

adidas

Q3 2020 RESULTS

November 10, 2020



AGENDA

- 01 INTRODUCTION
- 02 BUSINESS UPDATE
- 03 FINANCIAL UPDATE
- 04 OPERATIONAL UPDATE
- 05 OUTLOOK



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INTRODUCTION





**READY
FOR
SPORT**



FOR THE GAME

BRINGING TEAMS
BACK TO FOOTBALL.



AMANDA RAJKUMAR TO JOIN ADIDAS

AS BOARD MEMBER RESPONSIBLE FOR GLOBAL HUMAN RESOURCES



- Joins adidas at the beginning of 2021
- Held numerous executive leadership positions for different business divisions
- Over 24 years of human resources experience in global organizations
- Proven track record at BNP Paribas and JP Morgan

CREATE LASTING CHANGE NOW

PROGRESS AGAINST OUR COMMITMENTS

JULY

AUGUST

SEPTEMBER

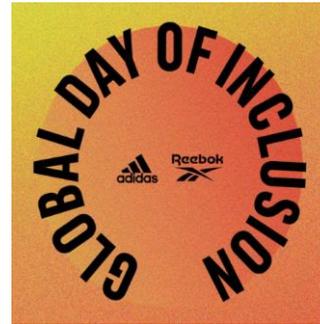
Q4



Creation of global committee to accelerate inclusion



Relaunch of our company-wide fair play code of conduct



Global event to reflect, learn and celebrate inclusion



30-hour inclusion training mandatory for all employees

ADIDAS AS BEST PLACE TO WORK

HIGHEST RANKED SPORTS COMPANY IN FORBES WORLD'S BEST EMPLOYERS 2020 LIST



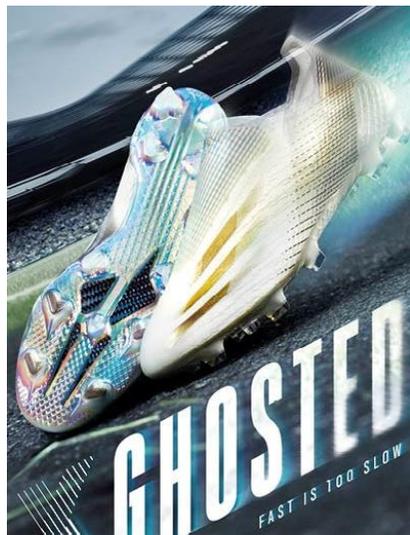
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**BUSINESS
UPDATE**



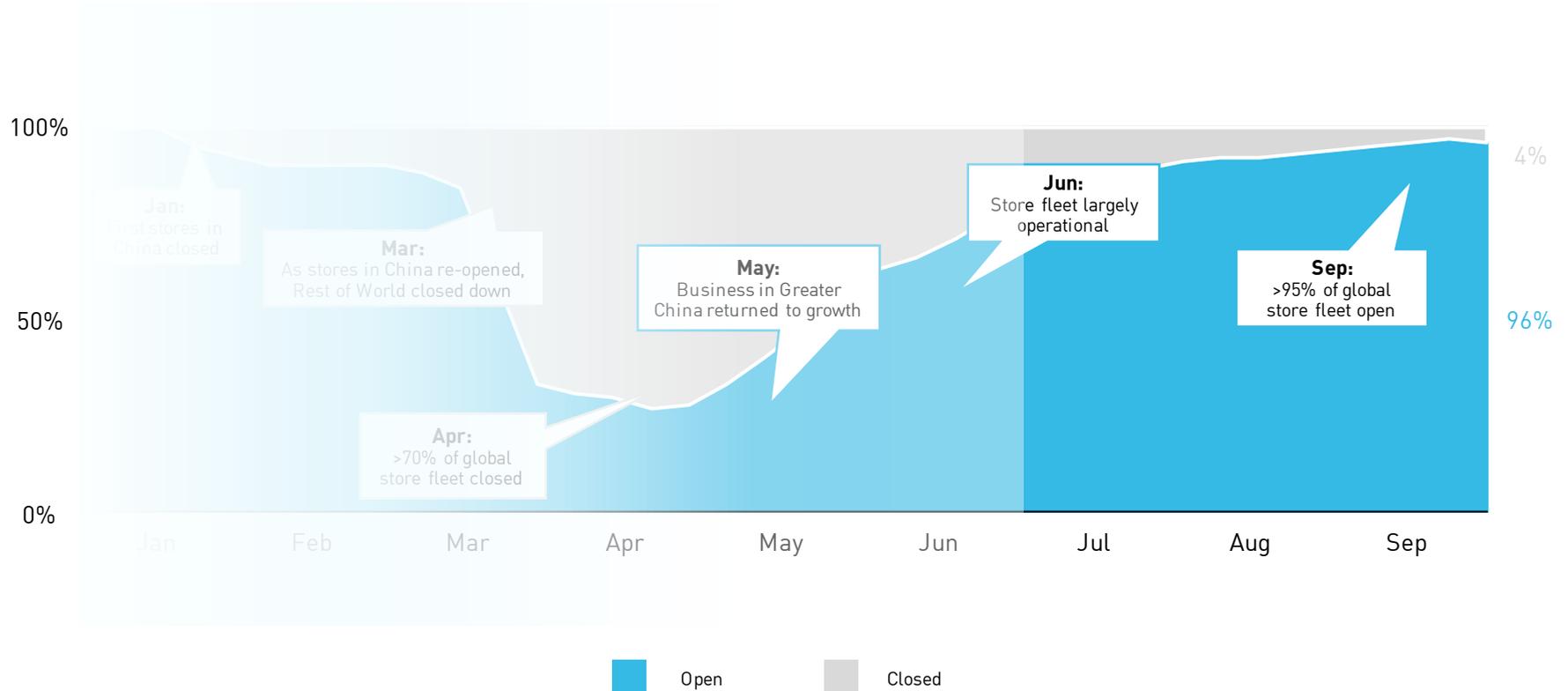
CONSUMER HIGHLIGHTS

Q3 2020



POSITIVE STORE OPENING TREND CONTINUED THROUGHOUT Q3

96% OF GLOBAL STORE FLEET OPEN AT THE END OF SEPTEMBER



STRENGTHS & WEAKNESSES

Q3 2020



+

INVENTORY NORMALIZATION PROGRESSING AS PLANNED

Reduction of more than € 0.5 billion from peak in June

+

TOP-LINE RECOVERY LED BY DTC BUSINESS

E-com sales up 51% with strong increase in full-price share

+

RETURN TO DOUBLE-DIGIT OPERATING MARGIN

€ 1.1 billion sequential operating profit improvement

+

FINANCIAL FLEXIBILITY INCREASED AT FAVORABLE CONDITIONS

Successful bond issuances paved the way for replacing KfW facility

-

REVENUE RECOVERY NOT FOLLOWING A LINEAR TREND

Fading impact from pent-up demand and one-time consumer subsidies

-

RETAIL TRAFFIC STILL SIGNIFICANTLY BELOW PRIOR YEAR

Not fully compensated by higher conversion

-

ADVERSE FX DEVELOPMENTS WEIGHING ON TOP- AND BOTTOM-LINE

Material translation headwind due to recent US-\$ weakness

-

RISK OF FURTHER LOCKDOWNS REQUIRES PRUDENT APPROACH

Taking disciplined stance on orders and shipments to limit downside

P&L AT A GLANCE

Q3 2020

REVENUES DECREASE 3% CURRENCY-NEUTRAL

And 7% in euro terms to € 5.964 billion

GROSS MARGIN DOWN 2.1PP TO 50.0%

Headwinds from industry-wide promotional activity and adverse FX

OPERATING PROFIT OF € 794 MILLION

Operating margin of 13.3% supported by strict cost control

NET INCOME FROM CONTINUING OPERATIONS

Of € 578 million

BASIC EPS FROM CONTINUING OPERATIONS

Of € 2.80



STRATEGIC GROWTH AREAS

Q3 2020

ADIDAS NORTH AMERICA

Growth over the first two months of the quarter

-1%

GREATER CHINA

Double-digit growth in DTC driven by both own retail and e-com

-5%

E-COMMERCE

Reflecting significantly higher full-price share

+51%

Currency-neutral.



