



adidas

# FY 2019 RESULTS

Herzogenaurach,  
March 11, 2020







**HOME  
OF CLASSICS**



**UB  
SPACE  
RACE**



**ADIDAS X  
PRADA**



**NINJA**



**100%  
RECYCLABLE  
HOODIE**



**REEBOK  
NANO 9**



**W MYSHELTER JKT**

OUTDOOR

Size S-M-L  
Article Number 027881

[TRY DIFFERENT SIZE](#)

[I NEED ASSISTANCE](#)

**W MYSHELTER JKT**

MYSHELTER IS MORE THAN A RAIN JACKET. DOWNPOUR OR DRIZZLE, IT'S LIKE A SECOND SKIN FOR MOVING THROUGH THE CITY.

The lightweight MYSHELTER Rain Jacket incorporates premium outdoor technologies to create a jacket that combines function and design. It has a versatile look with features that are built

- Relaxed fit
- High neckline
- Long sleeves
- 64% nylon / 16% elastane glen weave

**IN YOUR ROOM**



**LONDON  
FLAGSHIP**

# AGENDA

- 01** STRATEGIC UPDATE
- 02** BUSINESS UPDATE
- 03** FINANCIAL UPDATE
- 04** OUTLOOK





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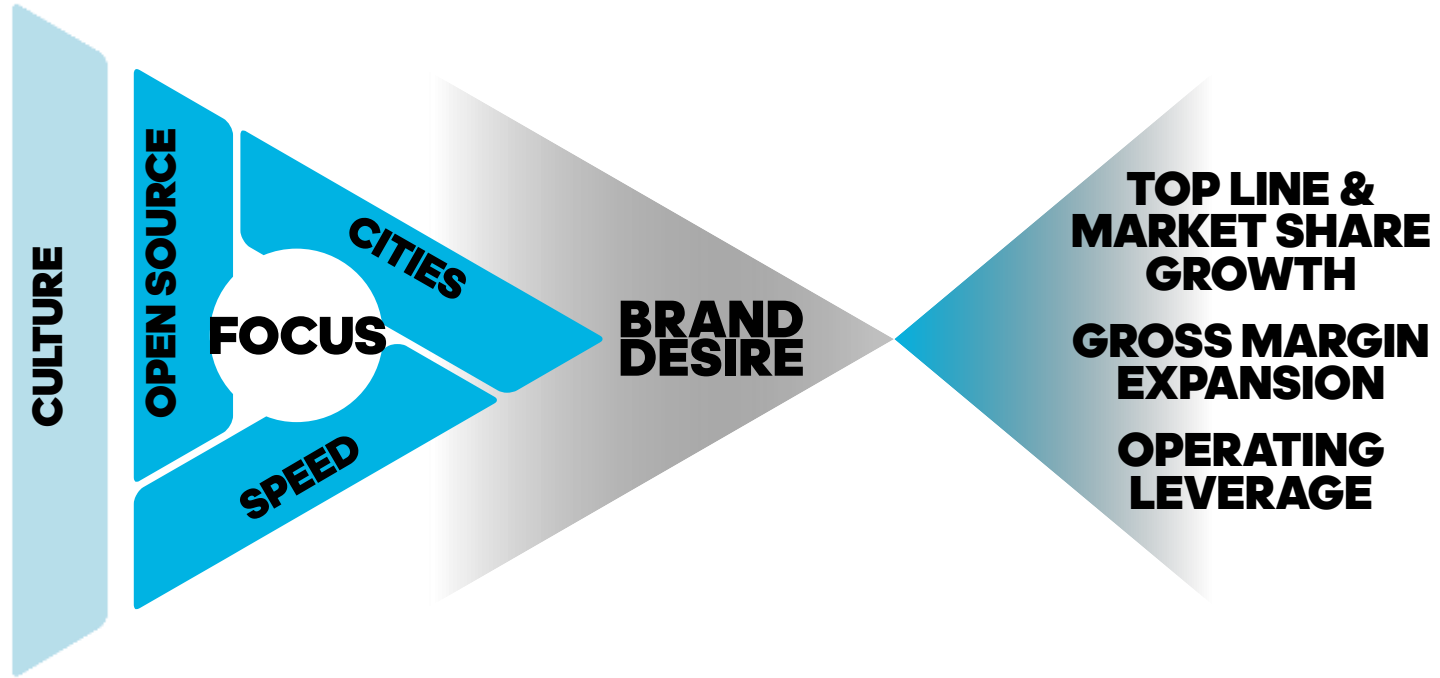
# STRATEGIC UPDATE

KASPER RORSTED  
CEO



## **'CREATING THE NEW'**

WE ARE IN THE LAST YEAR OF OUR CURRENT STRATEGIC CYCLE



## CULTURE

### OUR FOUNDATION TO DRIVE VALUE CREATION

#### **LIVING A PERFORMANCE CULTURE**

New company-wide performance management system well established

#### **ACTIVATING LEADERSHIP GROUPS**

Further improved cross-functional collaboration, decision making and succession planning

#### **ALIGNING WITH SHAREHOLDER INTERESTS**

Through transparent, equity-based compensation for Executive Board and >3,000 leaders

#### **VALUING AND PROMOTING DIVERSITY**

Continuously increased the share of females in leadership positions to 34% in 2019



