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## OUT OF THE GYM, INTO THE STREET, SPORTS APPAREL HAS BECOME A BIG, GROWING BUSINESS, SAYS INVESTMENT REPORT

### ----- The Mercanti Group Study Underscores Trend to Fashion, Styling and Techno-Fabrics, Plus More Casual Lifestyles, for Its Mounting Popularity

LOS ANGELES, CA, and MINNEAPOLIS, MN, June 25, 2007 -- Sports apparel is no longer confined to gyms. In fact, leisure apparel, especially for women, and increasingly for teenagers, has become one of the hottest lines in the garment industry.

Last year, the nation's specialty and department stores rang up U.S. retail sales of sports apparel totaling \$43.7 billion, representing 22.8% of the overall clothing market, and increasing 5.6% from 2005, a 40% faster improvement than the rise in overall apparel sales, says The Mercanti Group, the investment banking firm, in its latest issue of the firm's monthly research report called the Mercanti *Chronicle*.

"The steady growth of athletic-style clothing has forced clothing designers to change the direction of their overall lines to include a broader selection of sports-inspired looks," says Eric Coonrod, the Mercanti banker who authored the report.

Sports apparel now includes casual sports clothing, active sports clothing and licensed sports clothing, and range from basic and inexpensive socks to high-end designer labels, he points out. "Consumers are demanding sports apparel and sporting accessories that possess a blend of fashion, function and performance," Coonrod notes. "However, the largest challenge facing sports apparel companies will be gaining market share in an already maturing market."

"It's important to also recognize that despite its size and growth, the sports apparel market remains highly fragmented, with the leader – Nike, Inc. – having only a 3.8% market share, and it scales down sharply from there," says James D'Aquila, Managing Director of Mercanti. "Moreover, consolidation is becoming significant, driven primarily by the need for economies of scale in dealing with suppliers stretched around the globe. The industry has also increasingly become the focus of private equity firms."

The Mercanti study also points out that with functionality and versatility being so important, vendors have responded with stylish clothing for both men and women to go from the gym to the streets: "World-famous apparel designer John Varvatos has partnered with legendary sports company Converse to design a line of shoes and clothing in an effort to reinvigorate the 'retro' brand. Actress Scarlett Johansson has lent her name and input to help design a women's line for Reebok, while actress Eva Longoria recently signed on to be the new face of Bebe Sport (Nasdaq: BEBE). Clothing designer Stella McCartney, daughter of the famous former Beatle, lends her design expertise and her name on everything from yoga gear to ski pants for global sporting goods giant Adidas (DB: ADS)."

Particularly fast-growing, says the report, is the number of brands creating crossover lines that may not even be sold through traditional sport goods channels. “Crossover wear is a primary driver behind the growth of fitness apparel sales relative to overall clothing sales. Consumers are willing to wear these new fitness products outside of their traditional location, the gym. The expansion of overall usage contributes to increased spending on fitness products, while the amplified focus on style necessary for such items allows manufacturers and retailers to charge significantly higher prices,” Coonrod comments.

Among the major trends spurring the growth in sports apparel that Mercanti points out, are:

- High-tech clothing that has the ability to reduce the potential for injury or discomfort, along with “smart fabrics” that help the wearer in their exercises by acting as a heart rate monitor.
- Stylish sports wear that is now fashionable in chic restaurants as well as gyms.
- The fact that consumers are embracing low-maintenance life styles and sports wear, again while maintaining a fashionable image.
- Growth of women in sports, particularly in canoeing, trail running and other rugged outdoor activities.
- Expanding demand for eco-friendly clothing, ranging from organic cotton to enhanced natural sourced fabrics.

Sports apparel is no longer just functional, but has become a staple of everyday wardrobes, says Coonrod. “With prices ranging from bargains to high end, sports apparel has become a diverse, dynamic market, with both major manufacturers and a slew of smaller companies actively serving particular niches. And niche players, such as Under Armour (NYSE:UA), which is an explosive driving force because of its introduction of advanced performance compression garments that keep muscles warm to lessen chance of injury, are providing technological advancements in clothing that are not only feasible but marketable.”

A full copy of this report can be obtained at [www.mercantigroup.com](http://www.mercantigroup.com).

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