ANOTHER QUARTER OF EXCEPTIONAL E-COMMERCE GROWTH CONTINUING TO DRIVE PROFITABLE GROWTH

+51%

E-COMMERCE REVENUES UP 51%

Exceptional growth despite store opening rate >90%

REACHING NEARLY 150 MILLION MEMBERS

Member sales account for two-thirds of e-com revenues across the US and Europe

CONFIRMED APP LAUNCHED

Our new home for exclusive products driving full-price sell-through



ADIDAS AND REEBOK BRAND PERFORMANCE

BRAND ADIDAS RECORDS GROWTH IN ORIGINALS AND RUNNING

ADIDAS REVENUES



-2%

REEBOK REVENUES



-7%

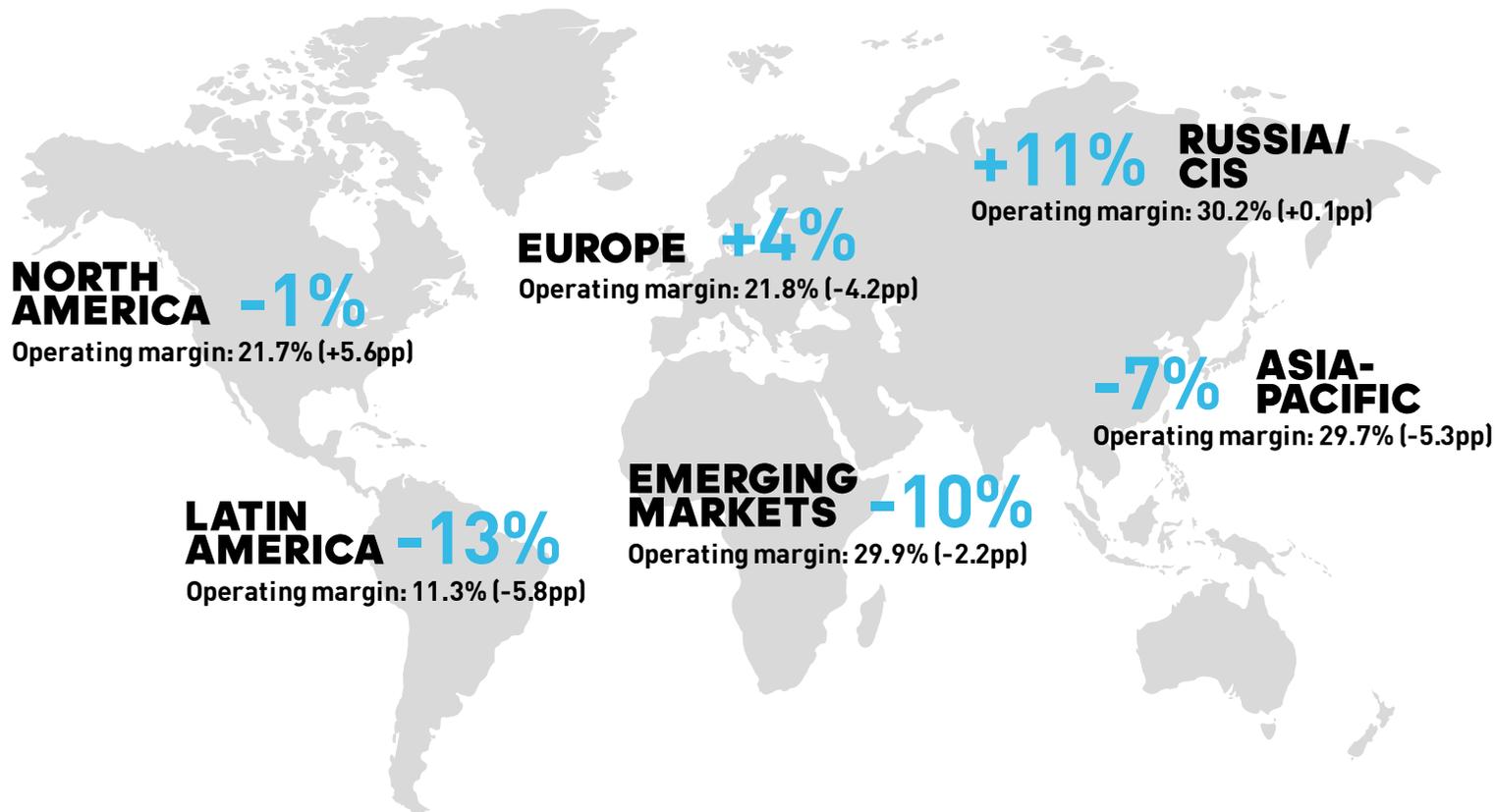
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FINANCIAL UPDATE