## STRATEGIC CHOICES

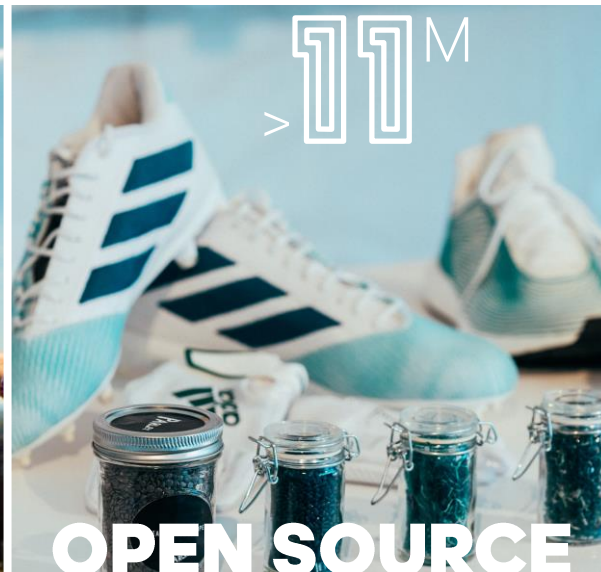
EXECUTION DRIVES FURTHER PROGRESS IN 2019



Net sales share of speed-enabled products at 47% across all categories and markets



Revenues across the six global key cities reached a level of € 1.7 billion



Made more than eleven million pairs of shoes containing Parley Ocean Plastic



## 'ACCELERATION PLAN'

EXECUTION DRIVES FURTHER PROGRESS IN 2019



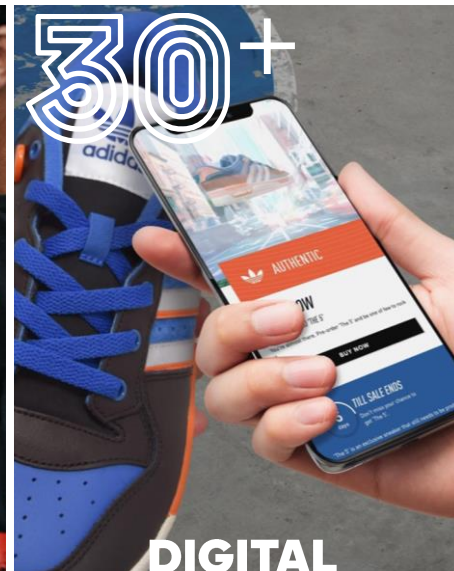
Reebok with 12% revenue growth  
in its home market North America



adidas North America revenues  
reached a level of € 4.8 billion



Global business services organization  
grew to almost 1,000 employees



adidas app live in more  
than 30 countries

# 02

## BUSINESS UPDATE

KASPER RORSTED  
CEO



## STRENGTHS & WEAKNESSES

2019 ANOTHER RECORD YEAR DESPITE SOME CHALLENGES



+

### CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS

Greater China and e-com up double-digits

+

### TOP LINE DRIVEN BY ALL MARKET SEGMENTS

Revenue increases in all regions with Europe returning to growth

+

### FURTHER STRONG PROFITABILITY IMPROVEMENT

Continuation of double-digit bottom-line growth

+

### ATTRACTIVE CASH RETURNS TO SHAREHOLDERS

Again € 1.5 billion returned through dividend and share buyback

-

### SUPPLY CHAIN SHORTAGES WITH EXPECTED IMPACT

Weighing on both growth and profitability

-

### MUTED GROWTH IN WHOLESALE

Less commercial traction than in DTC channels

-

### GROSS MARGIN TURNING NEGATIVE IN H2

As fading FX tailwind no longer compensates underlying decline

-


### LIMITED OPERATING LEVERAGE

Due to strong DTC growth and investments into the business model



## P&L HIGHLIGHTS

### DELIVERED ON 2019 GUIDANCE

	Outlook 2019	Results 2019
Net sales*	Increase of <b>5% – 8%</b>	<b>Increase of 6%</b>
Gross margin	Increase to <b>around 52.0%</b>	<b>Increase to 52.0%</b>
Operating margin	Increase of 0.5pp – 0.7pp to <b>11.3% – 11.5%</b>	<b>Increase to 11.3%</b>
Net income from continuing operations	Increase of 8% – 12% to <b>€ 1.845 – € 1.915 billion</b>	<b>Increase of 12% to € 1.918 billion</b>
Basic EPS from continuing operations	-	<b>Increase of 15% to € 9.70</b>
		

\* Currency-neutral.

Guidance as published on March 13, 2019; both outlook and result for net income as well as basic EPS from continuing operations including negative impact from first-time application of IFRS 16.

## CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS

GREATER CHINA AND E-COM UP DOUBLE-DIGITS IN 2019

### ADIDAS NORTH AMERICA

Added more than € 2.5 billion since 2015

+7%

### GREATER CHINA

Added more than € 2.7 billion since 2015

+15%

### E-COMMERCE

Added more than € 2.1 billion since 2015

+34%



## ADIDAS BRAND GROWS IN ALL MARKETS

DOUBLE-DIGIT INCREASES IN ASIA-PACIFIC AND EMERGING MARKETS

+7%

### SPORT PERFORMANCE INCREASES 5%

Training, outdoor and basketball grow at double-digit rates

### SPORT INSPIRED GROWS 8%

Originals the biggest growth contributor

### BALANCED GROWTH

Footwear growing mid-single-digits and apparel growing high-single-digits





## PROFITABLE TOP-LINE GROWTH AT REEBOK

DRIVEN BY ITS HOME MARKET NORTH AMERICA

+2%

### REEBOK REVENUES INCREASE 2%

Double-digit growth in North America, Emerging Markets and Russia/CIS

### CLASSICS GROWS LOW-SINGLE-DIGITS

Driven by increases in both footwear and apparel

### SPORT RECORDS MODERATE DECLINE

Strong growth in apparel offset by footwear



## ANOTHER YEAR OF EXCEPTIONAL E-COMMERCE GROWTH

E-COM NOW REPRESENTS ALMOST € 3 BILLION OF OUR BUSINESS

+34%

### E-COMMERCE REVENUES GROW 34%

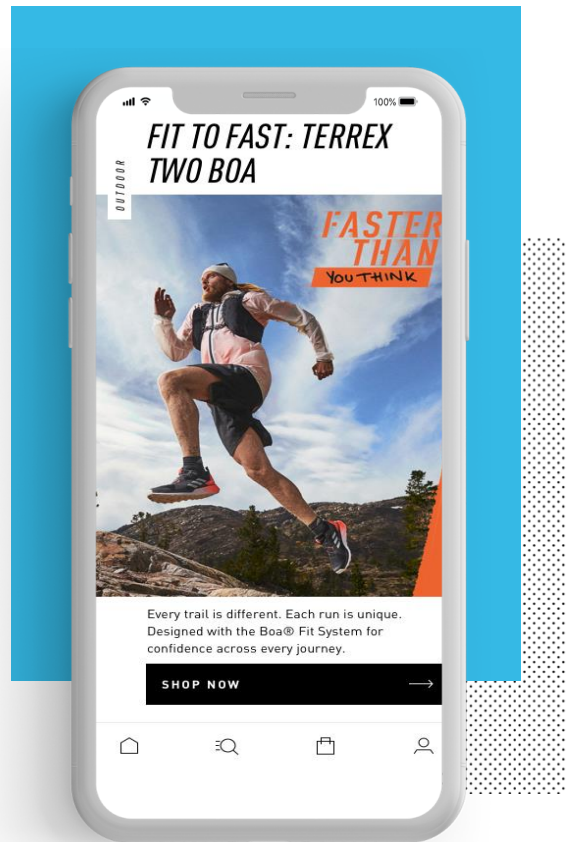
Greater China the biggest growth contributor

### CREATORS CLUB GAINING TRACTION WITH CONSUMERS

Member sales account for more than half of e-com revenues across US and Europe

### INTEGRATION OF RUNTASTIC INTO DIGITAL ECOSYSTEM COMPLETED

Running and Training apps successfully rebranded to adidas by Runtastic



## 2019 IN REVIEW

### SUCCESSFULLY TACKLED OUR 2019 FOCUS AREAS



#### **Leveraging multiple dimensions of innovation**

To drive top- and bottom-line growth



#### **Continuing to invest with impact**

Into brand desire and scalable business model



#### **Delivering overproportionate net income growth**

On the back of sustainable operating margin expansion



#### **Addressing challenges decisively**

Return Europe to growth and mitigate supply shortages







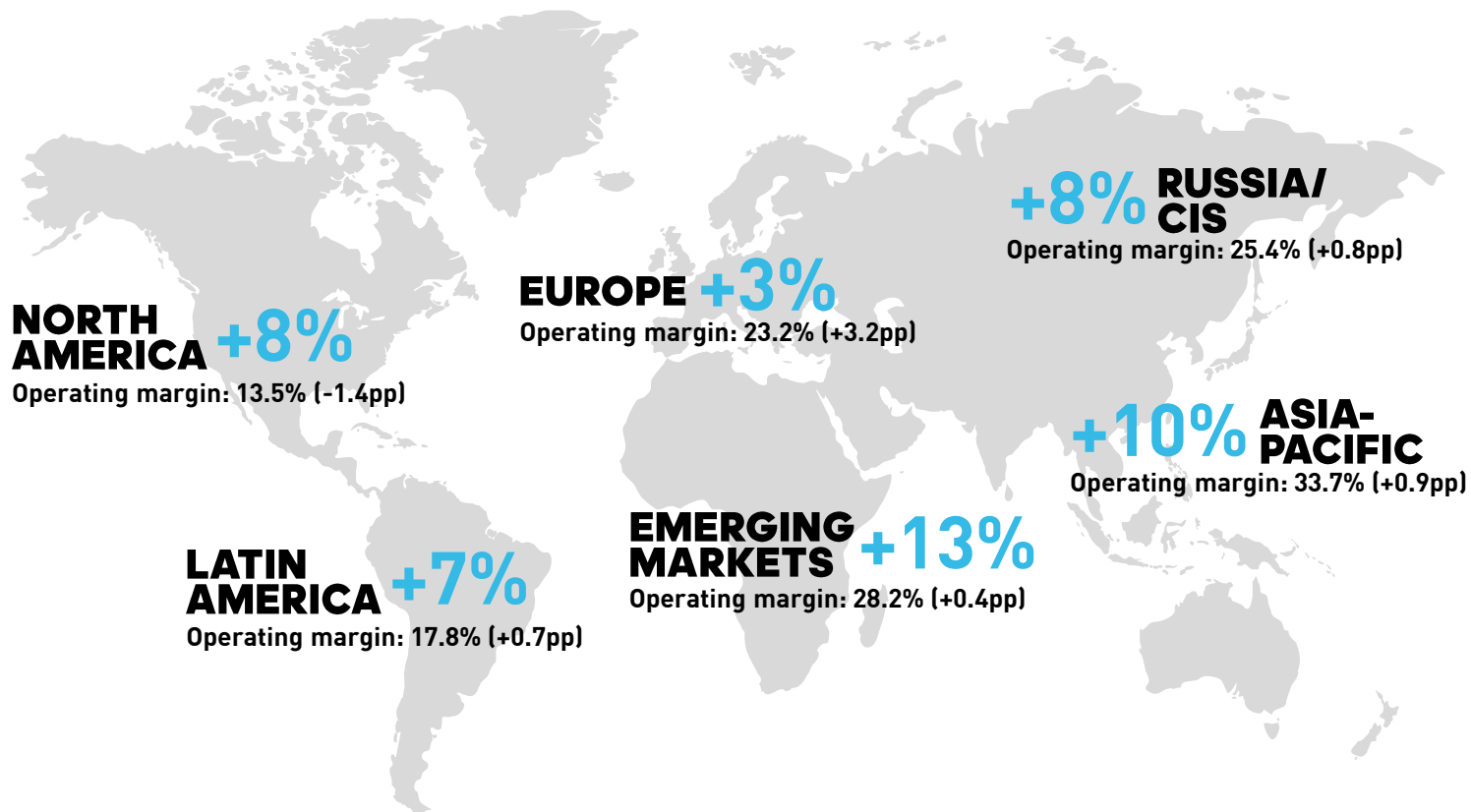
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# FINANCIAL UPDATE

