

SGI Europe

Sporting Goods Intelligence

News and analysis of the international market



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Little growth for sports equipment companies

Excluding other types of products in their portfolios, the major suppliers of branded sports hardware saw their global sales increase by only 1.2 percent in terms of U.S. dollars, reaching a level of \$73.4 billion, according to an annual survey by *Sporting Goods Intelligence*. It was a major slowdown from the previously recorded growth rates of 6.4 percent in 2013 and 6.2 percent in 2014, but it was largely due to the appreciation of the dollar that occurred in 2015.

Based on the average exchange rates calculated by the OECD for each year, which we use to compile our annual chart, the value of the U.S. dollar increased last year by 19.2 percent against the euro, by 14.2 percent against the Japanese yen and by 14.6 percent against the yuan renminbi. Thus, while the sports equipment market rose by 3.4 percent to \$33.5 billion at wholesale in the U.S., it fell by 0.6 percent to \$39.9 billion in the rest of the world. In local currencies, the market definitely went up outside the U.S.

The global sports equipment market would have fallen by about 0.7 percent in dollars without the strong growth of the two leading suppliers of wearables and action cameras, **Fitbit** and **GoPro**. They took sixth and eighth place in our 2015 chart, published on page 3 of this issue. Fitbit came after **Shimano**, **Jarden Corp.**, **Vista Outdoor**, **Giant** and **Amer Sports**. GoPro came just after the **Addas Group** and ahead of **Nike**.

Our figures cover only the companies' sales of sports equipment products, to the exclusion of softgoods. They are based on publicly available company reports, input from management or industry estimates. **Oakley's** 2014 figures have been restated based on newly available information. **Specialized** and **Technogym** are new in the chart. All the figures have been translated into U.S. dollars at the average exchange rate for the year.

As the bicycle market in the U.S. is smaller than in the rest of the world, the appreciation of the dollar caused the global bicycle market to be essentially flat last year in dollars, totaling \$7.77 billion based on the combined revenues of **Shimano**, **Glant**, **Accell Group**, **Dorel Sports**, **Specialized** and **Scott Sports** – translated into dollars.

The major golf equipment suppliers are generally stronger in the U.S., but the weakness of their market led them to a 10.6 percent drop in their revenues to \$5.21 billion, including the golf sales of generalists like the **Addas Group** and **Nike**. This was compensated by a rebound of the important firearms market in the U.S.

The global fitness market grew by 1.3 percent to \$3.06 billion, and it would have risen more if currencies had remained the same. Including firearms, the combined outdoor and ski market (**Vista**, **Remington**, **Smith & Wesson**, **Sturm Ruger**, **Johnson Outdoors**, **Rapala** and **Rossignol**) went up by 2.5 percent to \$5.11 billion.

The strong and promising wearables market has led generalists like **Addas**,

Vol. 27 - N°21+22 - June 23, 2016

- Slower growth for the equipment market p.1-3
- **Addas** invests €200m on **DFB** deal extension, reclaims European football lead p.2
- Will **SDI** take over **TSA** stores? p.5-6
- European online sales up 13% p.7
- Big management changes at **Arena**, **Nike**, **UA**, **Merrell**, **Royer** and **Ecco** p.7-9
- **Acushnet** owners file for its IPO p.9
- **Beachbody** to launch shoes & apparel . p.10
- European ambitions for **Bodytalk** p.10
- New name, logo, production for **Pon** p.12

Corporate

Coalision, **Cybox**, **Gaastra**, **Li Ning**, **Newell** p.2, **Shimano**, **XXL**, etc.

Management & Distribution

Dakine, **Hanesbrands**, **Odlo**, **PSG**, **Tecnica**, **Uhlspport**, **Uvex**, **XXL**, etc.

Results

Halfords p.12, **Lululemon** p.9, **Peak** p.11, **Sportmaster** p.6, **Team Sportia** p.6

Others

Addas/Zalando p.5, **Alibaba**, **Anta**, **Base**, **eVent**, **Fesi**, **Go Sport**, **Head**, **House of Sport**, **Intersport**, **Ispo**, **Shanghai** p.12, **JD**, **Meier Sports**, **NBA**, **Nike**, **OSV**, **Polartec**, **Scheck**, **SIA**, **Skechers**, **Soloporteros**, **Sportsbransjen**, **WFSGI**, etc.

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a store in Singapore and a street-side "showroom" in Tokyo. It ended the quarter with 373 locations, up from 316 a year ago, plus 71 showrooms.

