Adidas to seek buyer for TaylorMade golf business

May 4, 2016

German sportswear firm Adidas said on Wednesday it would seek a buyer for its main golf brand TaylorMade, which has been struggling as the sport loses popularity, to help it focus on its core brands.

Adidas appointed investment bank Guggenheim Partners last August to help with a review of its golf business, which also includes the smaller Adams and Ashworth brands that it said then it wanted to sell.

It will focus in future on selling golf footwear and clothing under its main Adidas brand and enter into negotiations to sell TaylorMade, Adams and Ashworth.

"The planned divestiture will allow us to reduce complexity and focus our efforts on those areas of our business that offer the highest return," said Chief Executive Herbert Hainer.

Adidas released strong headline quarterly figures last week and raised its 2016 outlook. It gave more details on Wednesday, saying Adidas brand sales in North America, greater China and western Europe rose 31 percent, 30 percent and 26 percent, respectively.

Total Adidas brand sales rose 26 percent, far outperforming the 6 percent of its Reebok fitness brand, which some investors hope might also be put up for sale after Hainer is replaced as CEO by former Henkel boss Kasper Rorsted in October.

Adidas tweaked its guidance for its gross profit margin, saying it now expected a maximum decline of 50 basis points from last year's 48.3 percent, compared with a previous forecast for a fall of 50-100 basis points.

It said it hoped to offset the impact of less favourable hedging rates for the stronger U.S. dollar and rising labour costs in part by raising prices. It also expects higher margins in golf, where it has been overhauling its ranges.

However, sales at its golf business fell 1 percent after stripping out currency effects to 275 million euros (217.41 million pounds) - about 6 percent of group sales - with growth at TaylorMade and Adidas golf failing to make up for falls at Ashworth and Adams.

After peaking around 2000 when Tiger Woods was in his prime, the number of people playing golf in the United States, which accounts for about half the global golf market, has fallen to an estimated 23 million from nearly 30 million in 2000.
Adidas bought the TaylorMade brand in 1997 along with Salomon, developing it into the world's biggest golf supplier. It acquired Ashworth in 2008 for $72.8 million and Adams for $70 million four years later.

Other companies in the golf market include Nike, Kering's Puma and Callaway Golf.