SPORTS EXECUTIVE WEEKLY

News · Analysis · Insight

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The Week's Top Stories

Timberland Sale Rumors Swirl in the Press...

Wall Street and the business media were all abuzz last week after the Wall Street Journal published a story suggesting that The Timberland Company was exploring strategic options for the company, including a potential sale. Timberland is reportedly valued at nearly $2 billion. The Journal, Reuters and others cited "people familiar with the matter" as their source for the information. WSJ said that Goldman Sachs had been called in to assist the company with the sale and Timberland has been reaching out to potential buyers. The Swartz family, founders of the company, controls 70% of the voting power and 100% of the class B shares. The Times of London also fueled the speculation writing that, "The company is believed to have held 'preliminary and informal' talks with at least three potential buyers, all of which were private equity firms." Timberland officials contacted by *Sports Executive Weekly* declined to comment on what were described as "rumors."

Any action to sell the company would appear to run counter to recent moves the company has made to get itself back on track. TBL acquired the GoLite brand name in June of this year and is releasing a new line of outdoor footwear under that name this coming spring. And they closed on the acquisition of SmartWool last year. Both moves, along with the creation of the Mion brand, represented a direction TBL was taking to establish itself more firmly in the outdoor specialty market. *SEW* has also learned that the company is making a number of internal moves to right size the company and position talent to fix the misses that have plagued it over the last two years. TBL has apparently not employed any slash and burn moves usually associated with the radical cost-cutting often required in a lead-up to a sale.

Most of the sale speculation centered around initial conversations the Swartz family reportedly had with a few private equity firms to explore their options. With that market flush with cash there are certainly more than a few firms that could handle a deal this size. The opportunity could also be of strategic interest to Nike, Inc. or VF Corporation to help establish a solid position in the outdoor and work/duty category. Wolverine World Wide was also mentioned by some industry watchers as a potential suitor, but WWW already has solid brands and products in most of the categories where Timberland plays, except the urban business where TBL is suffering most of its pain today.

Continued >>>

Market Report

Index	11/17	11/10	+/-
Industry	1,470.09	1,447.08	1.6%
Footwear	1,395.23	1,380.27	1.1%
Apparel	1,468.06	1,448.09	1.4%
Hardlines	1,383.88	1,368.75	1.1%
Golf	1,586.19	1,563.89	1.4%
Spec Retail	1,249.54	1,213.18	3.0%
Dept Store	1,335.91	1,315.90	1.5%
BOSS	1,640.95	1,618.05	1.4%
S&P 500	**1,401.20**	**1,380.90**	**1.5%**
Dow Ind.	12,342.5	12,108.4	1.9%

Market Movers

Company	11/17	11/10	+/-
Golf Galaxy	18.45	15.82	16.6%
Dick's SG	55.56	48.76	13.9%
Gander Mtn	9.13	8.09	12.9%
Hibbett SG	32.81	29.32	11.9%
Spt Chalet	9.17	8.40	9.2%
Coll Pac	9.60	9.96	-3.6%
Cutter Buck	10.32	10.76	-4.1%
Golfsmith	8.77	9.19	-4.6%
Zumiez	28.10	30.67	-8.4%
Phoenix FW	3.95	4.55	-13.2%

Timberland President and CEO Jeffrey Swartz has been taking a lot of heat from analysts of late for the company's high profile commitment to giving back and doing good. Timberland prides itself as a leader in giving back to the community and is often on the front line on issues regarding sustainability and the environment. The company is also a perennial recipient in best places to work awards by magazines.

>>> Perhaps the idea of going private would enable the company to continue this work without Wall Street watching over its shoulder. Perhaps a sale would enable the Swartz family to spend its time and money investing in its own interests. Or perhaps its all what the company says it is -- rumors...

But Foot Locker Puts an End to Rumors of Its Own Sale...

Foot Locker, Inc. on Friday put an end to rumors about a sale of the company and even hinted that they had been in the hunt for a few acquisitions themselves. Speculation of the sale of the world's-largest-athletic-specialty-retailer to a private equity firm were never really substantiated and were generally covered by only one journalist in an apparel business trade publication. The magazine published a number of stories about a pending deal "within weeks" and then "within days" that never materialized. *SEW* found it curious that no other business trade publications, even those dedicated to the footwear business, were able to substantiate the story. The "unnamed sources close to the deal" became the author's Deep Throat in the continued hyping of the story.

The speculation of a sale really started to unravel last week when Foot Locker, Inc. unveiled plans to raise its dividend by 39% to 12.5 cents a quarter, or 50 cents a year. *SEW*, along with many analysts covering the sector, immediately saw the move as running counter to any idea of selling the company since it would clearly reduce the forward cash position that many found so compelling in any potential deal.

At the end of the day, the retailer has decided to invest in the expansion of its current business and the creation of two new banners (see story page 3) and company Chairman and CEO Matt Serra put the rumors of a sale to rest during the retailer's quarterly conference call with analysts. "There are no discussions taking place nor have there been," said Mr. Serra during the call. He indicated they had hired Evercore Partners to advise them on a "range of matters," but also indicated they had hired the Parthenon Group as a strategic consulting firm to assist them in reviewing their business plan. Mr. Serra said they planned to continue to use both firms as needed.

