaining Jarden brands at about a $10 billion acquisition price, even as it appears to be getting full value for its divestitures. Now it has written down $8.1 billion of that.

Since the Spring, 2016 merger of the two companies, Newell has seen its stock plummet from $53 to $20 and fought off three activist investors, one of whom was former Jarden chairman Martin Franklin. It has also faced significant market headwinds such as the Toys "R" Us bankruptcy and consistently lowered its guidance along the way. There are, of course, the usual shareholder suits to deal with as well. Making money in sports equipment brands is hard. Even the best companies in this field can't make money consistently because of shifts in product cycles and capricious weather. Boom-bust cycles are part of the landscape whether its guns, winter sports, golf, team or exercise. That makes them terrible investments for public consumer products companies. K2 Corp. where all this started, never figured it out, Jarden did only slightly better and Newell threw in the towel right away. These sports brands will be better off in the hands of private equity owners unless the playbook is to load them up with debt, take out an enormous dividend and flip them to the greater fool P.E. fund.

CWH NET DIPS, WON'T HESITATE TO CLOSE WEAK GANDER STORES

Camping World Holdings' net income fell 28% to $14,016,000 from $19,589,000 on a 6% increase in sales to $1,312,727,000 against $1,235,602,000 that was driven by the new Gander stores. Comp store sales in the retail group declined 10.1% in the Camping World RV stores but overall sales in the Retail segment, which combines Camping World with Gander, increased 53% to $184,543,000 compared to $120,903,000. Gross profit was down 209 b.p. to 36.8% in the segment, which includes 129 Camping World stores, 60 Ganders and 22 Other banners like Erewhon, Rock Creek and Overton's.

CWH has already pulled the plug on one Gander location and indicated that it is monitoring several more that will be closed if they don't turn the corner soon. CWH said it remains committed to the joint Gander RV locations going forward, but if stand alone Gander stores aren't making a meaningful contribution on their own or producing memberships for its highly profitable Good Sam business, they could also get the axe. It expects to open most of the 40 targeted joint locations by late spring, 2019. It has opened five to date with four meeting expectations and one not. CWH schedules indicated that it has spent $40,771,000 this year on pre-opening expenses for Gander on top of $8,669,000 last year.

There was relatively little color about how the Gander operation is performing, with CWH explaining that it has merged the entire retail operation including buying and operations into a single retail entity that encompasses all its banners from Camping World to Gander to Rock Creek. It will no doubt be a challenge to manage such a wide range of SKUs, store foot prints and customer types with a single retail operation. CWH is a big company with some profitable pieces that can no doubt survive a pretty big mistake. The finance and insurance segment alone made $109,459,000 in gross profit for the quarter. But the approach now seems to be pointing to a significant downsizing in commitment to Gander.

ASICS SLASHES OUTLOOK AFTER Q3 SALES DECLINE

Net income increased 18% to ¥4,868 million ($43.7 mm) from ¥4,114 million in the third quarter on 3% lower revenues of ¥102,904 million ($923.0 mm), down from ¥106,556 million, pulled down by weak sales in the Americas and EMEA. Gross margin expanded 80 basis points to 46.5% on better product mix. Asics lowered its full-year revenue forecast to ¥385 billion ($3,453 mm) from ¥425 billion, cut operating income guidance to ¥12 billion from ¥20 billion, and pulled its earnings forecast outright, citing a lack of visibility. It blamed declining wholesale and DTC sales in each major region and foreign exchange losses for the revision, and said it would aggressively liquidate inventory and close unprofitable stores in the Americas and

EMEA in Q4.

The Americas region continued to struggle, declining 8% to ¥24,495 million ($219.7 mm) overall on sluggish sales of running shoes in the U.S. and Brazil. The operating loss was ¥398 million ($3.6 mm) against income of ¥782 million in Q3 last year. Americas footwear sales slipped 9% to ¥22.6 billion ($203 mm), but the small apparel and equipment segments were roughly flat at ¥1.4 billion ($13 mm) and ¥600 million ($5 mm), respectively. By sport, running was down 12% to ¥21.5 billion ($193 mm), training was flat at ¥700 million ($6 mm) and core performance sports dipped 4% to ¥2.6 billion ($23 mm). One bright spot was retro lifestyle footwear, which doubled to ¥1.4 billion ($13 mm) on strong sales from both Onitsuka Tiger and Asics Tiger.

