



FOR IMMEDIATE RELEASE

Herzogenaurach, July 31, 2024

## **adidas brand momentum drives double-digit top-line growth in the second quarter of 2024**

### **Major developments:**

- **Currency-neutral sales up 11%, driven by adidas brand accelerating to 16% growth**
- **adidas brand up double digits across all channels with increases in all markets**
- **Underlying gross margin improves around 1.5 percentage points to 50.5% despite significant currency headwinds**
- **Operating profit of € 346 million compared to € 176 million in prior-year period**
- **Healthy inventories at a level of € 4.5 billion to support future top-line growth**
- **Full-year guidance upgraded on July 16 to reflect current brand momentum**

### **adidas CEO Bjørn Gulden:**

“Q2 was another quarter confirming that we are improving and on the way of again becoming a good and healthy company. The consumers are reacting positively to both our marketing and to our product launches. We see improved sentiment for the adidas brand globally and we continue to see improved sell-out numbers, both for lifestyle and performance products. New in the quarter was to see a positive development also for apparel.

Both the consumers and our retail partners continue to show a strong and increased interest in our brand and our products. This was clearly reflected in the 16% growth for the underlying adidas business in the quarter and in growth across all channels and all markets.

The Euro and the Copa were great football events with great atmospheres and with huge interest from the fans. I was very happy to see how adidas showed up as a brand and of course extremely proud to see Argentina winning the Copa and Spain winning the Euro. It was also great to see how these big sport events bring athletes, fans and people together in a very positive way. We now look forward to see this continue with great Olympics in Paris. The start has been sensational.

Given the improved business in Q2 we continue to raise our expectations and are now guiding for a full-year revenue increase in the high single digits and an operating profit of around € 1.0 billion.



The improved brand momentum with our consumer happened faster than we had expected. But that does not mean we do not have a lot of work to do. I am convinced we can bring adidas back to be a very strong and healthy company. To achieve this we will work hard to continue to grow double digits and use this growth to get leverage on our cost base to improve our profitability. Our mid-term EBIT margin target of 10% is achievable despite external challenges.”

## **Second-quarter results**

### **Currency-neutral revenue growth accelerates to double-digit rate in the second quarter**

In the second quarter of 2024, **currency-neutral revenues** increased 11% compared to the prior year. The double-digit growth reflects the strong momentum of the underlying adidas business, which grew 16%. The sale of parts of the remaining Yeezy inventory generated revenues of around € 200 million in the quarter, which is significantly below the Yeezy sales generated in the prior year (2023: around € 400 million in Q2). **In euro terms**, revenues grew 9% to € 5.822 billion (2023: € 5.343 billion) as currency developments led to an unfavorable translation impact.

### **Footwear continues to lead top-line growth with strong product offering**

**Footwear** revenues increased 17% on a currency-neutral basis during the quarter. The strong product offering in Originals and Football translated into strong double-digit growth in those categories. In addition, increases in Running, Training, Performance Basketball, and Sportswear also contributed to the top-line increase in footwear. **Apparel** sales were up 6% in Q2, driven by strong double-digit growth in Football. Jersey sales related to the UEFA EURO 2024 and the CONMEBOL Copa América, with the adidas teams Spain and Argentina winning the tournaments, drove the increase. Elsewhere, improving momentum in apparel was still offset by a relatively conservative sell-in approach, particularly in North America. **Accessories** declined 8% during the quarter.

### **Double-digit increases in Lifestyle and Performance**

On a currency-neutral basis, **Lifestyle** revenues increased double digits during the quarter. The company continued to drive newness and depth across its popular Samba, Gazelle, Spezial, and Campus products. In addition, adidas also experienced increasing demand in Retro Running. By launching further franchises in Sportswear, the company started to serve consumer needs across a wider range of price points. Collaborations with partners such as JJJJound, Edison Chen, Wales Bonner, Bad Bunny or Xochitl Gomez continued to fuel demand for the company’s overall Lifestyle offering. **Performance** also posted double-digit growth, led by Football. In addition to the successful jersey sales, the company recorded a strong uptake of its footwear franchises. The latest iterations of Predator and Copa, as well as the



newly launched F50 franchise, benefited strongly from their on-pitch visibility during the two major football events. Growth also accelerated in other major Performance categories. In Running, adidas continued to benefit from strong demand for its record-breaking Adizero family and started to tap into the broader market with its new Supernova and Adistar franchises. In addition, the successful launch of the Dropset 3 drove growth in Training. In Performance Basketball, Anthony Edwards' AE 1, the Harden Vol. 8, and Donovan Mitchell's D.O.N. Issue 6 experienced strong sell-throughs and drove brand awareness.