>>> The company had little reason to squelch the sale story prior to last week as the rumors kept the company's shares elevated. The revelation that the company will roll out a new family footwear value retail format and a new headwear retail format now clearly signals that the retailer does not plan to maintain the status quo and stay focused exclusively on its business in the mall. They are taking steps to expand beyond white athletic footwear and into categories that are delivering solid results for many other retailers these days.

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Foot Locker to Roll Out New Family Footwear Value Format; Raises Guidance...

Foot Locker, Inc. exceeded the upper end of its earnings guidance for the third quarter even though comp store sales came in at the low end of their expectations for the period. But the big news was the revelation last week that the world's-largest-athletic-specialty-retailer will enter the brown shoe business again with the launch of a new value-oriented family footwear chain they will call Footquarters. They will also add a new headwear-only format called Champs Sports Just Hats.

Total comparable store sales decreased 0.3%, with a high-single-digit comp store sales decline in Europe nearly offsetting comp store sales gains in the North American and Asia/Pacific retail store divisions, where comps rose in the low- to mid-single-digit range. Excluding the effect of foreign currency fluctuations, total sales for Q3 grew 0.4%.

Comps were down in very-low-singles in August, came in flat for September, and were up in very-low-single-digits in October, signaling an improving overall trend heading into the holiday season.

Management said that U.S. sales in the third quarter were in line with expectations and reflected an improved trend from the second quarter. The retailer did say that some of the U.S. gain came on an increased promotional posture that impacted retail margins. U.S. footwear comps were up in the mid-singles, but apparel saw comps decrease slightly on declines in licensed apparel that offset improvements in branded and private label. The footwear increase came from strong gains in the women's and children's categories, with low-profile product driving women's and kid's getting a lift across multiple categories. The men's business reflected a low-single-digit gain in the basketball category from expanding allocations and strong sales of low-profile product, offset a bit by declines in classics and cross-training.

The U.S. Foot Locker business, which includes the Foot Locker, Lady Foot Locker, and Kid's Foot Locker formats, saw comps improve in low-single-digits in the third quarter. Lady Foot Locker was called out as the strongest performing format for the quarter. Footaction also saw comps up in low-singles. Champs posted a bit better result, comping up in low- to mid-single-digits for the period. The DotCom business, which includes footlocker.com and Eastbay, saw sales decline in mid-single-digits, due in large part to the loss of the NFL.com business that is now run by GSI Commerce.

Average selling prices in the U.S. footwear business were up in low-single-digits on "healthy sales gains" in marquee basketball product, running, and low profile styles. Improved sales were offset by higher markdown rates.

Foot Locker said it was significantly less promotional in Europe in Q3, which in turn helped contribute to a double-digit divisional profit in the region. They saw an improving sales trend in some European markets in October, but the U.K. remains a major problem. Total sales in Europe declined in the mid-singles due to an expanding store base and FX rate upside. Elsewhere in the International business, Foot Locker saw Canada and Asia Pacific comps rise in the low- mid-single-digits and post healthy profit increase.

Average selling prices were flat in the International business.

Foot Locker, Inc.'s Chairman and CEO Matt Serra said that the comp store sales trend in Europe "improved somewhat" during the month of October from the previous two months. He also said that Foot Locker Europe's third quarter division profit margin rate is expected to be "strong at the low double-digit level."

Foot Locker, Inc.
Third Quarter Results

(in $ millions)	2006	2005	Change
Total Sales	$1,430	$1,408	+1.6%
GP %	29.5%	30.5%	-100 bps
SG&A	19.9%	19.9%	flat
Net Income	$65.0	$66.0	-1.5%
Diluted EPS	42¢	42¢	flat
Inventory*	$1,473	$1,400	+5.2%
Comps	-0.3%	+2.7%	

*at quarter-end

Based on the better-than-expected Q3 results, Foot Locker raised its guidance for EPS from continuing operations for the full year to a range of $1.58 to $1.65 per share before an eight cents non-cash charge recorded in Q2 related to the write-down of certain European assets. Fourth quarter EPS are expected to increase by "several cents" versus Q4 last year based on assumptions that include a total sales gain in the mid- to high-single-digits from new stores and an additional $60 million to $70 million for the extra week this year.

As for the Footquarters plan, the company has already identified the 30 locations they expect to open this spring in off-price and value-oriented strip centers. They plan to open another 30 to 40 stores in the fall.

Stores are planned in the 4,000 sf to 6,000 sf range. The format is planned to be about 60% athletic and 40% brown dress and casual. The athletic business is expected to be branded while the brown shoe side is expected to be about 70% to 80% private label. Target pricing for the stores is planned for $35.00 to $49.99.

In conference call with analysts, Mr. Serra said they had pursued an existing operation, but that a number of reasons made it more attractive to pursue its own formats.

The headwear format will see its first store open this month in Miami International Airport. Serra said it could grow to several hundred doors.

>>> There were rumors this past summer of a pending deal for Famous Footwear that never materialized....