OVERVIEW MARKET SEGMENTS

EUROPE AND RUSSIA/CIS BACK TO GROWTH



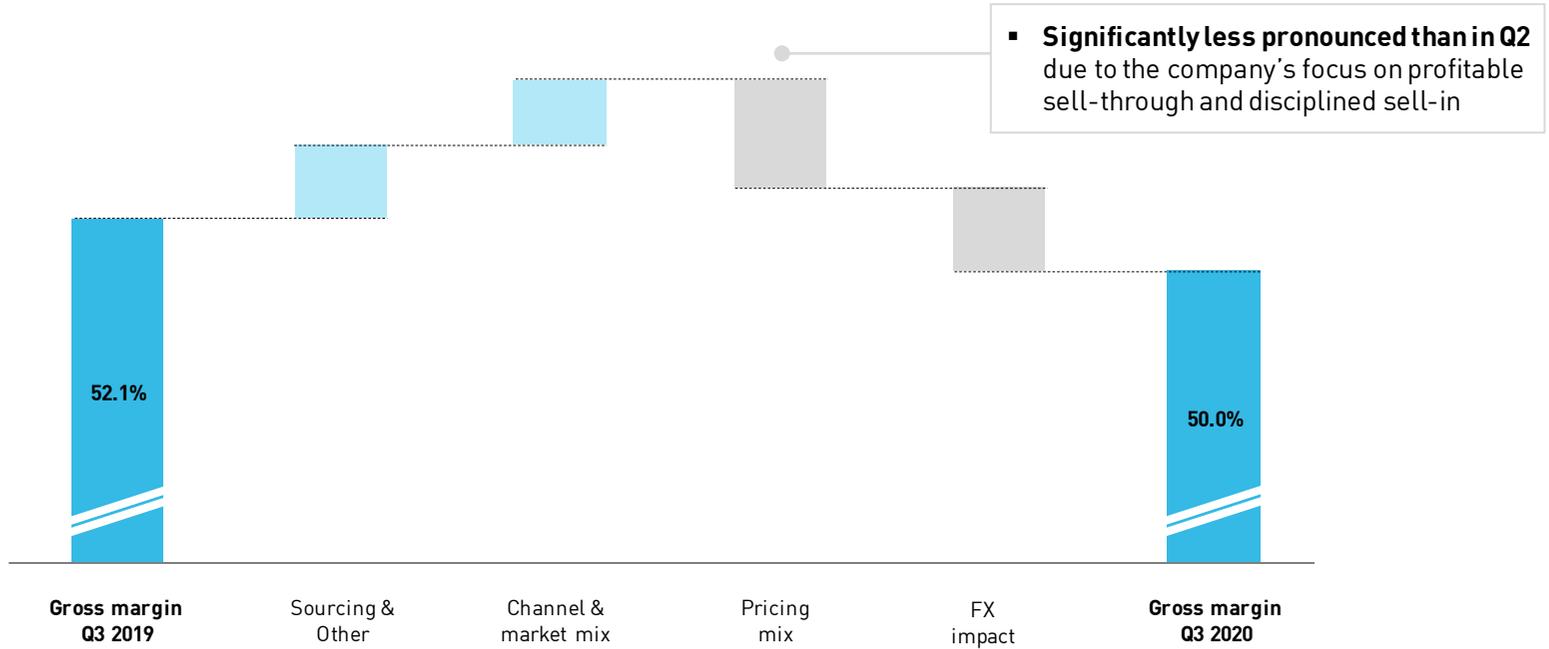
P&L OVERVIEW

RETURN TO DOUBLE-DIGIT OPERATING MARGIN

(€ in millions)	Q3 2020	Q3 2019	Y-O-Y
NET SALES	5,964	6,410	-7%
GROSS MARGIN	50.0%	52.1%	-2.1pp
OTHER OPERATING EXPENSES	2,223	2,486	-11%
<i>(in % of sales)</i>	37.3%	38.8%	-1.5pp
MARKETING AND POINT-OF-SALE EXPENSES	579	753	-23%
<i>(in % of sales)</i>	9.7%	11.7%	-2.0pp
OPERATING OVERHEAD EXPENSES	1,644	1,733	-5%
<i>(in % of sales)</i>	27.6%	27.0%	+0.5pp
OPERATING PROFIT	794	897	-12%
OPERATING MARGIN	13.3%	14.0%	-0.7pp
NET INCOME from continuing operations	578	644	-10%
BASIC EPS from continuing operations (€)	2.80	3.26	-14%