HARM OHLMEYER  
CFO

## REVENUE GROWTH BY MARKET SEGMENT

ALL REGIONS RECORDING SALES INCREASES IN 2019





## GROWTH BY MARKET SEGMENT

NORTH AMERICA, ASIA-PACIFIC AND EUROPE



**Supply chain shortages weighing on growth and profitability in North America**

adidas brand revenues +7%

Reebok brand revenues +12%

Gross margin at 40.0% (-1.2pp)



**Asia-Pacific up double-digits driven by 15% growth in Greater China**

adidas brand revenues +11%

Reebok brand revenues -15%

Gross margin at 57.0% (+0.8pp)



**Europe returns to growth as initiatives and reinvestments show planned effects**

adidas brand revenues +4%

Reebok brand revenues -2%

Gross margin at 51.5% (+3.9pp)



## GROWTH BY MARKET SEGMENT

EMERGING MARKETS, LATIN AMERICA AND RUSSIA/CIS



**Double-digit sales growth despite geopolitical tensions in several countries**

adidas brand revenues +12%

Reebok brand revenues +14%

Gross margin at 52.3% (-0.5pp)



**Profitable growth despite challenging macroeconomic environment**

adidas brand revenues +8%

Reebok brand revenues +3%

Gross margin at 44.5% (-0.4pp)



**Significant sales growth despite tough prior year World Cup comparison base**

adidas brand revenues +7%

Reebok brand revenues +11%

Gross margin at 61.7% (-4.2pp)

## P&L OVERVIEW

### 2019 RESULTS

(€ in millions)	FY 2019	FY 2018	Y-O-Y
<b>NET SALES</b>	<b>23,640</b>	21,915	<b>+8%</b>
<b>GROSS MARGIN</b>	<b>52.0%</b>	51.8%	<b>+0.2pp</b>
<b>OTHER OPERATING EXPENSES</b>	<b>9,843</b>	9,172	<b>+7%</b>
<b>OTHER OPERATING EXPENSES</b> in % of sales	<b>41.6%</b>	41.9%	<b>-0.2pp</b>
<b>OPERATING PROFIT</b>	<b>2,660</b>	2,368	<b>+12%</b>
<b>OPERATING MARGIN</b>	<b>11.3%</b>	10.8%	<b>+0.4pp</b>
<b>NET INCOME</b> from continuing operations	<b>1,918</b>	1,709	<b>+12%</b>
<b>BASIC EPS</b> from continuing operations (€)	<b>9.70</b>	8.46	<b>+15%</b>