Dick's Sporting Goods, Inc. Third Quarter Results			
(in $ millions)	2006	2005	Change
Total Sales	$708.3	$582.7	+21.6%
Gr. Profit %	27.0%	26.3%	+70 bps
SG&A	23.6%	23.4%	+20 bps
Net Income	$7.8	$4.2	+86.3%
Diluted EPS	14¢	8¢	+75.0%
Inventory*	$787.1	$674.9	+16.6%
Comps	+8.9%	+2.9%	

*at quarter-end

Dick's Sporting Goods Beats Q3 Expectations and Raises Guidance on Solid Gains...

Dick's Sporting Goods last week announced that they had beat earnings expectations for the third quarter by a factor of four, posted a comp sales gain of nearly nine percent, raised guidance for the year, and acquired the largest golf specialty retailer in the U.S. Other than that, it was a pretty average quarter for the sporting goods retailer.

On a pro forma accounting for the expensing of stock options for both years, net income for the fiscal third quarter ended October 28 jumped 760% to $7.8 million, or 14 cents per diluted share, compared to about $906,000, or 2 cents per share, for the year-ago period. DKS had guided to diluted EPS range of three cents to four cents per share. Comps were initially estimated to increase 3% to 4% for the period. Store traffic was up 6.4% for the period and average unit retail was up 2.4% for the quarter.

Company Chairman and CEO Ed Stack said that the retailer saw "favorable results" in team sports, football, soccer, athletic apparel, golf apparel, outerwear, and the lodge categories, which didn't leave a whole lot else that didn't perform. He said they saw strength in the cleated footwear category driven by Nike and Under Armour in football, and by Nike and adidas in Soccer. The golf business was said to be "a little softer" but still met expectations. Stack said the apparel side of the golf business has "exploded."

Athletic footwear was "on target" for the quarter, with performance product from Nike and Asics leading the charge. Stack said the women's business remains soft and men's was described as "okay." Sandals and slides were also sees as strong for the period. Under Armour and The North Face were called out as key performers on the apparel side, but DKS also said they did "much better than expected" with cold gear compression product from Nike. Columbia apparently exceeded expectations for the period as well. Private label was 14.1% of total sales in Q3, compared to 11% in Q3 last year.

Mr. Stack said the cold weather-related product performed extremely well, with outerwear comps coming in above the overall comp gain, but he also cautioned that the increase may have pulled some energy out of the fourth quarter and may limit comp sales growth for Q4.

The 70 basis point improvement in gross margin was said to be due to expanded merchandise margins and the leveraging of store occupancy and distribution costs, partially offset by the effects of an in-store clearance event that also produced just shy of one point of the comp sales gain for the period. Part of the merchandise margin gain came from the increase in apparel as a percent of the total business.

Looking ahead, management is excited about the new square drivers from Callaway and Nike that feature higher MOI's. Stack said he thinks the new product will "breathe some life into the golf business this spring." He also point to the new Titleist Pro V-1x ball as a key driver for golf going forward. DKS is also optimistic about the fitness business going into Q4, with ellipticals creating additional demand, but the infomercial business is "not as robust" as last year. Mr. Stack said the Nike football cleated product for next year is "by far and away the best line that Nike has come out with in a number of years."

The company opened 26 new single-story stores in the third quarter for a total of 39 new stores for the year. DKS finished the quarter with 294 stores and won't open any more for the balance of the year.

Continued >>>

Sport-Haley Narrows Fiscal Q1 Loss..

Sport-Haley, Inc. saw the addition of the Top Flite business help add to its top line in the company's fiscal first quarter, while its established Ben Hogan and Sport Haley brands both saw slight downturns. Nevertheless, the company was able to trim its quarterly loss.

Net sales for the quarter totaled $4.7 million, an increase of 17% from net sales of $4.1 million for the comparable period in the prior fiscal year. The comparative increase was attributed to sales of branded apparel. Net sales of Sport Haley apparel collections were $1.3 million, down slightly from $1.5 million last year. Net sales of Ben Hogan apparel collections were $2.0 million, down from $2.3 million last year, while net sales of Top-Flite branded apparel were $1.2 million for the quarter, comprised of $1.0 million in sales to Wal-Mart and sales of $185,000 to other markets for the disposition of the company's remaining branded apparel inventories.

Gross margin for the Sport Haley and Ben Hogan lines was 34% for Q1, up 100 basis points from 33% in the year-ago period. Gross margin for Top-Flite branded apparel was 25%, a "substantial improvement" from recent prior periods. As a percentage of net sales, SG&A expenses with regard to the fashion apparel segment rose 200 basis points to 45% from 43% in the year-ago period. SG&A expenses in the branded apparel segment were 12% for the quarter.

The company managed to fight off the expenses increase with its margin and sales improvements, but only enough to slim the quarterly net loss, not enough to flip it to a profit. Net loss for the quarter was $397,000, shrinking 25% from a net loss of $528,000 for the same period in the prior fiscal year. In diluted share terms, the loss was 14 cents in this year's quarter, while 20 cents for the year-ago.

