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Under Armour shares fall 24%

Slide continues over ad spending

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Under Armour shares were hammered for a second day yesterday as investors remained skeptical that high marketing costs for a new cross trainer shoe, including a Super Bowl commercial, would justify a trade-off for weak earnings in the first half of the year.

Under Armour shares plunged 24.42 percent, or $9.05, to close at $28.01, after dropping more than 13 percent Thursday.

The two-day drop of $14.84 erased nearly 35 percent - or $721 million - of the Baltimore sports apparel company's market value.

Since the stock peaked in August, Under Armour's market value has shed more than $2 billion.

Under Armour will run a one-minute Super Bowl ad on Feb. 3 to unveil the new cross trainer, which will hit stores this spring. It's part of a year-long campaign to promote the shoe. The company will release three versions - in May, July and November.

Nervous investors began selling Thursday after a Wachovia report said that marketing costs would hold down earnings in the first part of the year.

In a statement after the market closed, the company acknowledged that marketing expenses would cut earnings to between 3 to 5 cents a share in the first half of the year. Analysts had expected 39 cents for that period, according to Thomson Financial.

Under Armour would not say yesterday how much it was spending for the Super Bowl spot, but various reports have put this year's cost of advertising at the nation's biggest sporting event at about $2.7 million for a 30-second spot.

Company executives said yesterday that introduction of the cross trainer would broaden the market for Under Armour-branded footwear, justifying its decision to market it as aggressively as possible. The company said it expects to make back the money.

The company first entered the footwear market with cleats, for football, softball and baseball.

"We want to do everything we can to make this the best launch that we can," said Wayne A. Marino, Under Armour chief financial officer. "We think that over the long-term investors and Wall Street will understand that."

Under Armour shares have been falling since August when its stock price reached an all-time high of $73.40, making the company worth $3.6 billion. With a share price many times earnings, many thought the stock was overvalued and it became popular with short sellers, who profit when shares lose value.

Geoffrey Garbacz, a principal at institutional research firm Quantitative Partners, said Under Armour could also be suffering because of a general weakness in apparel stocks amid fears that a weak economy will cause shoppers to spend cautiously.

"It's a real tough environment for retail right now," he said.

Under Armour said that it is spending no more on marketing than is typical for the company. It allocates about 12 percent to 13 percent of its revenue - about $605 million last year - on marketing, and that that ratio won't change for the 2008 full year, executives said.

The company also reiterated its long-term growth targets of 20 percent to 25 percent a year for both sales and earnings.

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