### **Double-digit growth in wholesale and own retail**

From a channel perspective, the underlying top-line momentum has broadened during the second quarter. **Wholesale** grew 17% on a currency-neutral basis. **Direct-to-consumer (DTC)** revenues grew 4% versus the prior year. Excluding Yeezy, the company's DTC business grew 21%. Within DTC, growth in adidas' **own retail** stores further accelerated (+15%) driven by strong sell-out in the company's concept store fleet. **E-commerce** revenues declined 6% in the quarter because of the significantly smaller Yeezy business. Excluding Yeezy, revenues in e-commerce were up more than 30% in Q2.

### **Strong double-digit growth in Europe, Emerging Markets, and Latin America**

Currency-neutral sales in **Europe** increased 19% during the quarter, while revenues in **Emerging Markets** and **Latin America** also grew double digits (+25% and +33%, respectively). Sales in **Greater China** grew 9% and revenues in **Japan/South Korea** were up 6%. Revenues in **North America** decreased 8%. The decline was solely related to the significantly smaller Yeezy business. Excluding Yeezy, revenues in North America increased versus the prior year driven by growth in both wholesale and own retail.

### **Underlying gross margin improves around 1.5 percentage points**

The company's second quarter **gross margin** reached a level of 50.8% (2023: 50.9%). The significantly smaller Yeezy business had a negative impact on the year-over-year comparison. Excluding Yeezy, the adidas gross margin increased around 1.5 percentage points to a level of around 50.5% during the quarter (2023: around 49.0%), despite negative currency effects still weighing strongly on the development. The underlying improvement reflects better sell-throughs, lower freight and product costs, reduced discounting, and a more favorable product mix.

### **Moderate increase in expenses amid continued brand investments**

**Other operating expenses** increased by 2% to € 2.637 billion (2023: € 2.582 billion). As a percentage of sales, other operating expenses decreased 3.0 percentage points to 45.3% (2023: 48.3%). **Marketing and point-of-sales expenses** were up 15% to € 707 million in the quarter (2023: € 617 million). The increase reflects continued investments into the global



brand campaign 'You Got This,' large-scale activations around major sports events such as the Euro 2024 and Copa América, as well as new product launches. As a percentage of sales, marketing and point-of-sale expenses were up 0.6 percentage points to 12.1% (2023: 11.5%). **Operating overhead expenses** decreased 2% to € 1.930 billion (2023: € 1.965 billion), despite ongoing investments aimed at strengthening the company's sales activities. The decline was supported by non-recurring expenses recorded in the prior-year period, which related to accruals for donations and strategic measures. As a percentage of sales, operating overhead expenses decreased 3.6 percentage points to 33.2% (2023: 36.8%).

### **Operating profit almost doubles to € 346 million**

The company's **operating profit** amounted to € 346 million (2023: € 176 million), reflecting an **operating margin** of 5.9% (2023: 3.3%). The sale of parts of the remaining Yeezy inventory contributed around € 50 million to the company's operating profit in the second quarter. This compares to a profit contribution from Yeezy of around € 150 million in the prior-year period.

### **Net income from continuing operations increases to € 211 million**

Net financial expenses amounted to € 42 million (2023: € 53 million) and the company recorded income taxes of € 93 million (2023: € 27 million). While the tax rate of 30.5% (2023: 21.9%) reflects the normalization of profitability levels, the year-over-year comparison is still impacted by the exceptional pre-tax income developments in the prior year. The company's **net income from continuing operations** amounted to € 211 million (2023: € 96 million), while **basic EPS from continuing operations** increased to € 1.09 (2023: € 0.48).

## **Half-year results**

### **Currency-neutral revenues up 10% in the first half of the year**

In the first half of 2024, **currency-neutral revenues** increased 10% compared to the prior-year period. In euro terms, revenues were up 6% to € 11.280 billion in the first six months of 2024 (2023: € 10.617 billion) as currency developments led to an unfavorable translation impact. The top-line development was driven by the strong momentum of the underlying adidas business, which grew 10% on a currency-neutral basis in the first six months of 2024. In addition, the sale of parts of the remaining Yeezy inventory contributed revenues of more than € 350 million in total during the six-month period (2023: around € 400 million in H1).