Dick's SG Announces Plans to Acquire Golf Galaxy…

Inventory per square foot at the end of the quarter was up 2.2% versus the end of Q3 last year, but the increase was down incrementally from the previous two quarters

Based on the solid third quarter performance, DKS increased its earnings guidance for the full year to a range of approximately $1.95 to $1.98 per share on a comp sales gain of 6% for the year. The EPS guidance is up from previous estimates of approximately $1.84 to $1.88 per share and would represent a 30% increase over fiscal 2005 pro forma earnings. Fourth quarter EPS are estimated to be in the $1.13 to $1.16 per share range on a 2% to 3% comp store sales gain.

After experimenting with the golf specialty business this year with two test stores, Dick's has decided to enter the business in a much bigger way. DKS has entered into a definitive agreement and plan of merger with Golf Galaxy, Inc. valued at roughly $225 million, or less than 8% of the Dick's Sporting Goods' market cap. Golf Galaxy, which currently operates 61 stores in 24 states, e-commerce sites, and catalog operations, generated $250 million in sales in the trailing 12 months through August 26.

Under the terms of the agreement, each outstanding share of Golf Galaxy common stock will be converted into the right to receive $18.82 per share in cash, without interest, which would represent a 19% premium over GGXY's closing stock price as of November 10. Certain holders of Golf Galaxy's common stock have agreed to vote 19.9% of the outstanding common stock in favor of the merger at the special shareholders meeting.

Ed Stack said that current Golf Galaxy management, including the founders, are expected to stay with the retailer and will continue to manage the business out of Minneapolis. Mr. Stack said that management and merchandising of the golf businesses will remain separate from each other, but he did expect to see some additional leverage with golf vendors in pricing. He did not see the opportunity to leverage additional brands into the Dick's stores. Stack said the biggest opportunity for synergies between the two retailers would be on the private label side, with DKS expanding its Slazenger and Walter Hagen products into the Golf Galaxy stores. He indicated that he thought the golf business in general had "bottomed out."

The retailers overlap in about 60% of the markets served by Golf Galaxy, representing about 35 to 40 of the stores. Stack said they don't expect to see much cannibalization of the golf business in the Dick's stores as they expand the Golf Galaxy business because most of the markets where Dick's operates already have a golf specialty retailer operating in those markets. He thinks there is still market share to take from the other key golf specialty guys and the smaller independents that "continue to struggle." He estimated that Dick's Sporting Goods' share of the golf business is slightly less than the 12% to 14% share suggested by one analyst. Stack said the test stores showed them that the overlap of customers between Dick's and the specialty business was much smaller than expected.

Mr. Stack indicated that acquiring the Golf Galaxy business enabled DKS to move more quickly and probably less expensively than rolling out a new golf specialty business on their own.

>>> Could this signal a trend to acquire more targeted retail? Would they look at athletic footwear or outdoor big-box as well? Regardless, this move is not good news for the golf specialty guys. They just picked up a very strong competitor…

True Temper Widens Q3 Loss…

True Temper Sports, Inc. had a difficult third quarter as sales decreased in its golf shaft business, which accounted for approximately 90% of sales. Sales in the quarter decreased 15.8% to $21.5 million from $25.5 million in the year-ago quarter.

Golf shaft sales fell 18.5% to $19.4 million from $23.8 million last year. This decline in net sales was attributed to a reduction in the unit sales of premium steel golf shafts and stock OEM graphite golf shafts.

Performance sports sales, which houses the bike and hockey businesses, grew 22.6% to $2.1 million in the third quarter from $1.7 million in the year-ago period.

Net sales to international customers decreased 10.4% to $8.9 million. The decline in export sales for actual consumption outside the U.S. was described as "relatively consistent with the decline in U.S. domestic sales."

Gross margin decreased 930 basis points to 31.6% of net sales from 40.9% last year. For golf shafts, GM also fell 930 basis points to 33.0%, while performance sports division margins fell 260 basis points to 18.3% of sales. SG&A expenses increased 110 basis points at True Temper in the quarter to 15.2% of net sales from 14.1% last year.

The sales decline combined with margin shrinkage and expense expansion caused the company's net loss to increase more than four-fold to $4.1 million from a loss of $0.7 million in the year-ago quarter.

The Buckle Q3 net Up Despite Slip in Comps…

The Buckle, Inc. saw posted a mid-singles increase in net sales in the third quarter, though comps failed to pass break even for after finding the same result last year. Margin gains were cancelled out by mirrored expansion in expenses, but income still managed to improve in the quarter.

Net sales increase 3.6% in the third quarter to $143.1 million from $138.1 million in the year-ago quarter. Comparable store sales declined 0.1% after slipping 0.9% last year.

Gross margins expanded 30 basis points to 41.0% of net sales from 40.7% one year ago, but SG&A expenses match that by growing 30 basis points to 22.9% of sales.

Net income for the third quarter rose 6.5% to $17.7 million, or 89 cents per diluted share from $16.6 million, or 82 cents per diluted share in the same quarter last year.

Gander Mountain Third Quarter Results			
(in $ millions)	2006	2005	Change
Total Sales	$246.5	$214.6	+14.9%
Gross Margin	25.5%	23.5%	+200 bps
Net Income	$2.0	($7.5)	vs. loss
Diluted EPS	14¢	(53¢)	vs. loss
Comp Sales	+7.4%	-8.5%	
Inventories*	$399.6	$392.2	+1.9%

*at quarter-end

Easton Bell Rolls on with Strong Q3 Results...