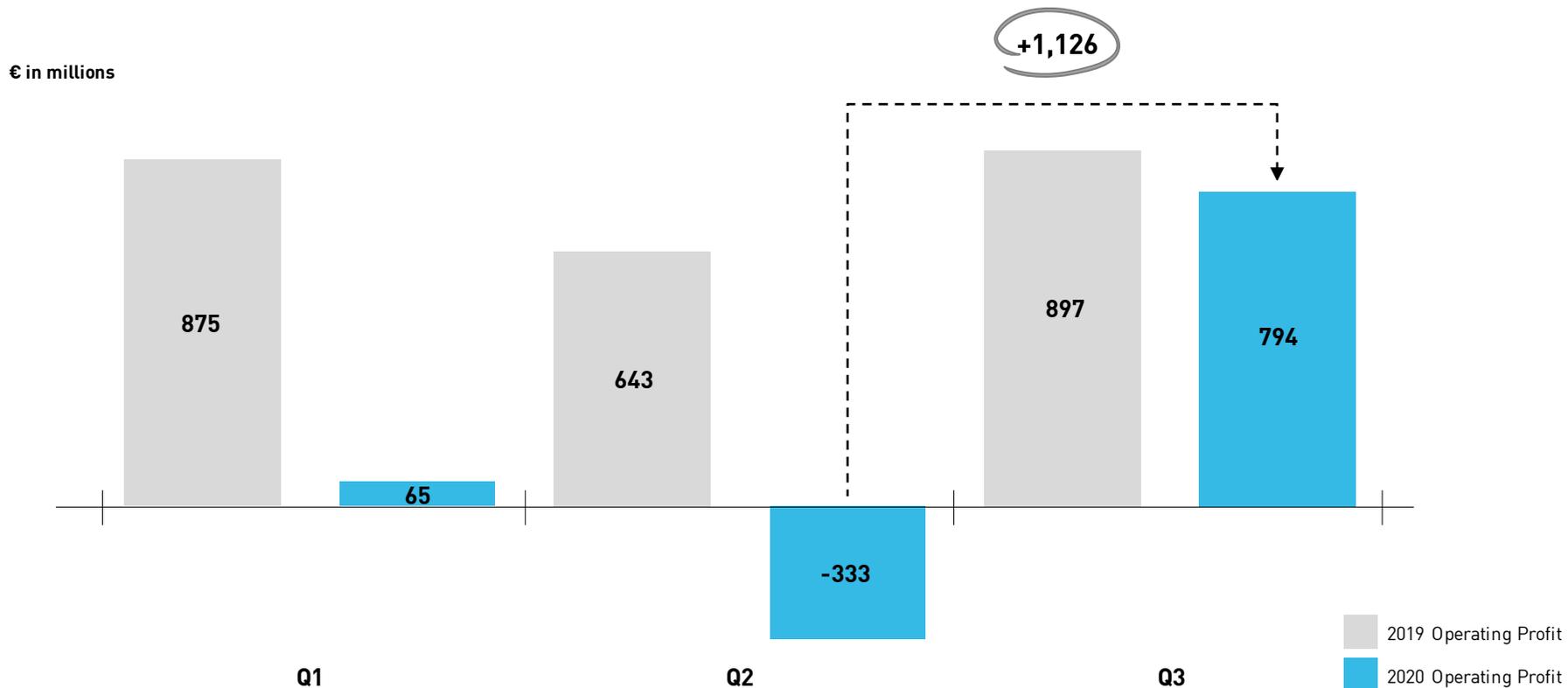
GROSS MARGIN DEVELOPMENT DECOMPOSED

HEADWINDS FROM ADVERSE FX AND INDUSTRY-WIDE PROMOTIONAL ACTIVITY AS ANTICIPATED



SIGNIFICANT OPERATING PROFIT RECOVERY

€ 1.1 BILLION SEQUENTIAL IMPROVEMENT SUPPORTED BY STRICT COST CONTROL



NET DEBT AND EQUITY POSITION

INCREASE IN NET DEBT OF € 300 MILLION COMPARED TO THE END OF Q2

Net debt

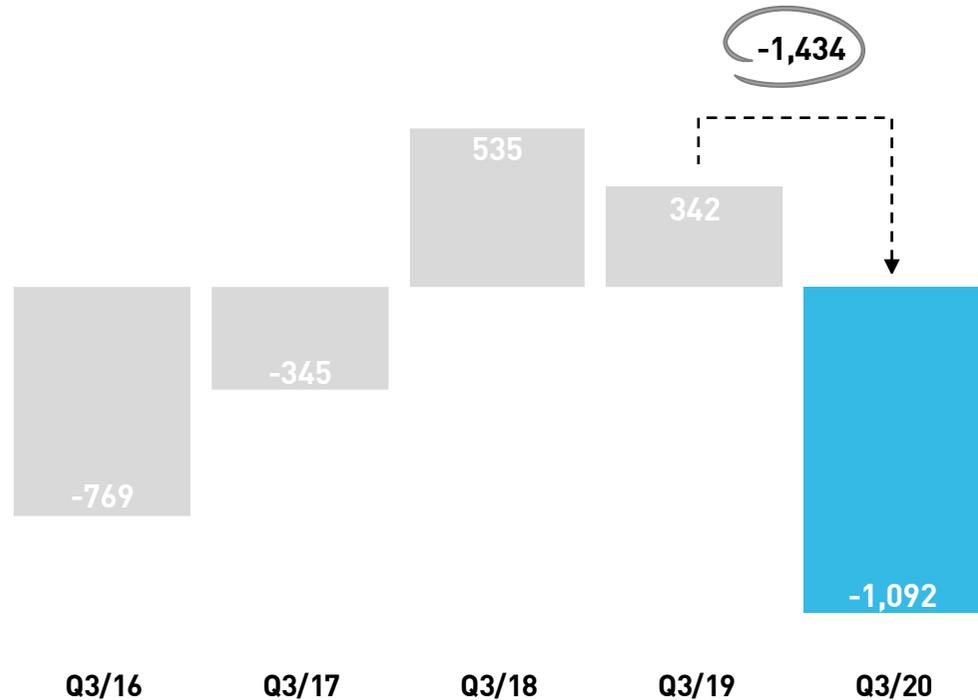
At € 1,092 million

Equity position

Decrease of € 583 million year-on-year

Equity ratio

At 30.4%



AVERAGE OPERATING WORKING CAPITAL

SEQUENTIAL NORMALIZATION OF BOTH INVENTORIES AND PAYABLES

Inventories up 35% c.n. year-on-year

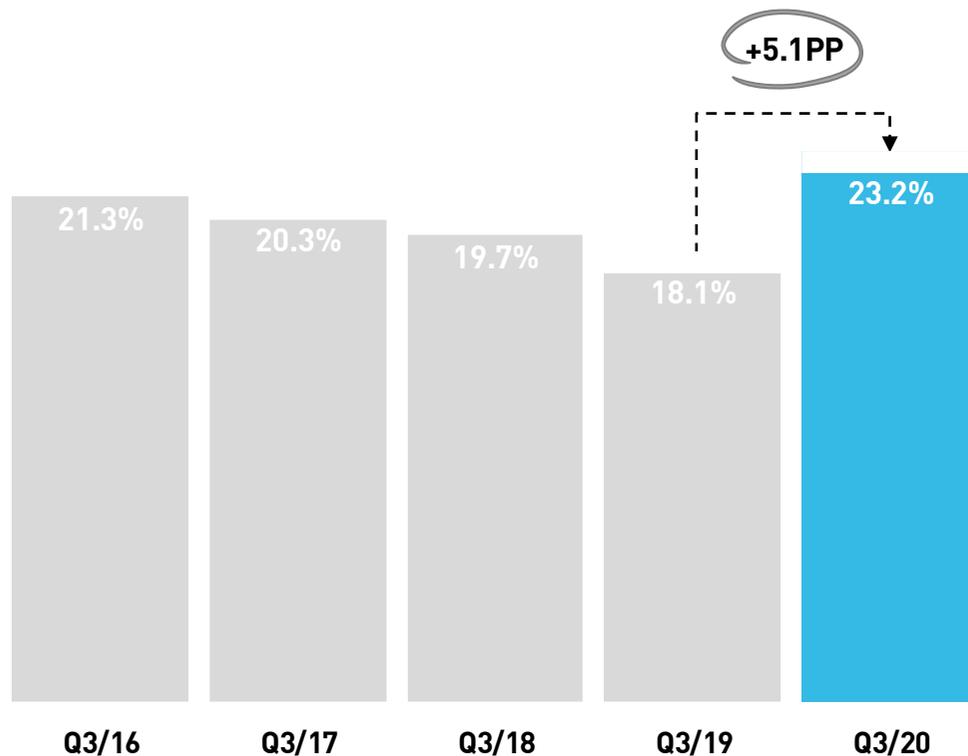
Reduced by 10% c.n. since end of June

Receivables down 14% c.n. year-on-year

Continued emphasis on cash collection

Payables down 26% c.n. year-on-year

Normalization of payment terms with vendors



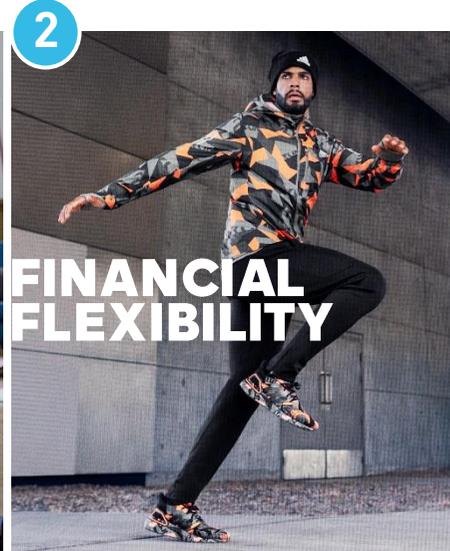
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**OPERATIONAL
UPDATE**