Elsewhere, Japan sales were flat at ¥28,367 million as gains from Onitsuka Tiger and working shoes were offset by slower apparel and running shoe sales. Onitsuka Tiger sales were also a positive in EMEA, which declined 5% to ¥29,330 million on weak Asics Tiger sales. Oceania/Southeast and South Asia was down 3% to ¥6,538 million, but East Asia was up 5% to ¥14,818 million driven by gains in China. The Haglöfs outdoor business inched up 1% to ¥3,206 million.

MIZUNO SALES DROP IN FISCAL FIRST HALF

Comprehensive net income increased 25% to ¥2,671 million ($24.0 mm) from ¥2,138 million in the fiscal first half ended Sep. 30 on 5% lower revenues of ¥86,948 million ($779.9 mm) down from ¥91,766 million. Excluding foreign exchange effects and other comprehensive items, net income was off 4% to ¥2,410 million from ¥2,513 million. Gross margin expanded 110 basis points to 42.0%, but SG&A delevered 130 basis points on the lower topline. Footwear sales were down 8% to ¥25.3 billion ($227 mm), apparel dropped 4% to ¥26.3 billion ($236 mm), equipment declined 7% to ¥20.2 billion ($181 mm) but the services business inched up 1% to ¥15.2 billion ($136 mm).

Americas sales plunged 21% to ¥9.3 billion ($83 mm) but eked out a small operating profit after two years of losses in the region. Mizuno has moved to rationalize its U.S. distribution to better manage inventory and focus on more profitable sales, while also restructuring its organization here. The home Japan market declined 3% to ¥60.5 billion ($543 mm) due to weak sales of sporting goods and golf equipment, but the facilities business improved. European sales were up 7% to ¥7.9 billion ($71 mm) driven by indoor sports such as handball and volleyball, but Asia/Oceania dropped 9% to ¥9.3 billion ($83 mm) on weak running sales in China and Taiwan, although South Korea was a bright spot.

CROCS POSTS SURPRISE PROFIT AGAINST LOSS IN Q3

Net income was $6,520,000 in the third quarter against a loss of $2,263,000 on sales of $261,064,000, up 7% from $243,273,000 last year. The results sent CROX shares soaring over 30%. Sales were driven by clogs, up 13% and now representing 55% of sales, and sandals, up 21% and now 21% of sales. Those high-margin clog and sandal sales pushed overall gross margin up 250 basis points to 53.3%. SG&A was $4.5 million higher but leveraged 170 b.p. as a percent of sales, including $6.3 million of non-recurring charges. Inventory declined 16% to $117.7 million.

The three strategic targets Crocs set for its reorg are now in sight: sustainable profitable sales growth, improving revenue quality to drive low-50s gross margins, and slimming SG&A down to the low-40s as a percent of revenue. Management touted the brand's growing momentum, noting that it jumped in the Piper Jaffray teen survey's footwear desirability rankings to 13th place from 38th. A collab with rapper Post Malone added some brand heat and sold out quickly.

Total DTC comp was 17.9%, including 23% e-commerce growth and a 15% brick-and-mortar comp gain helped by higher units per transaction and more conversions. But the smaller retail fleet reduced the top line by about $15 million. The company closed nine net stores in Q3, ending with 389, which is down 169 from Dec. 2016. Wholesale grew 9% in the quarter driven by good sell-throughs of summer product and incremental sales to new accounts. Regionally, Americas provided all the growth, gaining 14% to $137.0 million including an 8% increase in wholesale, despite continued disruptions in South America. Asia was flat at $75.2 million as store closures offset wholesale gains. Europe was up slightly to $47.4 million, with help from a warm fall, but headwinds from weakening currencies.

Based on the stellar Q3, Crocs raised its full-year guidance and now expects a sales increase of 4-5%, up from low-single digits guided previously. Higher gross margins at about 51.5% are expected to drive $60 million in operating income up from $50 million. Looking ahead to 2019, the company sees e-commerce and wholesale growth driving sales up mid-single digits despite $60 million lower retail sales due to the reduced store count.

