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Bauer Investors Score With Top Hockey Equipment Maker - Forbes

Mike Ozanian

Although the company began as a mom and pop shop in Kitchener, Ontario in 1927, the story of [Bauer Performance Sports](#), the world's leading designer, marketer and manufacturer of hockey equipment, really begins in 2008.



NEW YORK, NY - APRIL 30: Goalie Henrik Lundqvist (Image credit: Getty Images via @daylife)

It was in February of that year Kohlberg & Co. and Canadian businessman W. Graeme Roustan [purchased](#) the company for \$200 million from Nike, which had acquired Bauer for \$395 million in 1995. Bauer's sales were about \$160 million and it was [losing](#)

[money](#) when Nike sold it. For the fiscal year ending May, 2011 the company generated sales of \$306 million and earned \$400,000. During the first 9 months of 2012 Bauer's revenue was \$294 million, 24% above the previous year's comparable period, and net income was \$23 million, a nine-fold increase versus 2011.

Since its [IPO](#) on the Toronto Stock Exchange in March of 2011, shares of Bauer are up 18% in Canadian currency compared with a 14% decline in the TSX Composite. Bauer, still majority owned by Kohlberg & Co., has an enterprise value of \$374 million. But with its shares selling for a modest 12 times this year's expected earnings of 76 cents per share, it appears that [Wall Street](#) is not fully convinced of the company's turnaround.

I recently interviewed Bauer's CEO Kevin Davis about the company's strategy and product development (please see video below). One of the more interesting takeaways was his affirmation that Bauer is really a technology company more than anything else. Indeed, the company spends about 4% of its sales on research and development versus less than 1% for [Adidas](#), which owns hockey equipment maker [Reebok](#).

One example of Bauer's product innovation: a new, patented [neck guard](#) built into hockey jerseys that uses DuPont's [Kevlar brand fiber](#), which Bauer has the exclusive right to use in hockey. Davis also points out that one of the advantages to having deals with superstars like [Alexander Ovechkin](#) of the Washington Capitals and

[Henrik Lundqvist](#) of the New York Ranger is that the hockey players give valuable feedback to the company about its products. Bauer also gets to leverage its hockey technology with its Mission Roller Hockey and Maverik Lacrosse divisions because of the similarity in equipment.