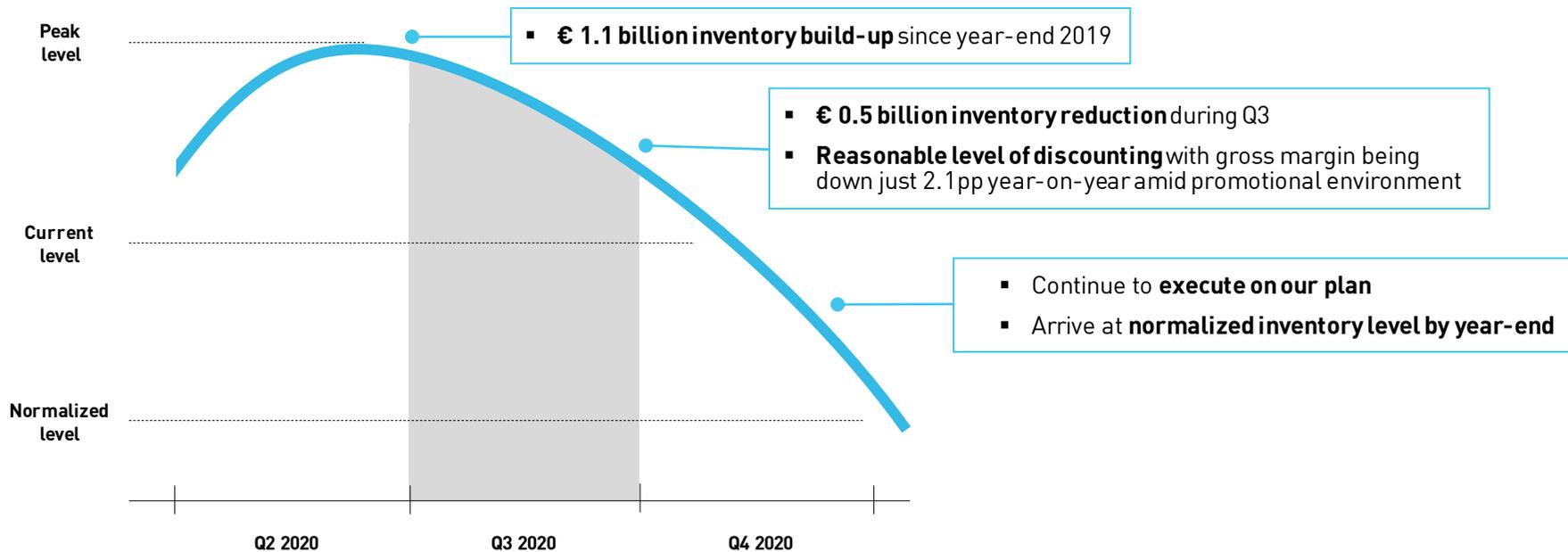
EXECUTE THROUGH COVID-19

STRIKING THE BALANCE BETWEEN SHORT AND LONG TERM



1 INVENTORY NORMALIZATION PROGRESSING AS PLANNED

OPERATIONAL FLEXIBILITY

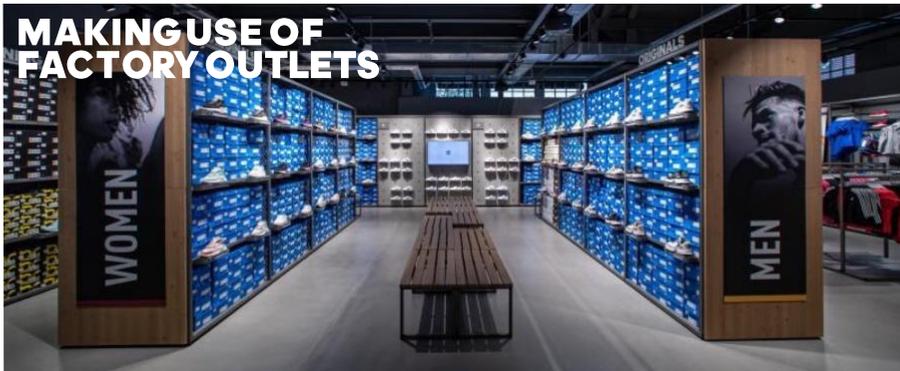


1 EXECUTING INVENTORY NORMALIZATION PLAN

OPERATIONAL FLEXIBILITY



**FLEXIBLY DRIVING
OUR PRODUCT PIPELINE**



**MAKING USE OF
FACTORY OUTLETS**



**EXECUTING
FULLY DIGITAL**

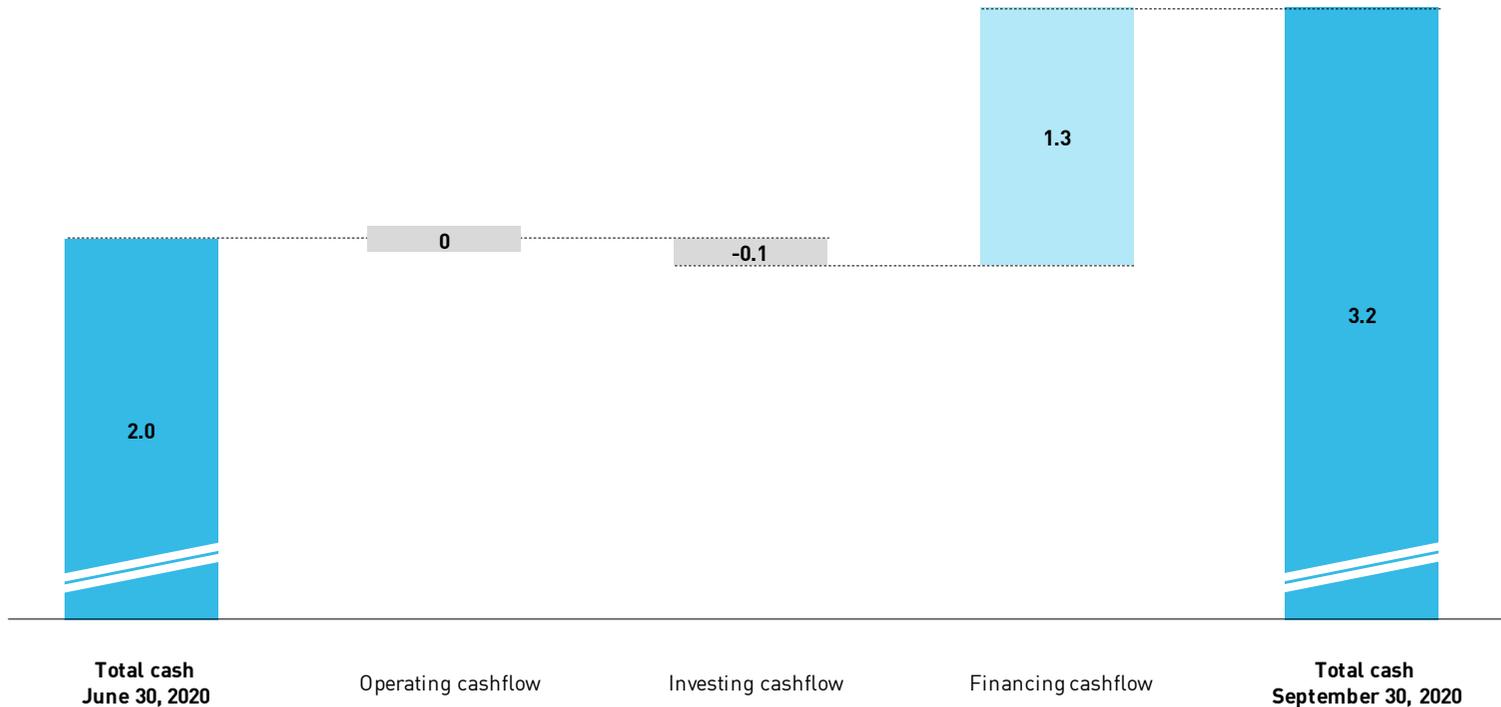


**LEVERAGING COMMERCIAL
MOMENTS AND SALES EVENTS**

2 CASH POSITION INCREASES TO € 3.2 BILLION AT THE END OF Q3

FINANCIAL FLEXIBILITY

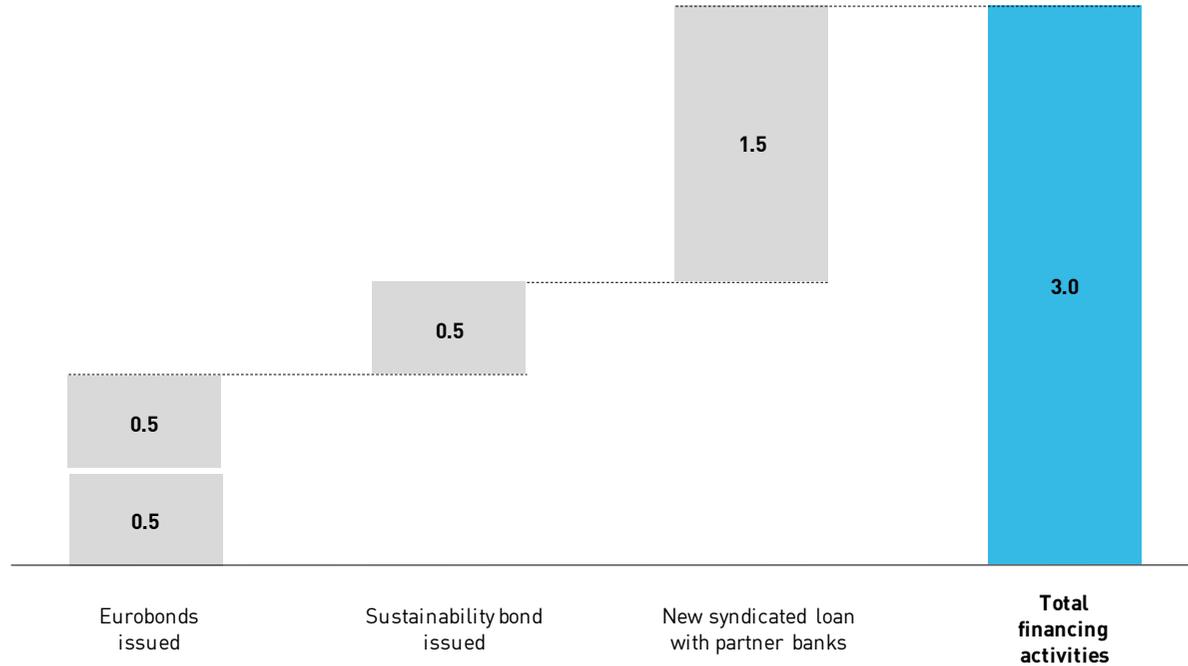
€ in billions