### **Gross margin improves significantly to 51.0%**

The company's **gross margin** increased 3.2 percentage points to 51.0% (2023: 47.9%) during the first half of the year. The positive development was driven by lower sourcing costs, adidas' much healthier inventory levels, a more favorable business mix, and reduced discounting. In contrast, negative currency effects weighed significantly on the gross margin.

### **Operating profit increases to € 682 million**

**Other operating expenses** increased by 3% to € 5.115 billion (2023: € 4.949 billion) in the first six months of 2024. As a percentage of sales, other operating expenses decreased 1.3 percentage points to 45.4% (2023: 46.6%). **Marketing and point-of-sale expenses** were up 12% to € 1.363 billion (2023: € 1.218 billion) in the first half of the year, reflecting continued brand investments. As a percentage of sales, marketing and point-of-sale expenses were up 0.6 percentage points to 12.1% (2023: 11.5%). **Operating overhead expenses** slightly increased 1% to € 3.752 billion (2023: € 3.731 billion). As a percentage of sales, operating overhead expenses decreased 1.9 percentage points to 33.3% (2023: 35.1%). As a result, the company's **operating profit** amounted to € 682 million (2023: € 236 million), reflecting an operating margin of 6.0% (2023: 2.2%). The sale of parts of the remaining Yeezy inventory contributed around € 100 million to the company's operating profit in the first half of 2024 (2023: around € 150 million in H1). **Net income from continuing operations** increased significantly to € 382 million (2023: € 73 million), while basic and diluted earnings per share from continuing operations increased to € 2.05 (2023: € 0.29).

### **Healthy inventories to support future top-line growth**

**Inventories** decreased 18% to € 4.544 billion as at June 30, 2024. This reflects a reduction of € 1.0 billion compared to the prior-year level of € 5.540 billion due to effective inventory management and represents a healthy foundation to support future top-line growth. On a currency-neutral basis, inventories decreased 17% compared to June 30, 2023. **Operating working capital** was down 19% to € 4.756 billion (2023: € 5.896 billion). On a currency-neutral basis, operating working capital decreased 18%. Average operating working capital as a percentage of sales decreased 5.3 percentage points to 21.7% (2023: 27.1%). This development mainly reflects the significant decrease of inventories, as an increase in payables was mostly offset by higher receivables.

### **Adjusted net borrowings decrease € 1.3 billion compared to the prior year**

**Adjusted net borrowings** on June 30, 2024, amounted to € 4.751 billion (June 30, 2023: € 6.039 billion), representing a year-over-year decrease of 21% or € 1.3 billion in absolute terms. This development mainly reflects a decline in short- and long-term borrowings and an increase of cash and cash equivalents.



## **Full-year outlook**

### **High-single-digit revenue increase expected in 2024**

On July 16, adidas raised its top- and bottom-line guidance as a result of the better-than-expected performance during the second quarter and taking into account the current brand momentum. adidas now expects **currency-neutral revenues** to increase at a high-single-digit rate in 2024 (previously: to increase at a mid- to high-single-digit rate). The company's **operating profit** is now expected to reach a level of around € 1.0 billion (previously: to reach a level of around € 700 million). Within this guidance, adidas assumes the sale of the remaining Yeezy inventory during the remainder of the year to occur on average at cost. This would result in additional revenues of around € 150 million and no further profit contribution during the second half of 2024.

### **Outlook impacted by significant currency headwinds**

The company continues to expect unfavorable currency effects to weigh significantly on its profitability this year. These effects are negatively impacting both reported revenues and the gross margin development in 2024. This was particularly the case during the first half of the year.

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## **Contacts:**

### **Media Relations**

corporate.press@adidas.com  
Tel.: +49 (0) 9132 84-2352

### **Investor Relations**

investor.relations@adidas.com  
Tel.: +49 (0) 9132 84-2920

For more information, please visit [adidas-group.com](https://adidas-group.com).

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**adidas AG Condensed Consolidated Income Statement (IFRS)**  
**€ in millions**