ADIDAS NEARS SIGNING €1.1 BILLION DEAL WITH REAL MADRID

The deal is reported to guarantee the club €110 million per year for 10 years which would actually eclipse the guaranteed amount Nike is paying FC Barcelona of €83 million, though incentives could raise that to €155 million. That easily surpasses the €85 million per year Adidas is paying Manchester United and represents a nice upgrade from the €38.7 million Adidas is currently paying Real Madrid. Puma's top property is Manchester City which it has signed for €56.9 million. Adidas may not be done yet. It is also said to be negotiating with Serie A Napoli to replace Kappa before the expiration of the current deal with Kappa in 2020. The Big a also sponsors Juventus while Puma recently signed AC Milan.

As the size of these top kit deals continue to escalate, the rights for some of the top American properties begin to look like bargains. The Real Madrid deal is the equivalent of the $125 million per year that Nike is paying for all 21 NBA teams. And the NBA deal gets a nice multiplier because of the efforts of the Eager Beavertons, the Big a and Under Dog to promote their basketball stars in China, the most important growth market in the world. Of course, part of what drives the huge sums that the top football clubs are getting is that there is no revenue sharing, so the top clubs can negotiate the lion's share of the sponsorships. If the L.A. Lakers didn't have to dilute their sponsorship rights with the value of the Oklahoma City Thunder, they would obviously be much better off. That has predictably concentrated more of the athletic talent in the hands of the clubs able to command these top fees.

NIKE REBUTS CLASS ACTION CLAIMS IN ME TOO CASE

Swoosh lawyers tried to poke holes in the seven Cahill vs. Nike plaintiffs' allegations that the company compensated female employees less than their male counterparts, and asked the Oregon District Court judge to dismiss three of the suit's four claims. The core of their argument is that the claims don't have enough factual evidence to support them. Nike's attorneys called the claims of sex discrimination extremely broad, covering every facet of employment for a proposed class of thousands of female employees in widely disparate jobs, without any evidence they share experiences in common. Nike should be entitled to present specific defenses to explain any wage disparities for each plaintiff, they argue.

Preventing plaintiffs' lawyers from conducting exploratory surgery on Nike's HR department is clearly a priority for the defense, arguing the defendant "should not be required to endure the thicket of discovery and other proceedings that would necessarily result from the imprecise claims and characterization of the 'class' or 'collective action' in this case." The response notes that there was no evidence presented of intentional discrimination against women based on the gender-neutral policies described in the complaint. Nike did not move to dismiss the remaining "disparate impact" claim, but did deny those allegations.

Meanwhile, former Nike footwear developer Cecily Schmidt, who is a biracial woman, filed a civil rights complaint with Oregon's Bureau of Labor and Industries, claiming she was fired after complaining about a racially and sexually hostile work environment, the *Portland Business Journal* reported. Schmidt's complaint provided graphic descriptions of the discrimination she faced from male coworkers, according to the story, including comments, jokes and sexual images of women. Also, former exec Paige Azavedo joined the ongoing lawsuit, claiming that she was "constantly berated and belittled" during her 13 years in Beaverton.

While Nike's recent struggles with a culture that facilitated sex discrimination and a boys' club mentality have made headlines, Under Armour has faced similar issues with its management culture, according to the *Wall Street Journal*. UA management would frequently take customers and athletes to strip clubs and expense the visits to the company, according to the story, a practice that just ended earlier this year. And company parties would reportedly encourage young, attractive female staff to attend to appeal to guests.

Under Dog's rapid early growth saw senior roles filled by founder Kevin Plank's friends and relatives, with very few women or minorities in positions of power. The corporate culture reflected the predominantly white, male power structure, and has only recently started to pay attention to diversity, the *Journal* reported. With the departure of Scott Plank, Kevin Plank's brother, and co-founder Kip Fulks, the culture has begun to change under the current management team headed by Patrik Frisk. Plank and Frisk sent a letter to employees promising a "meaningful cultural transformation" at the company. The allegations were "tough to read" the letter said, and emphasized that inappropriate behavior is unacceptable and would not be tolerated. However, Under Dog denied that Plank had conducted business at strip clubs or used company funds there, as the *Journal* had reported.