**+15%**  
to € 1,972 million  
excl. IFRS 16

**+18%**  
to € 9.97  
excl. IFRS 16

## GROSS MARGIN DEVELOPMENT SINCE 2015

### ACHIEVED INDUSTRY-LEADING GROSS MARGIN LEVEL

#### Gross margin up 0.2pp to 52.0% in 2019

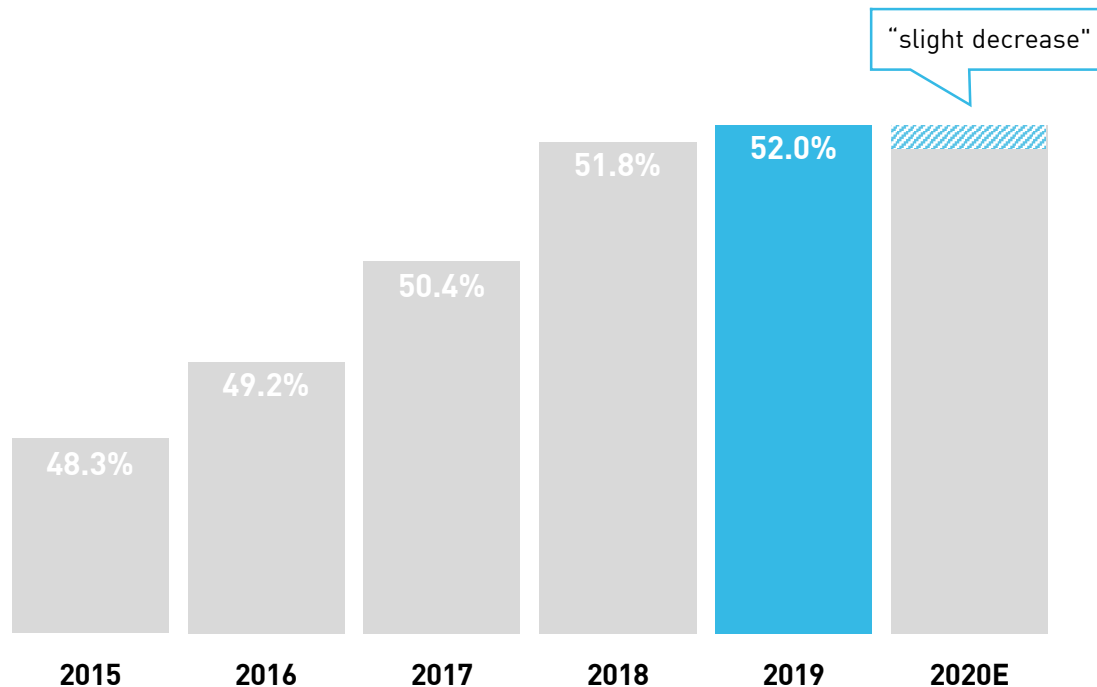
Supported by favorable FX development

#### Increase of 3.7pp compared to 2015 level

Due to execution of 'Creating the New'

#### Only slight decrease expected in 2020

Despite significant adverse FX impact



2015 figure still includes the TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses, which have been reported as discontinued operations since 2016.  
Outlook 2020 without impact from coronavirus outbreak.



## OTHER OPERATING EXPENSES

### DTC-DRIVEN OPERATING OVERHEAD GROWTH IN 2019

(€ in millions)

#### OTHER OPERATING EXPENSES

*(in % of sales)*

#### MARKETING AND POINT-OF-SALE EXPENSES

*(in % of sales)*

#### OPERATING OVERHEAD EXPENSES

*(in % of sales)*

FY 2019	FY 2018	Y-O-Y
9,843	9,172	+7%
41.6%	41.9%	-0.2pp
3,042	3,001	+1%
12.9%	13.7%	-0.8pp
6,801	6,171	+10%
28.8%	28.2%	+0.6pp

#### DISTRIBUTION AND SELLING EXPENSES: +12% (+0.8pp)

Driven by 18% currency-neutral sales growth in DTC channel

#### GENERAL AND ADMINISTRATION EXPENSES: +5% (-0.2pp)

Leverage despite continued investments into scalability

## AVERAGE OPERATING WORKING CAPITAL

FURTHER DECLINE TO 18.1%

### **Inventories up 18% c.n.**

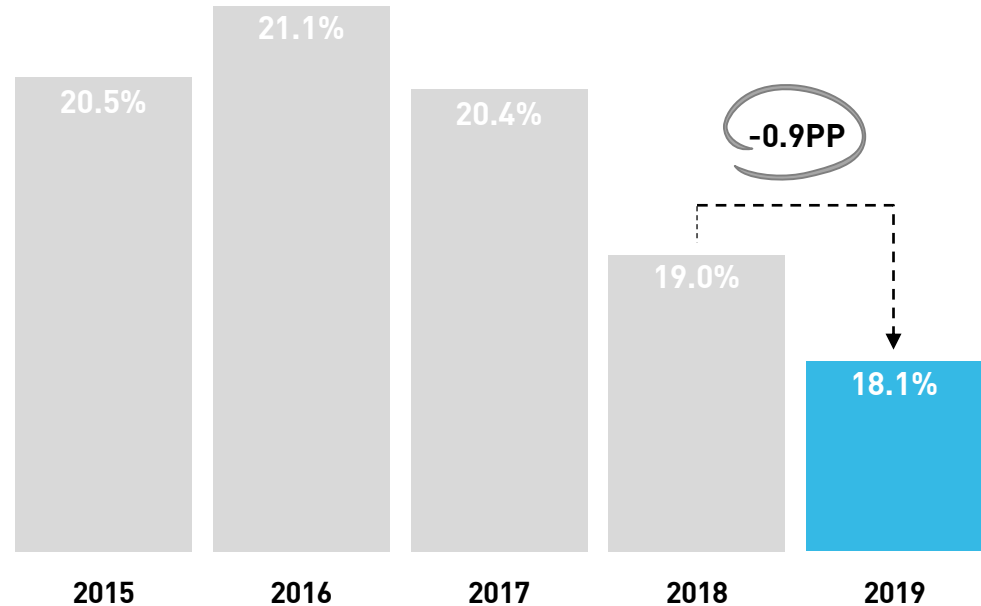
Due to low comparison base and Chinese New Year

### **Receivables up 8% c.n.**

Representing healthy development

### **Payables up 17% c.n.**

Due to improved terms with vendors



*Average operating working capital = sum of operating working capital at quarter-end / 4.*

*2015 figure still includes the TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses, which have been reported as discontinued operations since 2016.*