	Quarter ending June 30, 2024	Quarter ending June 30, 2023	Change
Net sales	5,822	5,343	8.9%
Cost of sales	2,863	2,625	9.1%
<b>Gross profit</b>	<b>2,959</b>	<b>2,719</b>	<b>8.8%</b>
(% of net sales)	50.8%	50.9%	(0.1pp)
Royalty and commission income	19	21	(12.3%)
Other operating income	6	18	(66.6%)
Other operating expenses	2,637	2,582	2.1%
(% of net sales)	45.3%	48.3%	(3.0pp)
Marketing and point-of-sale expenses	707	617	14.6%
(% of net sales)	12.1%	11.5%	0.6pp
Operating overhead expenses <sup>1</sup>	1,930	1,965	(1.8%)
(% of net sales)	33.2%	36.8%	(3.6pp)
<b>Operating profit</b>	<b>346</b>	<b>176</b>	<b>96.7%</b>
(% of net sales)	5.9%	3.3%	2.7pp
Financial income	20	19	5.3%
Financial expenses	62	71	(13.1%)
<b>Income before taxes</b>	<b>304</b>	<b>123</b>	<b>146.5%</b>
(% of net sales)	5.2%	2.3%	2.9pp
Income taxes	93	27	242.9%
(% of income before taxes)	30.5%	21.9%	8.6pp
<b>Net income from continuing operations</b>	<b>211</b>	<b>96</b>	<b>119.5%</b>
(% of net sales)	3.6%	1.8%	1.8pp
Loss from discontinued operations, net of tax	(6)	(1)	(319.9%)
<b>Net income</b>	<b>206</b>	<b>95</b>	<b>116.7%</b>
(% of net sales)	3.5%	1.8%	1.8pp
<b>Net income attributable to shareholders</b>	<b>190</b>	<b>84</b>	<b>125.8%</b>
(% of net sales)	3.3%	1.6%	1.7pp
<b>Net income attributable to non-controlling interests</b>	<b>16</b>	<b>11</b>	<b>46.3%</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>1.09</b>	<b>0.48</b>	<b>128.8%</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>1.09</b>	<b>0.48</b>	<b>128.8%</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>1.06</b>	<b>0.47</b>	<b>125.8%</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>1.06</b>	<b>0.47</b>	<b>125.8%</b>

<sup>1</sup> Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets. Rounding differences may arise.



## Net Sales<sup>1,2</sup> € in millions

	Quarter ending June 30, 2024	Quarter ending June 30, 2023	Change	Change (currency-neutral)
Europe	1,912	1,592	20.1%	19.4%
North America	1,302	1,399	(6.9%)	(7.7%)
Greater China	822	766	7.4%	9.3%
Emerging Markets	749	600	24.9%	24.6%
Latin America	673	596	12.8%	32.6%
Japan/South Korea	321	326	(1.8%)	5.8%
Other Businesses	23	48	(51.5%)	(51.3%)

1 Prior year adjusted in context of introduction of new segment structure.

2 Differences to aggregated net sales may arise due to items which are not directly attributable.

Rounding differences may arise.





**adidas AG Condensed Consolidated Income Statement (IFRS)**  
**€ in millions**

	Half year ending June 30, 2024	Half year ending June 30, 2023	Change
Net sales	11,280	10,617	6.2%
Cost of sales	5,525	5,535	(0.2%)
<b>Gross profit</b>	<b>5,755</b>	<b>5,082</b>	<b>13.2%</b>
(% of net sales)	51.0%	47.9%	3.2pp
Royalty and commission income	35	46	(23.9%)
Other operating income	8	57	(86.2%)
Other operating expenses	5,115	4,949	3.4%
(% of net sales)	45.4%	46.6%	(1.3pp)
Marketing and point-of-sale expenses	1,363	1,218	11.9%
(% of net sales)	12.1%	11.5%	0.6pp
Operating overhead expenses <sup>1</sup>	3,752	3,731	0.6%
(% of net sales)	33.3%	35.1%	(1.9pp)
<b>Operating profit</b>	<b>682</b>	<b>236</b>	<b>188.8%</b>
(% of net sales)	6.0%	2.2%	3.8pp
Financial income	43	30	43.6%
Financial expenses	177	111	58.7%
<b>Income before taxes</b>	<b>549</b>	<b>155</b>	<b>254.2%</b>
(% of net sales)	4.9%	1.5%	3.4pp
Income taxes	166	82	102.2%
(% of income before taxes)	30.3%	53.1%	(22.8pp)
<b>Net income from continuing operations</b>	<b>382</b>	<b>73</b>	<b>426.2%</b>
(% of net sales)	3.4%	0.7%	2.7pp
Loss from discontinued operations, net of tax	(7)	(7)	11.6%
<b>Net income</b>	<b>376</b>	<b>65</b>	<b>476.1%</b>
(% of net sales)	3.3%	0.6%	2.7pp
<b>Net income attributable to shareholders</b>	<b>360</b>	<b>45</b>	<b>701.3%</b>
(% of net sales)	3.2%	0.4%	2.8pp
<b>Net income attributable to non-controlling interests</b>	<b>16</b>	<b>20</b>	<b>(23.4%)</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>2.05</b>	<b>0.29</b>	<b>600.0%</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>2.05</b>	<b>0.29</b>	<b>600.0%</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>2.02</b>	<b>0.25</b>	<b>701.2%</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>2.02</b>	<b>0.25</b>	<b>701.2%</b>

<sup>1</sup> Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets. Rounding differences may arise.