NOVEMBER DATES GET MIXED RECEPTION AT OUTDOOR RETAILER

Soft goods brands generally agree that the timing of the show is a big improvement in terms of their buying cycle, but the new Nov. 8-10 dates in Denver produced a considerably smaller show, as expected, and a far more regional retailer attendance profile. There were also some notable absences, with Columbia, Patagonia and The North Face all skipping the show. Most of the larger remaining brands scaled down their presence in terms of people and space to gauge the interest in the new format, which didn't add to the excitement. Perhaps what saved the show for some was holding the Grass Roots Alliance show just prior, which gave the secondary brands good face time with key customers.

There is no good solution to the problem of soft goods brands needing Nov. dates for winter and hard goods brands needing Jan. dates. Splitting the shows produces two smaller events which lack the energy that surged last January when OR and SIA combined for the first time. Keeping them together means that one group will find the show an expensive exercise in shaking hands. One exhibitor referred to last January's combined OR-SIA Show as a false positive that set unrealistic expectations. Some would like to go back to that, but the show has committed to the two winter shows for the time being. To make that work, they'll need to get more support from the big brands that will help convince retailers from the rest of the country to get on a plane and pay for a hotel.

CANADIAN TIRE SPORTS BUSINESS REBOUNDS IN Q3

FGL Sports revenue increased 2% to C$528.5 million ($404.4 mm) from a restated C$527.2 million in the third quarter and comp store sales increased 2.2% against a flat comp last year. Sales per square foot increased slightly to C$298 from C$295. Helly Hansen, Woods and Ripzone drove solid outerwear, athletic apparel and accessories sales helped by favorable seasonal weather. The store fleet ended the quarter with 194 Sport Check, 101 Sports Experts, 65 Atmosphere and 48 Other locations, after one Atmosphere closed and one Other location opened.

Total Canadian Tire retail sales were up 4% to C$3,865.3 million from C$3,701.1 million and EBIT also gained 4% to C$166.7 million from C$160.3 million. Gross margin expanded 30 basis points to 30.3%. Consolidated comps were up 2.5%, and sales were higher across categories, driven by targeted promotions and pricing strategies. The recently acquired Helly Hansen business had sales of C$181.7 million ($139.0 mm) of which C$25.2 million was in Canada and C$156.5 million came from the rest of the world. No prior year figures were given. CTC incurred C$17.4 million in acquisition-related costs and took a C$5 million charge for an inventory fair value adjustment in the quarter.

MAURICE OUTDOORS BUYS O2COOL

Just under a year after filing for bankruptcy, Maurice Sporting Goods backed by Middleton Partners has rebounded and is acquiring the hydration and portable cooling brand with sales of about $50 million. Maurice is renaming itself Maurice Outdoors with the objective of building a portfolio of outdoor companies in its core markets of fishing, hunting, camping, marine and gift.

Middleton had once owned O2Cool so it is familiar with the management and its market position already. The fund looks at $10-50 million investments and pursued a similar strategy in the housewares market with Focus Products Group. There are certainly a number of opportunities in the outdoor market these days and fewer buyers now that the gun manufacturers are much restrained by recent market conditions. Among the bigger transactions floating around now are Savage Arms from Vista and Remington. All would seem to be better fits for private equity deals. More strategic buyers like Clarus and Maurice might be looking for more tuck-in acquisitions, which held out for higher prices from the gun companies before the 2017 downturn.

SEARS NEARS FINANCING DEAL WITHOUT LAMPERT

New lenders are reportedly helping to increase the DIP financing to $600 million from $300 million to fund an emergence from Chapter 11, but ESL Investments, controlled by former Sears CEO Eddie Lampert, isn't among those in the current group because banks refused to give him the same seniority as they had on repayment. Sears is said to be in discussions with Cyrus Capital for up to $450 million in DIP financing that would be secured by assets now held by the banks, according to Reuters. In turn, the banks would reduce their exposure to Sears by lowering their credit line from $300 million to $150 million. A hearing for approval of the financing is scheduled for Nov. 15, Reuters said, which would be much too late to impact Holiday inventory.

Meanwhile, the Sears board has asked the court for expedited discovery to investigate claims against ESL for insider transactions before a Dec. 15 deadline to find a stalking horse bidder for an auction. ESL is considered one of the candidates and is likely to make a credit bid using some $2.6 billion in pre-petition debt it controls. The board has suggested that numerous transactions could be involved in its probe of whether ESL and another fund, Fairholme Capital, were able to "siphon value away from the company on favorable terms." Of most interest appears to be a transaction in 2015 which sold over 200 of Sears' most valuable real estate assets to Seritage, a REIT it controlled. The spinoff of Land's End and sale of its 45% interest in Sears Canada are also under scrutiny.

