Under Armour forecasts slowest quarterly sales growth in 6 years

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Under Armour Inc forecast current-quarter sales growth of about 20 percent, the slowest in over six years, citing the bankruptcy of retailer Sport Authority, a major customer.

The No.2 U.S. sportswear maker also said on Tuesday it entered into a deal to sell its products at department stores operated by Kohl's Corp from 2017.

The deal will "minimize further sales disruption" from the Sport Authority bankruptcy, UBS Equities analyst Michael Binetti wrote in a note. Binetti, however, had expected the Kohl's deal to come into effect in the second half.

Under Armour shares rose as much as 2.5 percent in volatile trading on Tuesday morning, after falling 1.5 percent earlier.

Revenue soared nearly 28 percent in the second quarter, driven by a 58 percent jump in footwear sales due to demand for basketball shoes endorsed by NBA star Stephen Curry.

"The Stephen Curry signature line has continued to drive strong momentum for the brand and our pinnacle football product, the Highlight Cleat, continues to lead the market," Chief Executive Kevin Plank said.

Although its apparel sales rose 18.9 percent, growth dropped below 20 percent for the first time in more than seven years in the business, which accounts for nearly two-thirds of revenue.

However, Conlumino analyst Hakon Helgesen said the company had "much more headroom for growth," especially as it remained behind Lululemon Athletica Inc, Nike Inc and Gap Inc's Athleta in terms of market share.

Under Armour has been expanding its apparel business by adding more "athleisure" clothing - a term for daily wear apparel inspired by exercise outfits.

Fashion model Gisele Bundchen and ballerina Misty Copeland are among the celebrities endorsing its athleisure lines.

COSTS PINCH
Under Armour's net income more than halved to $6.3 million in the quarter ended June 30, hurt by higher costs and a charge related to the Sports Authority bankruptcy.

Selling, general and administrative expenses rose by a third to $458.3 million.

"Given the importance of overseas expansion to Under Armour, this will likely continue to put downward pressure on profits during this year," Helgesen said.

Excluding items, the company earned 4 cents per share, beating the average analyst estimate of 1 cent, according to Thomson Reuters I/B/E/S.

Revenue surged to $1 billion from $783.6 million.

Under Armour shares were down slightly at $43.40 in late morning trading. Up to Monday's close, the stock had fallen 12 percent in the past 12 months.