## Net Sales<sup>1,2</sup> € in millions

	Half year ending June 30, 2024	Half year ending June 30, 2023	Change	Change (currency-neutral)
Europe	3,645	3,101	17.5%	16.7%
North America	2,424	2,575	(5.9%)	(5.8%)
Greater China	1,719	1,650	4.2%	8.5%
Emerging Markets	1,461	1,272	14.9%	20.7%
Latin America	1,287	1,191	8.0%	25.0%
Japan/South Korea	660	673	(1.9%)	6.7%
Other Businesses	55	128	(56.8%)	(53.9%)

1 Prior year adjusted in context of introduction of new segment structure.

2 Differences to aggregated net sales may arise due to items which are not directly attributable.

Rounding differences may arise.



**adidas AG Consolidated Statement of Financial Position (IFRS)**  
**€ in millions**

	June 30, 2024	June 30, 2023	Change
Cash and cash equivalents	1,660	993	67.1%
Accounts receivable	2,771	2,567	7.9%
Other current financial assets	925	795	16.3%
Inventories	4,544	5,540	(18.0%)
Income tax receivables	232	122	90.8%
Other current assets	969	1,134	(14.5%)
<b>Total current assets</b>	<b>11,102</b>	<b>11,151</b>	<b>(0.4%)</b>
Property, plant and equipment	2,095	2,148	(2.5%)
Right-of-use assets	2,702	2,350	15.0%
Goodwill	1,256	1,247	0.7%
Other intangible assets	446	436	2.3%
Long-term financial assets	329	309	6.5%
Other non-current financial assets	393	345	13.8%
Deferred tax assets	1,228	1,290	(4.8%)
Other non-current assets	69	62	11.9%
<b>Total non-current assets</b>	<b>8,519</b>	<b>8,186</b>	<b>4.1%</b>
<b>Total assets</b>	<b>19,620</b>	<b>19,338</b>	<b>1.5%</b>
Short-term borrowings	615	915	(32.8%)
Accounts payable	2,560	2,210	15.8%
Current lease liabilities	582	572	1.7%
Other current financial liabilities	160	337	(52.5%)
Income taxes	394	343	15.0%
Other current provisions	1,281	1,379	(7.1%)
Current accrued liabilities	2,541	2,445	3.9%
Other current liabilities	633	525	20.4%
<b>Total current liabilities</b>	<b>8,765</b>	<b>8,726</b>	<b>0.4%</b>
Long-term borrowings	2,422	2,938	(17.6%)
Non-current lease liabilities	2,479	2,110	17.5%
Other non-current financial liabilities	2	13	(88.1%)
Pensions and similar obligations	110	121	(9.0%)
Deferred tax liabilities	134	138	(3.1%)
Other non-current provisions	274	119	130.7%
Non-current accrued liabilities	-	4	n.a.
Other non-current liabilities	79	7	1085.3%
<b>Total non-current liabilities</b>	<b>5,501</b>	<b>5,450</b>	<b>0.9%</b>
Share capital	179	179	-
Reserves	438	350	25.4%
Retained earnings	4,372	4,262	2.6%
<b>Shareholders' equity</b>	<b>4,989</b>	<b>4,790</b>	<b>4.1%</b>
Non-controlling interests	366	372	(1.6%)
<b>Total equity</b>	<b>5,355</b>	<b>5,162</b>	<b>3.7%</b>
<b>Total liabilities and equity</b>	<b>19,620</b>	<b>19,338</b>	<b>1.5%</b>

Rounding differences may arise.



## Additional Balance Sheet Information € in millions

	June 30, 2024	June 30, 2023	Change
Operating working capital	4,756	5,896	(19.3%)
Working capital	2,337	2,425	(3.7%)
Adjusted net borrowings <sup>1</sup>	4,751	6,039	(21.3%)
Financial leverage <sup>2</sup>	95.2%	126.1%	(30.9pp)

<sup>1</sup> Adjusted net borrowings = short-term borrowings + long-term borrowings + current and non-current lease liabilities + pensions and similar obligations + factoring – accessible cash and cash equivalents.

<sup>2</sup> Based on shareholders' equity.

Rounding differences may arise.