Easton Bell Sports third quarter sales increased 81.1% to $186.5 million compared to $102.9 million in the year-ago quarter. The large increase was primarily due to $62.8 million in net sales from to Easton Sports. Excluding this acquisition form the equation and sales would have increased 20.2% during the quarter. For the third quarter, gross profit was 36.7%, an increase of 30 basis points from 36.4% last year.

Team Sports net sales increased 154.1% to $106.8 million as compared to $42.0 million last year. $56.7 million of the increase was attributable to the acquisition of Easton. Excluding the acquisition, sales would have increased 19.3%. In addition to the acquisition of Easton Sports, other factors contributing to the increase in Team Sports net sales included increased football helmet and apparel sales. Team Sports gross profit decreased 420 basis points to 39.2% primarily due to lower overall margins at Easton Sports. The division's operating profit was $18.2 million, or 17.0% of sales compared to $8.1 million, or 19.3% of sales last year.

Action Sports net sales increased 30.8% to $79.6 million compared to $60.9 million in the prior year. $6.2 million of this was attributable to the Easton acquisition. Without this, sales would have increased 20.5%. Action Sports gross profit of 33.3% of net sales increased 170 basis points compared to the third fiscal quarter of the prior year primarily due to increased sales in helmets and accessories, partially offset by higher material costs. The division's operating profit was $12.0 million, or 15.1%, compared to $7.4 million, or 12.2% last year.

Overall Easton Bell net income increased 136% in the quarter to $5.7 million from $2.4 million last year.

Gander Mountain Swings to Profitability in Q3...

Gander Mountain managed to turn its declining comp sales and consistently red bottom line around in the third quarter with a very solid upper-single-digit comp store sales increase and a bottom line that was actually in the black. Management said that much of the comp-store increase was driven by setting their fall assortment early in their stores. This move was designed to create more demand as customers created "wish-lists" in anticipation of the colder weather. This strategy drove strong sales gains in larger-ticket purchases.

The company was quick to point out that it did not buy its comp sales gain with deeper discounts and special sales. In fact, margins increased during the quarter by 200 basis points. On $32 million of incremental sales, Gander earned $11.8 million of operating profit.

Margins were also supplemented by an increase in the penetration of Gander Mountain's private label merchandise in both softgoods and hardgoods. Overall penetration increased from 8% during the third quarter of last year to 11% this year. In particular, GMTN's outdoor performance GSX line saw strong results with sales increasing 250% over last year. Long-term, management sees private label penetration reaching the upper teens to the low twenties. Other positive impacts on margins included lower distribution costs in the quarter, the results of investments in distribution and supply chain processes last year.

Advertising and marketing expenditures in dollar terms were similar to the third quarter a year ago. However, these expenses declined as a percent of sales compared to the third quarter of 2005. Going forward, the company does not see any significant positive or negative change in its expense structure, with profitability attached directly to sales performance. Sales per square foot was $170 for the latest 12 months, compared to $183 for the prior 12-month period, as a result of the decline in comparable store sales in the preceding three quarters and lower sales per square foot in less mature stores.

Average customer ticket increased 4.7% from $58.55 to $61.32 for the quarter, while the average ticket at comp stores was $60.28, up from $58.49 for the third quarter of fiscal 2005. Management stated that some of this improvement is due to the increasing proportion of large-box stores in the total mix. The average ticket at larger stores was over $12 higher than at smaller stores.

The company opened five new stores in the third quarter, one each in Florida, West Virginia, Tennessee, Alabama, and Virginia -- bringing the total to 105 stores in 22 states. Florida in particular is a major endeavor for Gander Mountain, as this store is not only their first location in this market but also a prototype store that is designed to be regionally relevant, as the company expands in southern markets.

Total square footage at the end of the third quarter increased 9% from last year to 5.5 million square feet. The average square footage per store was 52,000 square feet at the end the quarter, compared with 50,000 in last year's quarter. GMTN management anticipates that most new stores will be in the 60,000 to 65,000 square-foot range with additional outdoor selling space. The company is only looking at opening three locations in the first half of the year.

For the third quarter of fiscal 2006, the company reported net income of $2.0 million, compared to a net loss of $7.5 million in the third quarter of 2005. Excluding a $1.4 million insurance settlement related to the flooding of Ganders' Binghamton, NY, store, income would have been $600,000. The company provided no guidance, except that management expects to return to profitability sometime in the future.

Hibbett Posts Strong Q3 Despite Margin Hit…

Hibbett Sporting Goods, Inc. posted a strong high-teens increase in net sales in the third quarter, but even management admitted that they were likely a little overworried about comping against strong Katrina related sales last year as the retailer offered a bit too strong of promotions during tax free weekends in many states. The promotions accounted for much of the margin decrease, but net income was still up double-digits for the period. The start of November was described as "much better than expected."

