

Bauer to bid for NHL jersey license in 2016

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In what would be a David and Goliath contest, Bauer Performance Sports Ltd. says it plans to be a contender when the multi-million dollar license for the National Hockey League jerseys comes up in 2016.

The NHL license is currently held by Reebok, a company roughly six times Bauer's size in terms of annual revenues and part of the global athletic giant Adidas.

"We have every intention of bidding," Bauer president and chief executive officer Kevin Davis said after the company's annual general meeting Tuesday at the Hockey Hall of Fame in Toronto.

If successful, it would be a huge coup that would give the leading hockey brand more sales and marketing muscle, a sports apparel industry analyst said.

The NHL jersey business is worth an estimated \$200 million a year, including fitting the players themselves and their fans with replicas.

"It clearly would be a positive marketing story for them to have their logo on the NHL sweaters," said Matt Powell, a sports apparel industry analyst for Charlotte-based Sports One Source.

In the meantime, Bauer said the four-week old NHL lockout, which could end Nov. 2, has had little impact on the company's business, Davis said.

Bauer currently sponsors about a dozen NHL players and roughly 85 per cent of league members play with at least one piece of Bauer equipment, the company said.

But its bigger market is the 6 million kids around the world who play hockey, Davis said, and the brand continues to gain exposure through its website and community-based on-ice marketing efforts.

Bauer's ability to bid for the NHL jersey business came with its purchase last week of Inaria International, a small Toronto-based team jersey and sock maker, Davis said.

At \$7 million, it's a relatively small deal for the leading ice-hockey and lacrosse equipment maker. But Bauer said it has big plans for the unit, which adds team outfits to its stable of skates, helmets and sticks making it a "one-stop" shop for retailers.

To bid for the NHL license, the company will need time to build up Inaria's business, Davis said on a conference call with analysts earlier in the day.

"It's a step process for us," he said. "We want to make sure we can service the teams."

The bigger question may be whether Bauer will have deep enough pockets to enter the ring, Powell said later.

Typically, the successful licensee would pay an upfront fee of \$50 million to the league and then another 10 per cent a year in royalties, he explained.

Reebok, a division of global athletic giant Adidas, had sales of nearly \$2 billion euros in 2011, according to company reports.

In comparison, Bauer, the market leader in ice hockey equipment, reported \$378 million in sales for the year ending May 31, 2012.

On the other hand, the NFL recently switched licensees after Nike said it would invest in new materials and design, a move that has boosted sales as fans replace their older jerseys with the newer look, Powell noted.

For now, Bauer is focused on expanding into new geographic markets and product lines, the company said.

Bauer reported last week that quarterly sales to the end of Aug. 31 were up 4 per cent to \$148.3 million.

Profit fell 29 per cent to \$16 million due to changes in foreign currency and costs associated with its June purchase of Cascades, a lacrosse equipment maker.

Orders for Christmas holiday season are up 12 per cent, the company said.