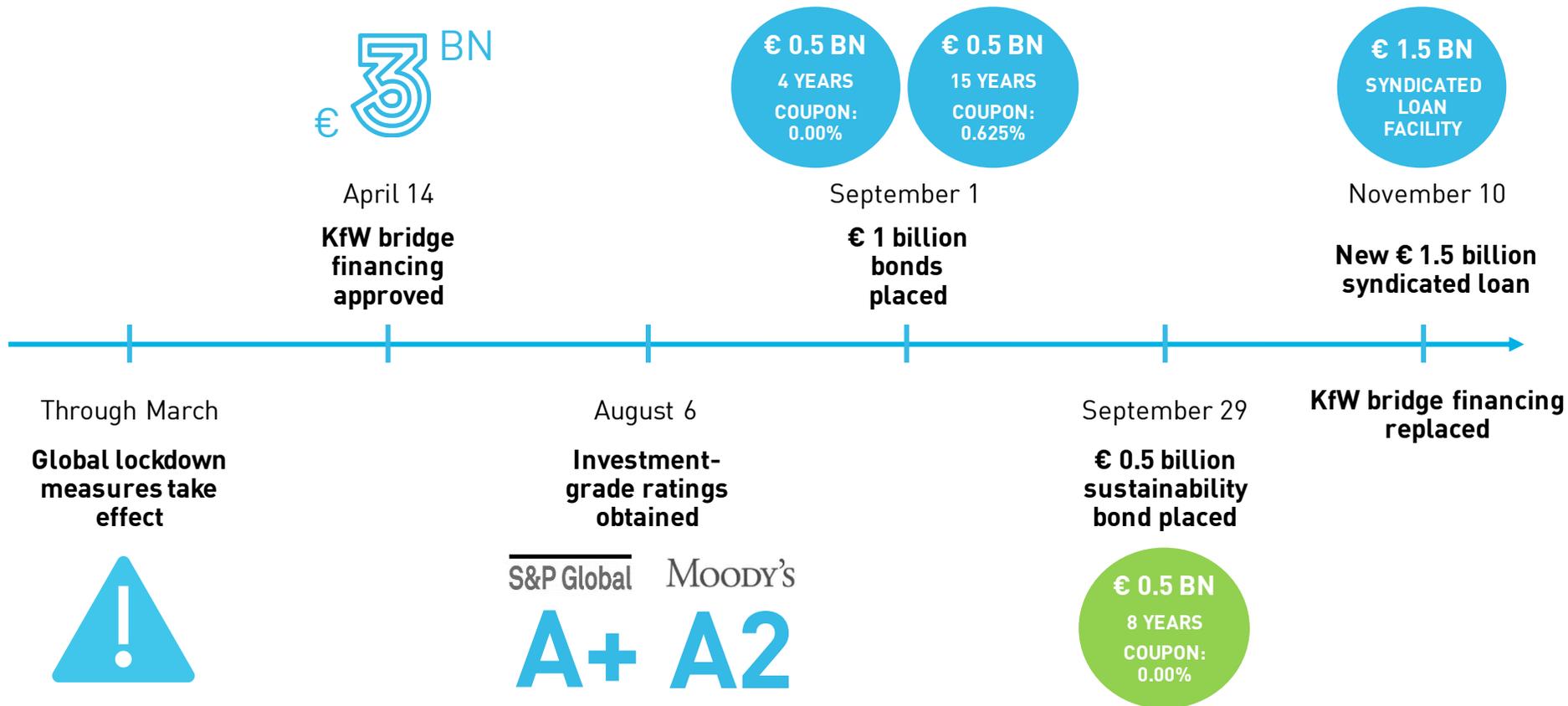
2 OPTIMIZED CAPITAL STRUCTURE AND FINANCING COSTS

FINANCIAL FLEXIBILITY

€ in billions



2 KFW SYNDICATED LOAN FACILITY REPLACED FINANCIAL FLEXIBILITY



3 ONLY SPORTS BRAND TO REWARD BOTH PHYSICAL AND PURCHASING ACTIVITY DIGITAL OPPORTUNITIES



+20%
AVERAGE
ORDER VALUE

+60%
AVERAGE ORDER
FREQUENCY

MEMBERSHIP

Introducing products and connecting brand moments while athletes train and run to acquire membership points

Providing premium DTC excellence at scale and a new distinct channel for sneakerheads & style



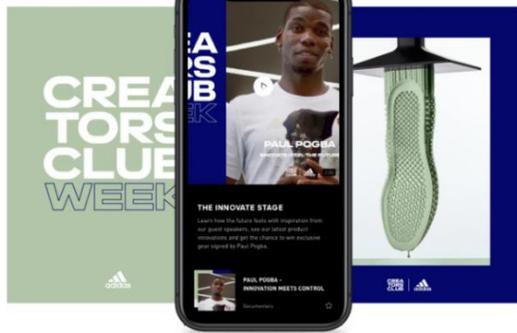
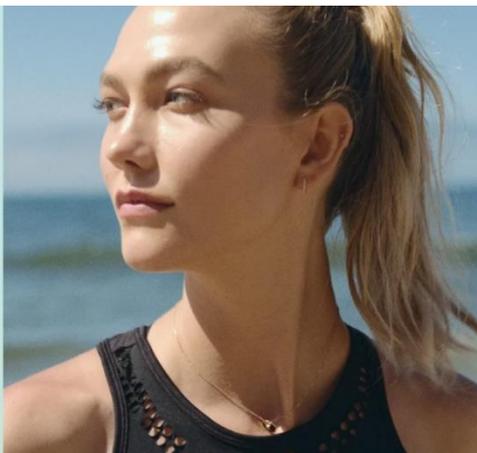
2.4x
LIFETIME
VALUE