## NET CASH AND EQUITY POSITION

EQUITY RATIO DECREASES DUE TO IFRS 16

### Net cash position

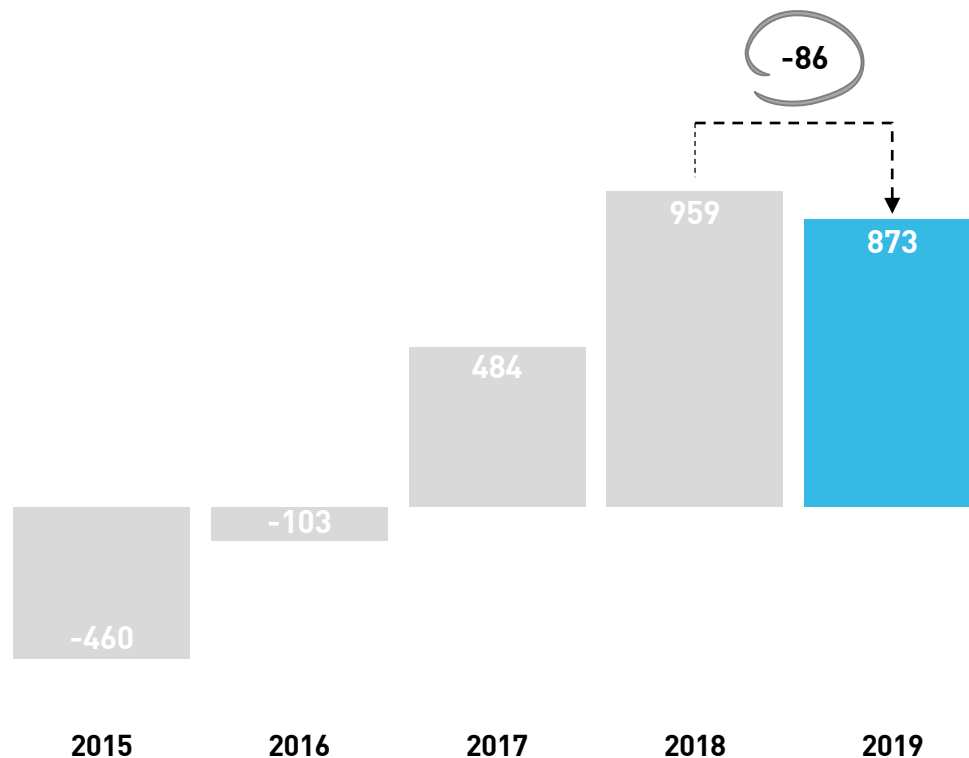
At € 873 million

### Equity position

Increases € 420 million year-on-year

### Equity ratio

Down 8.0pp year-on-year due to IFRS 16



Net cash/(net borrowings) at year-end, € in millions.

2015 figure still includes the TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses, which have been reported as discontinued operations since 2016.



## ATTRACTIVE CASH RETURNS TO SHAREHOLDERS

DIVIDEND INCREASE OF 15% TO € 3.85 PROPOSED FOR 2019

	2018	2019	2020	TOTAL
<b>Dividend paid</b>	€ 0.5 billion	€ 0.7 billion	€ 0.8 billion*	€ 2.0 billion
<b>Share buyback volume</b>	€ 1.0 billion	€ 0.8 billion	up to € 1.0 billion	up to € 2.8 billion
<b>Total cash return to shareholders</b>	€ 1.5 billion	€ 1.5 billion	up to € 1.8 billion	up to € 4.8 billion

Buyback started on March 22, 2018 and ends latest on May 11, 2021.

\* Dividend for 2019 subject to Annual General Meeting approval; payout based on number of shares outstanding as at February 25, 2020.