RETAIL

DSW is paying about $238 million of the $341 million purchase price for Camuto, including $57 million for 40% of its proprietary brands and $181 million for Camuto Group's operations. Authentic Brands Group is taking the other 60% of the brands. DSW will run Camuto Group as a separate business under the current management team, continuing to support its wholesale customers. Of course, DSW will also leverage Camuto's brands to enhance its own exclusive brands business, which has gross margins 700-1,000 basis points higher than its branded sales. But Wall Street has been skeptical of the complexity of the combined business and whether other retailers will be comfortable buying the Camuto brands from a competitor. DSW shares are down 16% from the Oct. 10 announcement of the deal.

OUTDOOR INDUSTRY sales declined 2% overall to $18.8 billion in the U.S. for the 12 months ending August 2018, the NPD Group reported, but the $3 billion outerwear market grew 2% over the same period. The category was driven by a 5% increase in non-insulated shells and 2% growth in fleece/wool, while tops were up 3%. The late coming of spring in much of the country helped sell-throughs, and inventories are clean heading into the 2018-19 season. Bag sales also improved, led by a resurgence of fanny/waist packs (up 52%), backpacks (up 4%) and duffle bags (up 6%).

NICS FBI background checks, as adjusted by the NSSF, continued their trend of year-over-year declines, falling 11.2% to 1,005,062 from 1,132,065 in Oct. Year-to-date, adjusted NICS checks are down 5.3% to 10,307,725 from 10,889,514. The NSSF backs out background checks for concealed carry weapons permits and checks from active CCW permit databases to more accurately reflect gun sales. Unadjusted NICS checks inched up 0.8% to 2,033,276 from 2,017,017 for the month.

ZUMIEZ total sales increased 0.6% to $61.9 million for the four weeks ended Nov. 3, up from $61.5 million for the comparable period last year, while comps increased 1.6% lapping a 6.6% gain last year.

For the third quarter, comps increased 4.8% and are up 6.3% year to date. Men's was the strongest category and footwear and accessories were also positive, but hardgoods and women's were down. Dollars per transaction increased on higher AUR, and transactions increased but units/per transaction declined. ZUMZ ended the period with 703 stores.

ON THE MOVE: **Yeti** has leased space for its second and third owned retail stores, in Chicago, IL, and Charleston, SC.++++**Fanatics** ended a 2015 deal to sell merchandise at NASCAR races because its retail tent store formet suffered from lower traffic than expected, but it will continue as the organization's online partner.++++**REI** is opening a new 20,000-sq.-ft. store in Kalispell, MT.++++**Moncler** opened a pop-up shop in its old London location on Sloane Street for the Grenoble technical skiwear line.++++**Shoe Carnival** opened three new stores: at the Shoppes at Eagle Point in Cookeville, TN; Dania Pointe in Dania Beach, FL; and Miami Gardens Promenade in Miami Gardens, FL.

COMPANIES

CALERES sees Moody's lower its speculative-grade liquidity rating to SGL-3 from SGL-1, citing reduced availability of the company's $600 million asset-backed revolver which it used to finance the $360 million acquisition of Vionic. Moody's affirmed Caleres' Ba2 corporate family rating, Ba2-PD probability of default rating, Ba3 senior unsecured notes, and stable outlook. The ABL expires in Dec. 2019, and Moody's noted it was pretty aggressive to entirely fund the purchase with short term debt. Caleres should be able to meet its target of paying down the debt in 12 to 18 months with the earnings contribution from Vionic and low-single-digit organic revenue growth, it opined.

PREVENT BIOMETRICS is acquiring X2 Biosystems. Prevent, which developed a mouthguard-based head impact monitoring system, now has nine U.S. and 12 international patents with the addition of X2's low-power sensor and circuit technology. Seattle-based X2, owned by analog chip-maker Maxim and other investors, has a skin patch-based platform for detecting head impacts. Terms of the acquisition were not disclosed.

SUMMERSALT, a direct-to-consumer swimwear maker which uses a patented fit recommendation system, received a $6.1 million Series A round from a group led by Founders Fund. The company has received a total of $8.7 million in funding so far. It intends to use the money to expand its line to include travelwear and other categories, and has plans to roll out a content platform early next year.