Mickey Newsome, company chairman and CEO, said that August hada positive double-digit comp and September posted a mid-single-digit comp store sales increase. October came in with a low-single-digit performance, but Newsome said the trend was very good because it was up against the strong results last year related to the effects of Katrina. For instance, for the period from September 10 through October 28 last year 62 Katrina affected stores were up 63%. He said that without those 62 stores this year, September and October would have comped up over 10%. The first 19 days of November and the fourth quarter were positive mid-single-digits, but would have been positive mid- to high-single-digits without the "Katrina stores."

Excluding the effects of tax free days and Katrina, comps would have risen "at least high-single-digits," said Mr. Newsome. More than half of all Hibbett stores saw double-digit comps for the quarter. Urban stores, which account for approximately 40% of the store base, were trailing the rest of the fleet. The third quarter benefited from increased transactions and increased comp store items, but a little bit more than half the gain came from increased selling prices.

Branded was said to be up double-digits, with Jeff Rosenthal, VP of merchandising, pointing to Under Armour and Nike as particularly strong. Youth, lady, and men's activewear were all up double-digits. The license business was up double-digits with key drivers for the quarter in NFL jerseys, such as Reggie Bush, Peyton Manning, and Michael Vick as well as St. Louis Cardinals winning the World Series providing a "very big positive." College, led by women's and kids, was up double-digits.

Footwear was up mid-single-digits, led by kids footwear and cleated footwear up double-digits. Athletic women's footwear was up single-digits. Rosenthal noted Nike Shox, Jordans, and Air Force Ones, New Balance Zips, Heely's, Under Armour and Nike football cleats, Asics running shoes, and DC Skateboard shoes as strong performers.

Equipment sales were up double-digits, mostly due to team sports, led by baseball, football, and soccer, all up double-digits. Football was led by Shock Doctor, Under Armour and Nike. Soccer, coming off the World Cup, was up with Adidas and Nike. Baseball was up double-digits led by Mizuno East and Nike and Under Armour. Fitness equipment was up in the single-digits, with Rosenthal saying they "expect to have a good fourth quarter in it."

Hibbett opened 20 new stores and closed two during the quarter, bringing the store base to 590 stores. For the fourth quarter, the company expects to open approximately 25 stores while closing one store. In 2007, they plan to open 100 to 105 stores and close 5 to 10.

For the fourth quarter, HIBB expects earnings per diluted share between 34 cents and 38 cents on a 3% to 5% comps gain. Guidance for 2007 was increased to $1.12 to $1.16 per diluted share and a comparable store sales increase in the 3% to 5% range.

Hibbett Sporting Goods
Third Quarter Results

(in $ millions)	2006	2005	Change
Total Sales	$129.7	$110.6	+17.2%
GP %	33.2%	33.6%	-30 bps
Net Income	$9.9	$8.2	+21.5%
Diluted EPS	31¢	24¢	+29.2%
Comps	+7.1%	+5.4%	
Inventory*	$130.9	$105.4	+24.2%

*at quarter-end

Weak September Slows Q1 Growth at Collegiate Pacific…

Collegiate Pacific Inc. ended its fiscal first quarter with a bang as it closed on the acquisition of Sport Supply Group, Inc. that it had been trying to finalize since July of last year. The acquisition but a bright spot on a quarter end that fizzled in the sales department for the team sports dealer as September proved to be a tough month. Management though said that October was looking "relatively back to normal."

The company reported net sales of $68.2 million for the quarter, rising 4.4% from $65.3 million last year. The gain, however, did not achieve the results expected and planned for by management. On a conference call with analysts, CEO Adam Blumenfeld attributed the shortcoming to "softer than expected sales during the month of September stemming primarily from weaker than expected federal government sales, less than expected 'at once' equipment sales towards the end of football season and longer than expected lead times on large bleacher and installation projects."

Gross margins expanded 270 basis points to 35.3% of net sales from 32.7% during the year-ago quarter. Management attributed the steep increase to its relationship with Sport Supply Group creating better buying power, as well as increased selling discipline. SG&A expenses increased 50 basis points to 24.7% of net sales, slightly offsetting the margin improvement.

Through its efforts in managing the back-end, BOO saw net income improve 28.0% in the quarter to $3.3 million from $2.6 million last year. Diluted earnings per share rose to 28 cents from 22 cents during last year's fiscal first quarter.

Looking ahead, the company reaffirmed its previous guidance for fiscal 2007 of net earnings ranging between 52 cents per share and 64 cents per share with sales of $240 million to $250 million.

Shoe Carnival, Inc. Third Quarter Results			
(in $ millions)	2006	2005	Change
Total Sales	$189.1	$182.7	+3.5%
Gross Margin	30.0%	29.5%	+50 bps
SG&A %	22.9%	23.1%	-20 bps
Net Income	$8.4	$7.2	+17.1%
Diluted EPS	61¢	53¢	+15.1%
Comp Sales	+2.9%	+8.3%	
Inventory*	$187.3	$178.7	+4.8%

**at quarter-end*

Royal Robbins Drives Phoenix Footwear Q3...

Phoenix Footwear Group, Inc. saw net sales for the third quarter increase 6.4% to $36.5 million from $34.3 million last year. Organic growth for the quarter was 8.8%. Top line sales growth was led by strong results at Royal Robbins and Chambers Belt, partially offset by weaker than expected sales at Tommy Bahama and the Group's military footwear division, Altama.