>70
NET PROMOTER
SCORE

3 CREATORS CLUB WEEK WITH EXCLUSIVE OFFERS FOR MEMBERS

DIGITAL OPPORTUNITIES

CREATORS CLUB WEEK



CREATORS CLUB WEEK



Men Performance
WEDNESDAY 14 OCTOBER AT 00:00
ULTRA4D SHOES
€ 214,41

4 MORE IMPACTFUL STORYTELLING IN OUR STORES DIRECT-TO-CONSUMER

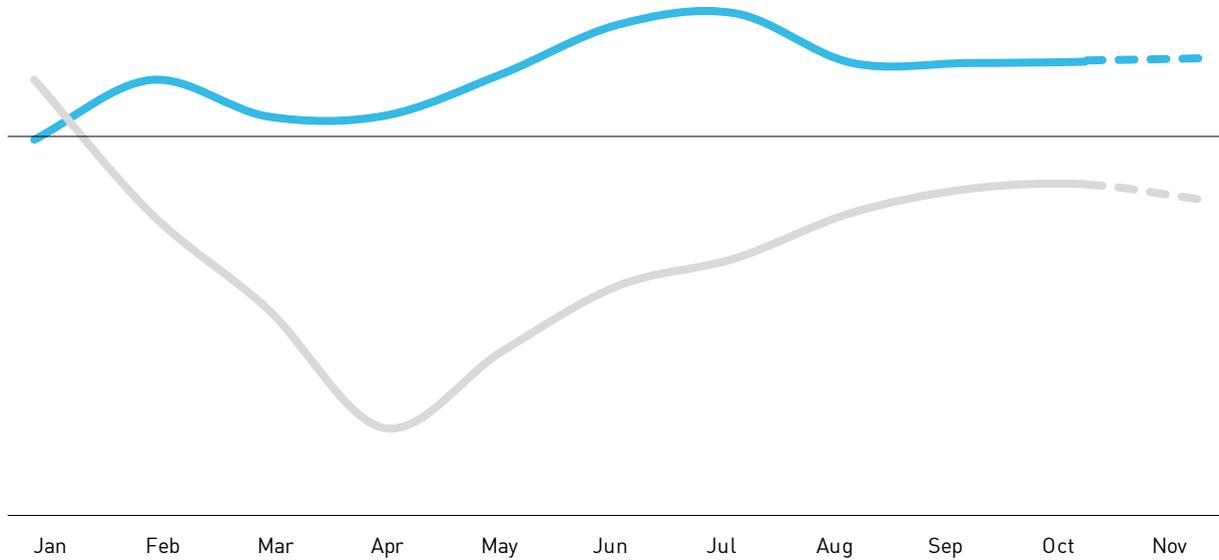


4 LONDON ORIGINALS FLAGSHIP OPENING DIRECT-TO-CONSUMER



4 OWN RETAIL TRAFFIC AND CONVERSION TREND DIRECT-TO-CONSUMER

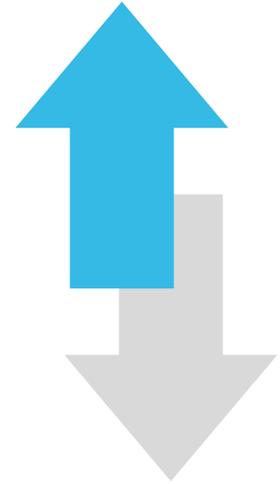
GLOBAL - YTD NOVEMBER 2020



Conversion rate vs. PY (%)

Traffic vs. PY (%)

CONVERSION



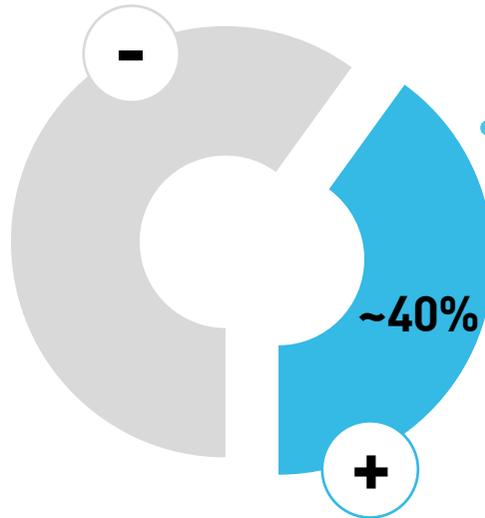
TRAFFIC

4 ACTIVELY DRIVING CHANNEL SHIFT TOWARD DTC DIRECT-TO-CONSUMER

YTD SEPTEMBER 2019



YTD SEPTEMBER 2020



- Exceptional **e-com growth** paired with successful **store activations**
- Direct **relationship to consumers** with digital and physical touchpoints
- Exiting non-strategic wholesale accounts to **win with the winners**
- **Scaling self-service model** for wholesale partners

 DTC share (% of total net sales)

 Wholesale share (% of total net sales)