STOCKS & EARNINGS

CLARUS net income was $4,127,000 compared to a loss of $1,583,000 for the period ended Sep. 30 as sales improved 22% to $55,686,000 from $45,774,000 with domestic sales up 24% to $26,268,000 vs. $21,141,000 and international up 20% to $29,518,000 compared to $24,633,000. CLAR commented that the Black Diamond brand was up 12% and the Sierra bullets business had 35% pro forma growth. Sierra's actual contribution to the top line was $4.9 million. The bottom line was aided by a 230 b.p. improvement in gross margin, a combination of mix and lower markdowns. CLAR said tariffs have had minimal impact so far but would hit the company for $450,000 in 2019 assuming no new tariffs are implemented. It plans to address the issue with re-sourcing product, price increase, concessions from suppliers and re-engineering some products. It adjusted guidance upward to the top end of its $205-210 million annual sales forecast with adjusted EBITDA margin now at 9.5% against 8.5% prior.

DOREL's Sports segment sales increased 7% to $219,120,000 from $205,540,000 in the third quarter and operating profit surged to $6,993,000 from $176,000, lifted by improvements at all three bike operations, despite gross margins that narrowed 120 basis points to 21.1%. Pacific Cycle had a double-digit sales gain on strong pre-Holiday sell-in, helped by improved parts and accessories sales and electric scooters and ride-ons. Cycling Sports Group top line was up on strength in the IBD channel and operating expenses were reduced after the Sugoi divestiture. Brazil-based Caloi had strong organic growth despite currency devaluation there, and has implemented price increases to offset rising input costs. Dorel is forecasting a significant increase in Sports segment operating income and higher sales in Q4.

DUNLOP sales increased 10% for the first nine months to ¥64,599 million ($579.4 mm) from ¥58,743 million, driven by strong sales of golf and tennis equipment and gains from its sports facility business. Segment operating income jumped 60% to ¥4,824 million ($43.3 mm) from ¥3,016 million, leading the company to raise full-year profit guidance for the Sports group to ¥5.0 billion, but it maintained sales guidance at ¥85.0 billion. Results in the U.S. and Europe were helped by XXIO 10 golf clubs and Dunlop tennis sales, with improvements from Srixon and Cleveland Golf. The home Japan market was soft for tennis, but the XXIO 10 club line sent golf sales higher.

FOX FACTORY net income increased 51% to $24,312,000 from $16,072,000 in the third quarter on a 38% jump in sales to $175,798,000 from $127,399,000. Sales at the Specialty Sports Group, formerly the Bike Group, gained 21%, but Powered Vehicle Group sales surged 57% with the addition of sales from the Tuscany Motor Company acquisition. Sales were solid across FOXF's lineup, but the OEM channel was especially strong as more manufacturers spec'd Fox shocks on their bikes and vehicles. Gross margin expanded 100 basis points to 34.4% from increased operating leverage on higher revenues and improved manufacturing efficiencies. The company raised its FY revenue guidance to $610 to $620 million from $596 to $614 million and non-GAAP earnings guidance to $2.15 to $2.21 per share ($85 mm) from $1.96 to $2.12.

ICONIX' net income was $20,224,000 in the third quarter benefitting from one-time non-cash gains, against last year's horrific $550,571,000 loss from goodwill and trademark impairment charges. The results this year include an $8.2 million charge to write off its receivable from bankrupt Sears. The revenue picture is increasingly grim, however, tumbling 13% to $46,224,000 from $53,165,000 on the transition of the Danskin, OP and Mossimo direct-to-retail licenses in women's and declines from Starter and Buffalo in men's. International was a bright spot, with strong organic growth from Umbro and Lee Cooper in Europe, India and China.

KINGMAKER warned that net income for the fiscal first half ended Sep. 30 would be down about 85% despite an 8% increase in revenue. Part of the drop is from the comparison to a one-time HK$174 million ($22.1 mm) profit on the sale of its Zhong Shan factory last year, but recurring profit is expected to be down 30% to 40%. Kingmaker has been converting production lines to more efficient "concept lines" optimized for lean manufacturing and process automation, and the costs for additional staff training and product development have been higher than expected.