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**OUTLOOK**

KASPER RORSTED  
CEO



## 2020 FOCUS AREAS

COMMITTED TO BRINGING 'CREATING THE NEW' HOME



### **Leverage major launches and sports events in 2020**

Driving product activation and consumer engagement



### **Deliver double-digit bottom-line growth**

Continuing to sustainably balance sales growth and margins



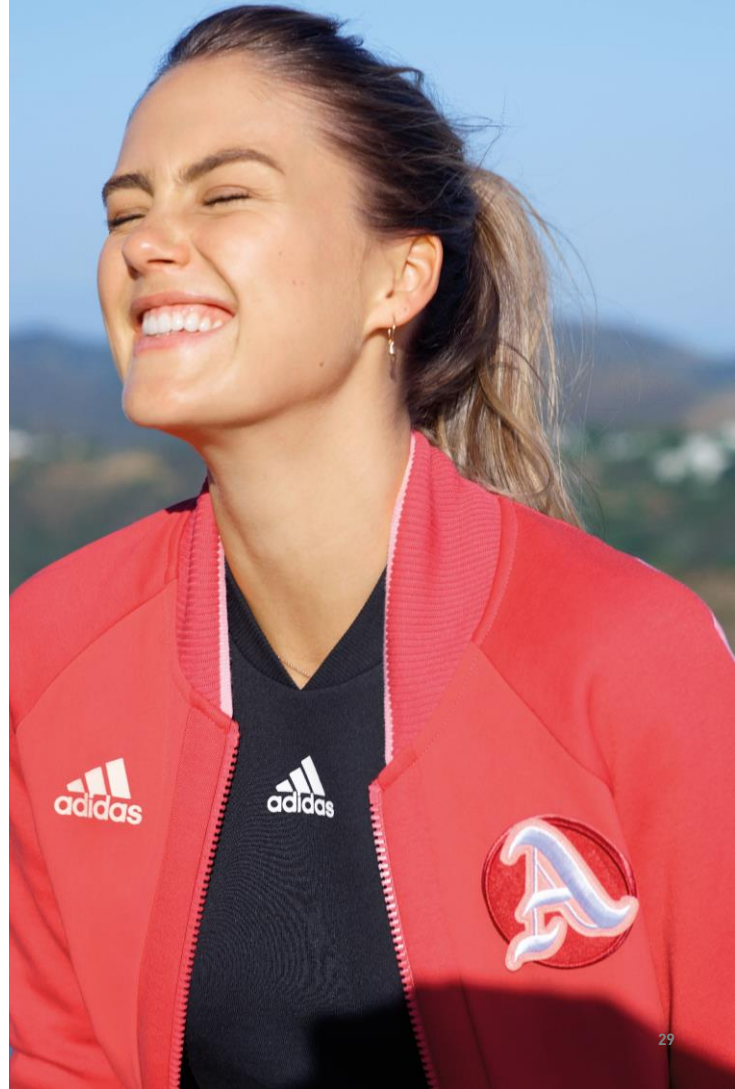
### **Bring 'Creating the New' home**

Remaining focused on execution all the way to the finish line



### **Manage impact from coronavirus outbreak**

Protecting our people and the business





## RECYCLED LOOP

Products created using recycled materials



## CIRCULAR LOOP

Products designed to have multiple lifecycles



## THREE LOOP STRATEGY



## BIODEGRADABLE LOOP

Products created using natural materials





**PARLEY**





# FUTURECRAFT LOOP



# BIOFABRIC TENNIS DRESS





# EURO 2020





# TOKYO OLYMPICS 2020



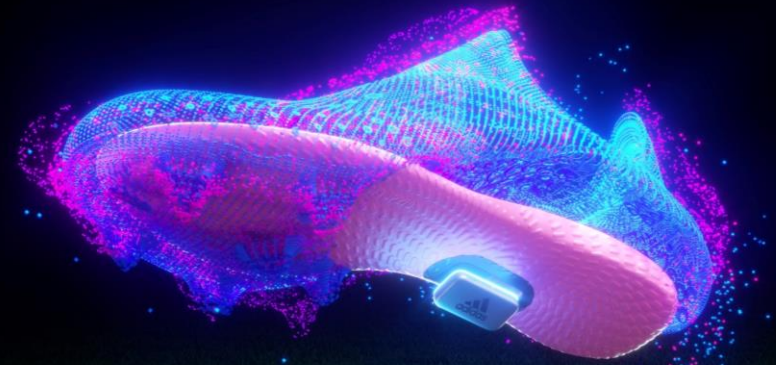




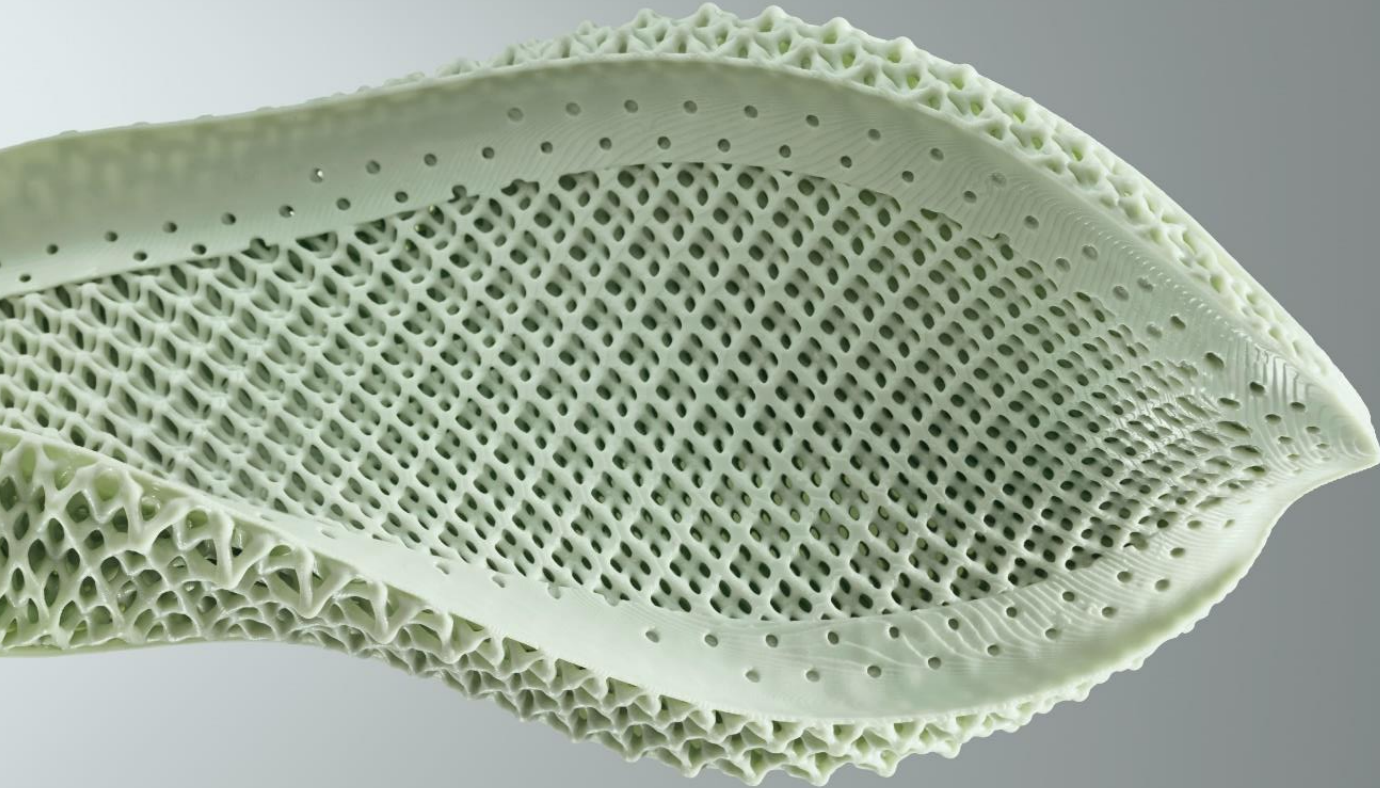
**PLAY CONNECTED**

**EXPLORE GMR**

**GMR**



4D







**ADIZERO PRO**

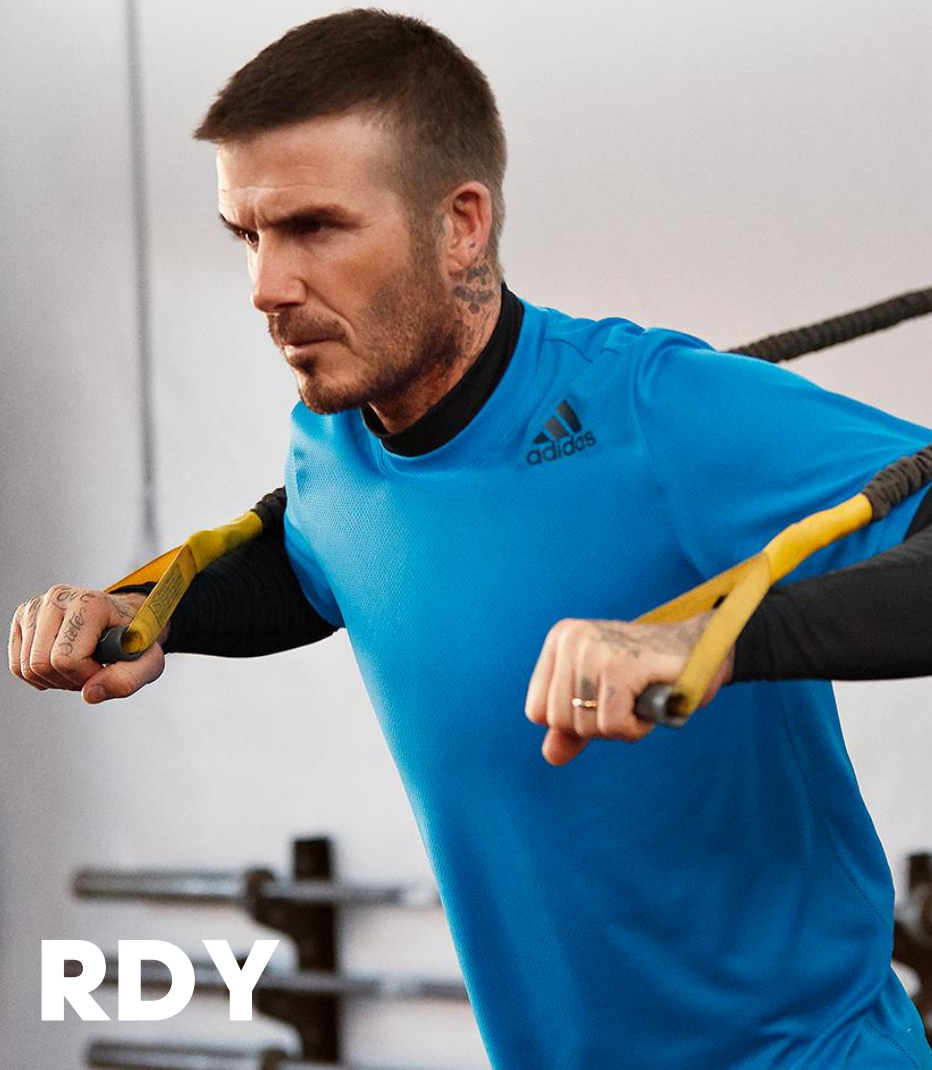
**SL20**



**UB20**







# RDY



#### HEAT.RDY

Keep Cool. Our cooling technology keeps you feeling cool, dry and confident in the game.



#### RAIN.RDY

Stay Dry. Our waterproof technology keeps the wet out so you feel dry and confident when you play.



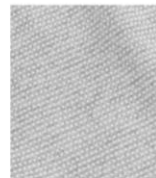