Lululemon raised its outlook for 2016 revenues, projecting that they will grow to a range of \$2,310 million to \$2,350 million, after they came in stronger than expected for the first quarter ended May 1. Same-store sales should go up in the mid-single digits on a constant-dollar basis.

In the latest quarter, the company's revenues rose by 17.0 percent over the year-ago quarter to \$495.5 million, or by 19.0 percent on a constant dollar basis. Total comparable sales, which include comparable store sales and direct-to-consumer sales, increased by 6.0 percent, or by 8.0 percent on a constant dollar basis. Sales at existing stores rose by 3.0 percent - or by 5.0 percent excluding currency headwinds.

The gross margin lost 0.3 percentage points, down to 48.3 percent, largely due to unfavorable foreign exchange rates with the U.S. dollar, despite reductions in the cost of raw materials and air freight.

Lululemon posted a net profit of \$45.3 million - down from \$47.8 million a year earlier - and the operating margin dropped by 4.5 percentage points to 11.6 percent, largely due to net foreign exchange losses of \$13.5 million caused by the revaluation of cash and receivables. They were \$9.1 million higher than the net foreign exchange losses recorded in the first quarter of fiscal 2015.

Profitability was also impacted by consulting fees and higher expenses on digital marketing. However, the 5.2 percent drop in profit was lower than anticipated, leading to an improved outlook also in terms of earnings.

The company saw continued sales momentum across all channels and geographies. It highlighted a 21.0 percent growth in the men's category, which has been on the rise for six consecutive quarters. Global online sales also jumped by 18.0 percent.

Lululemon said its top priority for this year will be to strengthen and grow the women's category, specifically with a renewed focus on tops. Regarding the men's segment, it said it will continue to focus on product design, while also adding more dedicated square footage through store expansions.

Beachbody will launch shoes and apparel

Beachbody is a big American group that develops videos and sells DVDs for in-home and gym-based fitness programs under different brands like Insanity, P90X and 21 Day Fix. Many of them feature celebrities. It also sells weight-loss nutrition products under the Shakeology brand name. It makes an annual turnover of around €1.5 billion and works with about 37,000 instructors around the world.

The company, which is based in Santa Monica, California, has appointed Global Brand Partners as its global licensee for its first lines of shoes and apparel under the Beachbody name. The project is widely expected to fly high at the international level because of the current fitness trend and because one of the partners in the license is Killick Datta, a well-known personality in the sports sector who has worked for big players like Nike, LA Gear, Brooks, Skechers and Wolverine Worldwide. He made big waves in the licensing business as the footwear licensee of Diesel, Nautica and other brands.

The other shareholder in Global Brand Partners, founded in Singapore in March, is Peter Koral, founder and former chief executive of 7 For All Mankind, a high-end brand of denim jeans that he sold to VF Corporation for about \$700 million. With his experience, the Beachbody apparel line may be extended to leggings and other types of streetwear, following the example of Italy's Freddy, which has added a line of body-conscious men's pants to its successful line of tight women's pants.

Datta, who is now based in Singapore, left on Dec. 31 the management of a

new Chinese brand of fancy clogs, CCI-LU, to concentrate on this new project, which he wants to conduct on an international scale, coinciding with Beachbody's expansion outside the U.S. The firm has just landed in Canada and the U.K., marketing its products under the Insanity brand name.

Using his numerous connections around the world, Datta plans to have 21 distributors signed up by Aug. 1 in 68 countries including the U.S., Germany and Japan. Many of them have represented his brands in the past. He wants to present the new line of Beachbody fitness clothing and footwear at the Ispo Munich and Fibro trade shows in Germany early next year.

Bodytalk's new chief targets European growth

Bodytalk, the Greek fitness and sportswear brand, is pumping up its investments in France and other European markets this year under the leadership of a new chief executive, who is aiming for an equal split between sales on the domestic market and abroad in five years' time.

Vassilis Karamanlis, who has already been driving Bodytalk's foreign expansion in the last ten years as its international sales manager, became the CEO in May. He took over from George Leotsakos, the company's majority shareholder, who is taking a step back from operations to focus on trends and design.

Bodytalk reported a turnover of €16.7 million in 2015, generating operating earnings before amortization (Ebitda) of €2.2 million. Greece made up about 76.5 percent of its turnover, after some structural adjustments in previous years to deal with economic turbulence in the country. Bodytalk's sales in its 35 Greek stores made up about 40.1 percent of its turnover in 2015 and another 6.2 percent came from its online store.

Bodytalk has picked France as a stepping stone for its European expansion with the opening of a full-fledged sub-