Gross margin in the third quarter of fiscal 2006 was 36.0%, compared to 36.7% in the third quarter of 2005. Operating costs increased to $11.1 million, compared to $9.8 million in the third quarter of fiscal 2005. Operating income for the third quarter was $2.1 million, compared to operating income of $2.8 million in the third quarter of fiscal 2005. The decline in operating income was primarily due to new re-design efforts at the Tommy Bahama footwear division.

Royal Robbins Q3 sales were $9.5 million, an increase of 28.6% over the prior year's third quarter sales of $7.4 million. The move to direct sales in Canada considerably improved the brand's sales and margins. Management said that Royal Robbins continues to see healthy sell-through at all of its major accounts, particularly REI.

Management expects Royal Robbins' growth to moderate through the first half of 2007 due to the closing of the brand's Dick's Sporting Goods and Academy Sports accounts as well as the anniversary of the move to direct sales in Canada in the beginning of the year. The company still feels it will see growth out of the brand in 2007.

Altama's net sales for the third quarter of fiscal 2006 decreased 39.0% to $3.8 million due entirely to declining DoD orders.

The company's net income for the third quarter was $343,000, or 4 cents per share compared to net income of $981,000, or 12 cents per share for the previous fiscal year.

Shoe Carnival Post Solid Q3 on Non-Athletic Gains...

Shoe Carnival, Inc. saw comp store sales increase 2.9% in the third quarter on top of an 8.3% improvement in the same period last year. Last year's comps were driven by gains in both athletic and non-athletic, but the gains this year came exclusively out of the non-athletic business. Comps were up 7% in non-athletic categories, while athletic remained flat to last year, thanks to the kid's business. SCVL reports the fashion athletic category through the casual segment of their business. Units of footwear sold were up about one percent for the quarter and average selling prices were up about two percent. Traffic was less of a factor for the period.

The women's non-athletic business was up 10% for the period on top of a 21% comp increase in the category last year, a gain driven by strong increases in sport casuals, junior and fashion urban dress shoes. Boot sales were said to be soft early in the quarter relative to last year, but "picked up nicely" through October and into November.

Men's non-athletic was up in low-singles, driven primarily by young men's casuals, low profile and comfort dress product and Carnival also saw a big increase in men's sandals early in the quarter.

The children's business, which includes children's athletic, was up in the high-single-digits. While the girl's fashion dress category and the boy's and girl's low-profile product was said to be good for Q3, athletic product still outperformed the non-athletic product in kid's sizes.

Adult athletics posted a low-single-digit decline for the period with the biggest hit coming from a very tough comparison in October. Management said the bright spots in athletic came from Nike running styles in the Reax and Dual D ranges, skate product, and low-profile athletic casuals. Classics continue to drive the largest decreases.

Inventories were up 2.9% on a per store basis at quarter-end. All of this increase was said to be in women's non-athletic product and inventory in transit.

Zumiez Q3 Margins Hit by New Stores...

Zumiez Inc. saw the cost of new stores, including the acquired Fast Forward business, cut into the bottom line a bit in the third quarter, but nothing to prevent the action sports retailer from posting a double-digit gain there. ZUMZ reported a 43% jump in net sales to $82.3 million from $57.4 million in the year-ago quarter, and comp store sales were up 10.7% for the quarter on top of a 9.8% gain last year. On a conference call with analysts, Rick Brooks, president and CEO, said that "mens was the leader in terms of comp performance in the third quarter, but all the other departments, including juniors, comped positive."

Gross margin for the third quarter decreased 50 basis points to 36.8% of net sales from 37.3% last year, due mostly to increased occupancy costs. Merchandising margins were said to be ahead of the same period last year with a "solid improvement." SG&A expenses increased 50 basis points to 23.5% of net sales from 23% in Q3 last year as a result of the expensing of stock-based compensation. The strong gains on the top-line more than offset the decreased margins and increased expenses, prompting a 2.3% increase in net income to $6.8 million, or 24 cents per diluted share, from $5.3 million, or 18 cents per diluted share, last year. For fiscal 2006, the company maintained its guidance for net income of 66 cents to 67 cents per share, which represents an increase of more than 40% compared to fiscal 2005.

Johnson Outdoors Cuts Fiscal Q4 Loss Dramatically; New Product Drives Gains...

Johnson Outdoors' operational improvements worked their way down to the bottom line for the company's fiscal fourth quarter and the 2006 fiscal year with a mid-single digit sales increase translating to an income increase in excess of 20% for the full year. New products represented one-third of overall sales for the year.

The **Watercraft** division saw double-digit growth in international paddle sport revenues drive sales 4% ahead of last year's strong fourth quarter results. The division's operating loss improved from $2.3 million in the fourth quarter of last year to $1.99 million this year. The primary reason for the operating loss was the company's investment in electronic boats, which masked the success in this division.

Marine Electronics realized a 13% increase in quarterly net sales due to growth in mass and sporting good channels for Minn Kota. The acquisition of Cannon and Bottom Line brands added $2.1 million in net sales to the division during the quarter. Excluding acquisitions, the Marine Electronics segment saw sales increased 3.8%. The division's operating margins were essentially flat at 3.4% of sales.