05

OUTLOOK





**REEBOK
FOREVER FLOATRIDE GROW**

ZX 2K BOOST

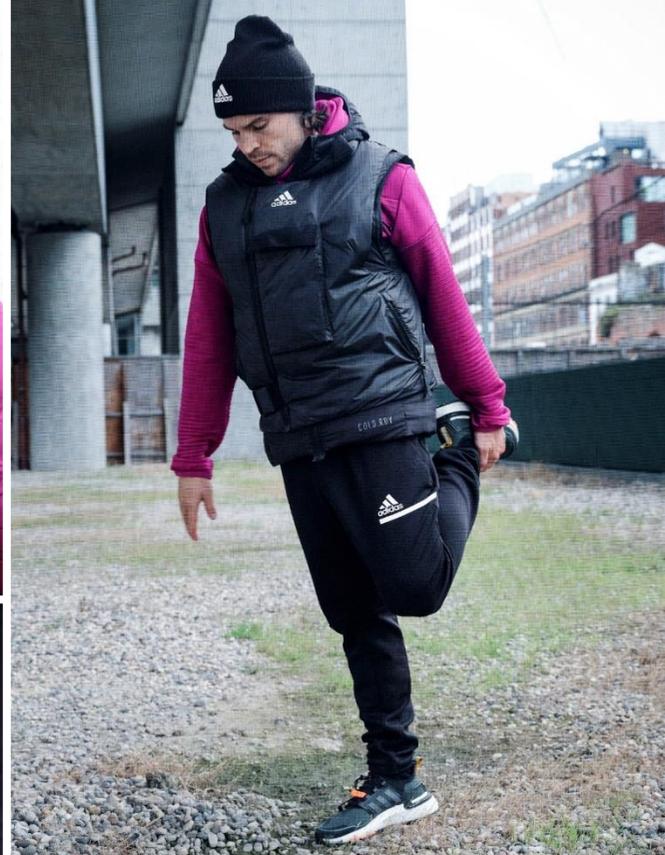


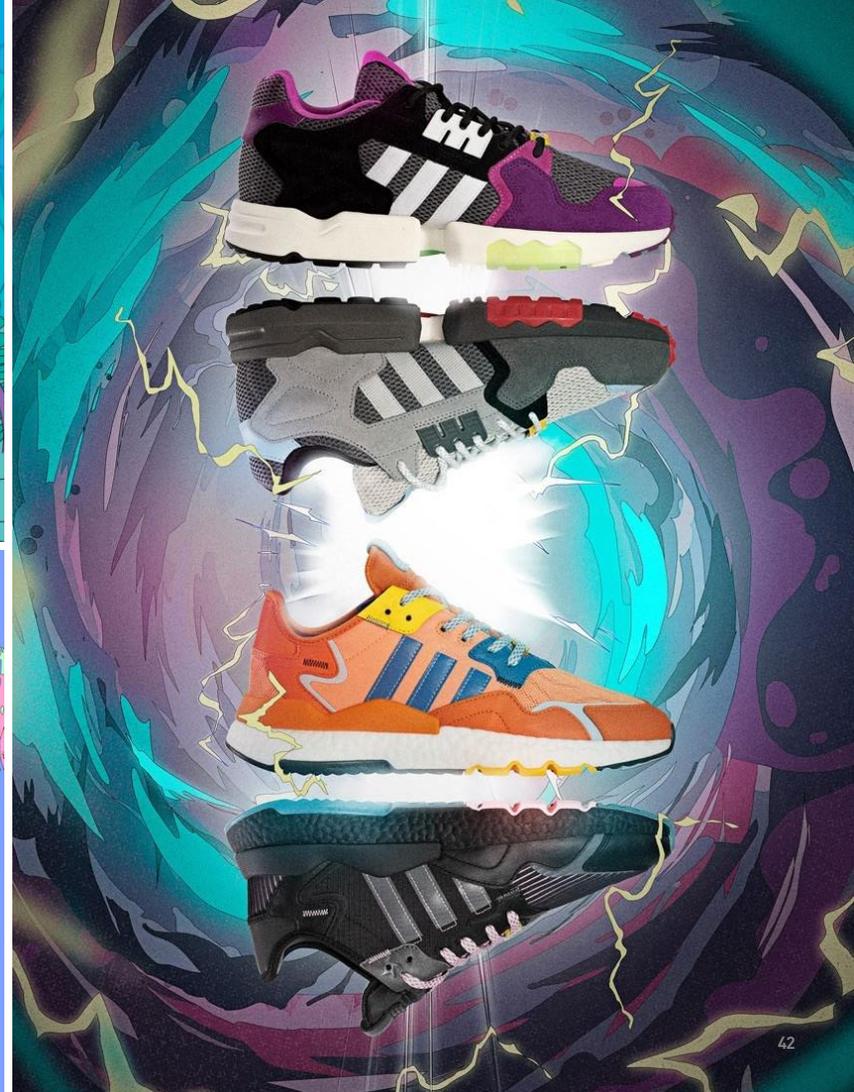


READY
FOR
WINTER



STAY WARM WITH ADIDAS GOLD.RDY





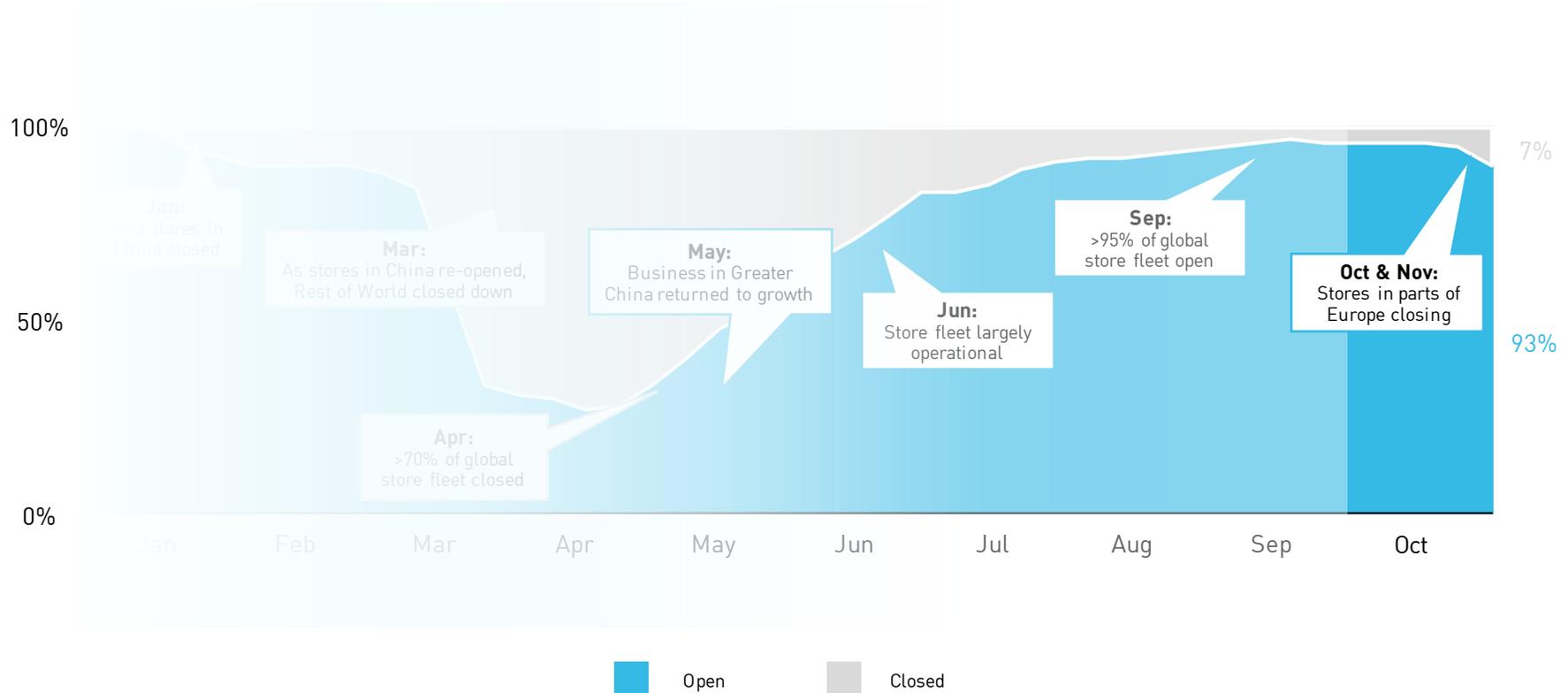
**NINJA
CHASE THE SPARK**



IVY PARK

STORES IN PARTS OF EUROPE CLOSING AGAIN

AS INCREASING NUMBER OF CORONAVIRUS CASES LEADS TO PARTIAL LOCKDOWNS



OUTLOOK FOR Q4 2020

SIMILAR TOP-LINE DEVELOPMENT AS EXPERIENCED IN Q3

	Q1 2020	Q2 2020	Q3 2020	Q4 2020 Outlook
Net sales	-19%	-34%	-3%	Low- to mid-single-digit decline
Gross margin	-4.2pp	-2.4pp	-2.1pp	Around prior year level
Operating result	€ 65m	-€ 333m	€ 794m	€ 100-200 million

Key assumptions:

- No additional major lockdowns
- Store opening rate staying >90%
- No further material slowdown of global store traffic

BETTER POSITIONED TO COPE WITH SHORT-TERM UNCERTAINTIES AND BENEFIT FROM LONG-TERM GROWTH DRIVERS

CULTURAL FOUNDATION

- Putting **health and safety first**
- Becoming even more **diverse and inclusive**

OPERATIONAL FLEXIBILITY

- Agile approach to **sourcing and sell-in**
- Recipe for impactful **campaigns and launches**

FINANCIAL PROFILE

- Strong **investment-grade credit ratings**
- Optimized **capital structure and costs**

DIRECT-TO- CONSUMER

- Added **millions of consumers** to ecosystem
- Proved **scalability of digital backbone**

INDUSTRY
GROWTH
DRIVERS



SAVE THE DATE

INVESTOR & MEDIA DAY

MARCH 10, 2021

SUMMARY

- 1 **Top- and bottom-line results close to prior-year level**
- 2 **Focus on healthy inventories, profitable sell-through and disciplined sell-in**
- 3 **On track toward normalized inventory level by year-end**
- 4 **Financial flexibility increased at favorable conditions**
- 5 **Better positioned for short-term uncertainty and long-term growth drivers**
- 6 **Health and safety of our people and partners remains top priority**



Q&A