LUXOTTICA retail sales gained 5% in North America to €1,081 million ($1,257 mm) from €1,030 million in the third quarter on strong omni-channel sales from Ray-Ban and Oakley and the strengthening dollar. Sunglass Hut and LensCrafters were called out for sales growth in the quarter, but no mention was made of the Bass Pro and Cabela's shop-in-shops. Wholesale increased 7% here to €220 million ($256 mm) from €206 million. Overall, Luxottica's retail sales increased 5% to €1,483 million from €1,414 million including a 16% jump in e-commerce sales, while wholesale sales slipped 1% to €732 million from €739 million.

SEQUENTIAL BRANDS net loss was $9,615,000 in the third quarter against a loss of $24,180,000 last year, pulled down by impairment charges in both periods, as licensing revenues increased 4% to $40,771,000 from $39,025,000. The trademark writedown was $17.9 million this year for the recently sold Revo and FUL brands compared to last year's charge of $33.9 million for the Revo, Nevados, Caribbean Joe, Franklin Mint and Ful brands. Excluding the charges and other one time items, adjusted net income was $2,656,000 against $6,454,000.

SHENZHOU INTERNATIONAL net income rose 21% to RMB 2,153,785,000 ($312.5 mm) from RMB 1,785,398,000 as sales increased 11% to RMB 9,158,900,000 ($1,329.3 mm) from RMB 1,785,398,000 for the six months ended Jun. 30 at the apparel supplier to Nike, Adidas and Uniqlo. Sales to Customer A, presumably Nike, were up 13% to RMB 2,715,676 while sales to Customer B (Adidas) were up 9% to RMB 1,773,452,000. Customer C (Uniqlo) gained 4% to RMB 1,740,315,000. China accounts for the largest share of its revenue at 28.6%. Europe is 20.3% of the total with Japan 15.6% and the U.S.

14.0%. Shenzhou noted in its commentary that the trade dispute with the U.S. is likely to increase. It is focusing its local production in the Chinese market while continuing to develop production capacity in other countries. At present, 58.2% of its non-current assets are located in China, down from 60.9% the year before, while Vietnam is now 38.4% of non-current assets, up from 37.3% prior.

THULE net income inched up 2% to SEK 189 million ($21.1 mm) from SEK 185 million in the third quarter on revenues that were 13% higher at SEK 1,561 million ($174.5 mm) vs. SEK 1,385 million, but gained just 4% constant currency. Profits were impacted by a gross margin that contracted 200 basis points to 39.1% from higher input costs and a lower margin product mix, and increased selling expenses from product launches of the Sleek stroller and Evo and Edge roof rack systems during the quarter. Americas sales grew 5% (-4% CC) to SEK 472 million, with Brazil and Canada strong, but Latin American orders were down as currencies there devalued. The U.S. remains challenging as lower margin and OE products are phased out, but new products for 2019 are expected to spark sales. U.S. tariffs of 10% that are set to grow to 15% in Jan. will be passed through to customers through price increases. Europe and RoW sales gained 17% (8% CC) to SEK 1,090 million with all categories positive.

VICIS closed a $28.5 Million Series B round. The football helmet maker's latest investment round includes participation from Packers' QB Aaron Rodgers through Rx3 Ventures, joining Roger Staubach, Russell Wilson and other current and former players who have invested in the company. The company has raised nearly $100 million since its 2016 inception. Vicis just launched a youth-sized version of its ZERO1 helmet, which uses the same deformable outer shell and columnar shock absorption material as the adult model.

LEGAL

ADIDAS is suing about 200 more websites selling Yeezy, Adidas and Reebok knockoffs, many of which use the trademarked brands in their URLs. The suit, filed in So. FL District Court, is the latest round in the game of whack-a-mole Adidas has been engaged with against counterfeiters. It is seeking findings of counterfeiting and infringement, seizure of the domains and delisting or deindexing them from search engines, and at least $2 million in statutory damages from each defendant.

BATTLE-ABC SPORTS, the maker of the Oxygen Lip Protector, filed suit in Nebraska federal court claiming that Soldier Sports, which is run by the inventor of the patented product, Jeffrey Evans, assigned the rights to his product to it and is now selling an infringing product. Battle-ABC is asking for an injunction, infringement damages and attorneys' fees.