Diving revenues were 11% ahead of last year driven by solid growth in North America and improved performance in key international markets. The division reported healthy operating margins for the quarter, at 10.4% of sales, compared to an operating loss in the fourth quarter of last year.

Outdoor Equipment revenues decreased 16% due entirely to a 57% decline in military tent sales. The company expects military sales to decline even further next year, but going forward it does not consider the military business to be a "core business." The company is expecting $25 to $35 million in military sales for 2007.

Commercial tent sales dipped slightly below last year due to low inventories resulting from the temporary halt of production in the 2006 fiscal third quarter caused by flooding in the company's tent manufacturing facility in Binghamton, New York. Consumer camping continued to "benefit significantly" from specialty market sales this quarter.

Johnson Outdoors
Fiscal Fourth Quarter & Full-Year Results

(in $ millions)	Fourth Quarter			Full-Year		
	2006	2005	Change	2006	2005	Change
Net Sales	$80.3	$77.1	+4.2%	$395.8	$380.7	+4.0%
Outdoor	$12.5	$14.9	-16.3%	$65.9	$75.3	-12.5%
Watercraft	$19.2	$18.5	+4.1%	$87.3	$80.8	+8.0%
Diving	$23.3	$21.1	+10.5%	$78.5	$79.4	-1.2%
Marine Elec.	$25.3	$22.5	+12.7%	$164.5	$145.2	+13.2%
Gross Margin	42.4%	37.1%	+530 bps	41.7%	41.1%	+70 bps
Net Income	($0.9)	($3.4)	+72.8%	$8.7	$7.1	+22.7%
Diluted EPS	(1¢)	(39¢)	+74.4%	95¢	81¢	+17.3%
Inventories*	$63.8	$51.9	+23.0%	$63.8	$51.9	+23.0%

** at year-end*

The reduction in military sales and the flood of the Binghamton, New York facility also impacted the operating margin in the outdoor division, which was 9.1% of sales compared to 11.7% during Q4 last year.

During a conference call with analysts and the media, Helen Johnson-Leipold, Chairman and CEO of Johnson Outdoors said that acquisitions remain an important part of the company's strategy.

The first acquisition of JOUT's fiscal 2007 year was Lendal Paddles, a small specialty sea kayak paddle manufacturer based in England. Many specialty paddlesports shops are watching the development and integration of this acquisition closely.

"The purchase was small in terms of dollars, but the opportunity for growth is big," said Johnson-Leipold. "With Lendal in the mix, we will go to market with a total premium paddle sports package, from boat to accessories."

While some analysts questioned the efficiency of acquiring new brands when it appears to be much more profitable for JOUT to buy its own stock, which is trading for a relatively inexpensive price a the moment, Johnson Leipold said that investments in the business will go towards growing the company.

Going forward, the company expects approximately one third of their growth to come from acquisitions, one third from product extensions and one third from organic growth.

Commodity costs continue to be a concern, but management is "cautiously optimistic.

The improvement to JOUT's bottom line was due primarily to a growth in gross margins driven, coupled with new cost-saving programs and pricing strategies. These programs more than offset higher commodity costs and freight charges.

Going forward, management expects to see more cost savings come from these programs, particularly in the Marine Electronics segment. The Watercraft division is expected to continue its growth curve and a re-positioning of the electronic boat line to better focus on resort and rental fleets is expected to improve profitability. Overall, the company is placing a focus on improving the operating margins of all of their core consumer brands.

Aisle Talk

The Lucid Notion Snowboard Company hired **Scott Anderson** as CEO...

Nike appointed **Johnathan A. Rodgers** to its board of directors and **Gina Warren** as VP of diversity...

Liquid Boardwear added **Keith Ryan** to its sales team...

The Walking Company's new 1,500 square-foot store in Chandler, Ariz., opened its doors...

ECCO USA appointed **Linda Clohosey** as retail director and **Tim Sweeney** as dealership manager...

lucy opened its newest location in San Francisco...

Fila named **Stefano di Martino** as chief product & marketing officer...

Timberland appointed **Dennis Jenson** as VP of business development and licensing...

Johnson Outdoors named **John Moon** as VP and chief information officer...

Onitsuka Tiger will open a flagship store in Kobe, Japan...

Nike will launch a signature collection with **Ronaldinho**...

Under Armour filed an application to list its securities on the New York Stock Exchange under the symbol UA...

Hanesbrands will close its Ponce, Puerto Rico, textile manufacturing plant and move production to existing lower-cost production capacity in the Caribbean basin...

CenterStone added **Vans** to the list of clients using its iVendix software application...

Wolverine will become the largest participant in Consumers Energy's Green Generation program...

The **NHL** and **Reebok** plan to open a flagship retail store in New York City, N.Y. in the fall of 2007...

Cabela's will build one of its superstores in Lacey, Wash...

Sport Chalet will open a new location in San Marcos, Calif...

The **NHL** formed a strategic content and advertising partnership with **YouTube**...

The Tony Hawk Foundation held its third-annual Tony Hawk's Project 8 Stand Up For Skateparks benefit raising more than $950,000 for the foundation...