DECKERS accuses NJ-based Top Glory Trading Group of infringing on the Ugg Bailey Button boot trade dress with certain models of its Dream Pairs line. The suit, filed in NJ District Court, seeks findings of trade dress infringement under federal and state law, unfair competition and patent infringement, and asks for an injunction, damages and fees. Deckers noted that it may add additional infringing footwear items made by Top Glory to the suit.

FITBIT is facing another shareholder suit in which Stephen Lopes is alleging that it made materially false and misleading statements and failed to disclose material adverse facts about its business during the period from Aug. 2, 2016 to Jan. 30, 2017. FIT shares fell to $6.06 from $13.16 over that period, during which the company twice lowered guidance. The suit, filed in No. CA District Court, alleges that Fitbit management didn't reveal how badly increased competition from Apple and others was hurting demand and sell-though of its devices. As a result, sales and financial results were weakening, and growth was slowing, but management withheld that information and overstated guidance, according to the suit. The suit seeks class certification for those who bought FIT shares during the period. In April, FIT settled an earlier shareholder class action for $33 million.

PLANTRONICS is sued by Phil Shin who claims that the BackBeat FIT wireless headphones are not sweatproof and waterproof as claimed, and that the battery fails quickly when exposed to moisture. The suit, filed in No. CA District Court, seeks class action certification for purchasers of the headphones who suffered damages when they failed, citing negative reviews on Plantronics own website. Shin is seeking findings of breach of warranty under Magnuson-Moss, along with several CA consumer protection laws, and damages he estimates at over $5 million.

SKECHERS sees Sherry Foster claim that the Ni-Cad batteries in her nine-year-old son's S-Lights sneakers leaked and caused second-degree burns on his feet, in a class action complaint filed in So. NY District Court. The suit claims that the sneakers were defective because the battery can burst if the gas vent is blocked or if it gets wet and rusts. Skechers concealed the risk with information on its website that the shoes contained "nothing harmful or reactive," but recently started adding instructions about proper battery care with the shoes, according to the suit. It accuses SKX of Magnuson-Moss violations, strict liability for a design defect, and failure to warn among other charges. Foster is seeking class certification for all buyers of Skechers lighted footwear with a Ni-Cad battery since Nov. 7, 2015.

SHORT STOPS

Pentland Brands appointed Katrina Nurse as its new CFO. She was previously finance director of Selfridges.++++**Outdoor Research** hired former Prana sales manager Andy Burke as head of commercial sales, and Marmot and Patagonia veteran Dan Petersen as senior manager of corporate sales.++++**Polartec** is partnering with Swedish company Houdini Sportswear, and will leverage its retail relationships to support Houdini's North American launch.++++**Adidas** will contribute $1 million over 10 years to fund an ethical leadership in college athletics program at the University of Louisville. The announcement came the day after former Big a exec James Gatto was convicted in the first Hoopgate trial.++++**Puma** has picked Havas Media as its new global media agency for buying and planning its $300 million per year ad spend, replacing Blue 449 effective Jan. 2019, *Ad Age* reported.++++**Adidas** extends its kit supply deal with French soccer team Olympique Lyonnais for five years through 2025, quashing rumors that the club was going with Under Armour. The current deal was worth €10 million per year.++++**Puma** signed Manchester City midfielder David Silva to wear its boots. Silva was with Adidas prior.++++**Sherpa Adventure Gear** taps Apex Outdoor Sales as its sales rep for the South Central U.S.++++**Vasque** appointed Peter McConkie as national sales manager. He was most recently sales director at Liberty Mountain.++++**Nike** promoted 23-year company veteran Ann Hebert to VP of global sales from her previous role as head of Asia Pacific and Latin America. Replacing her as VP and GM of APLA is Carl Grebert, currently the VP, GM of the Global Jordan Brand.++++**Brooks Running** appointed two execs to support its double-digit growth in EMEA: Franck Mesnage was promoted to EMEA sales director from his previous role as country manager in France and Benelux, and Jim Miles was hired as EMEA marketing director, replacing Austin Simms who was elevated to VP of marketing, digital and strategy.++++**Escalade Sports** is adding Victory Tailgate, which makes licensed and custom tailgating games, to its portfolio of brands.++++**Lew's Holdings** acquired plastic lure maker Southern Plastics, which will be added to the company's fishing and hunting portfolio and support the growth of its Strike King brand.++++**Axe Bats** tapped a.s.k.sports as its exclusive Canadian distributor.

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