#### WIND.RDY

Get Sheltered. Our wind resistant technology keeps the wind out so you feel protected and confident.



#### COLD.RDY

Stay Warm. Our insulation technology keeps you feeling warm and confident when it's cold outside.



#### AEROREADY

Feel Ready. Our sweat-wicking technology keeps your skin dry and comfortable to keep you performing at your best.



**SUPERSTAR**





IVY  
PARK

adidas

IVY  
PARK

adidas

IVY  
PARK

adidas

IVY  
PARK

adidas

IVY  
PARK



BEYONCÉ



**YEEZY**







## OUTLOOK 2020

WITHOUT IMPACT OF CORONAVIRUS OUTBREAK

	Outlook 2020
Net sales*	Increase of 6% – 8%
Gross margin	Slight decrease compared to prior year level of 52.0%
Operating margin	Increase of 0.2pp – 0.5pp to 11.5% – 11.8%
Net income from continuing operations	Increase of 10% – 13% to € 2.100 – € 2.160 billion

\* Currency-neutral.

Outlook 2020 without impact from coronavirus outbreak.





## ON TRACK TO ACHIEVE 'CREATING THE NEW' TARGETS

AS IMPLIED BY OUTLOOK 2020

	'CTN' Targets 2020			Implied by Outlook 2020
	March 2015	March 2017	March 2018	
<b>Net sales growth</b> CAGR 2015-2020 c.n.	high-single-digit	10% – 12%	10% – 12%	<b>~11%</b>
<b>Net income</b> CAGR 2015-2020	~15%	20% – 22%	22% – 24%	<b>24% – 25%</b>
<b>Net sales</b> (€ in billions)	~22	25 - 27	25 - 27	-
<b>E-commerce</b> (€ in billions)	2	4	4	-
<b>Operating margin</b>	~9.9%	11%	up to 11.5%	<b>11.5% – 11.8%</b>

Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.  
Outlook 2020 without impact of coronavirus outbreak.

## MEASURES IMPLEMENTED IN RESPONSE TO CORONAVIRUS

HEALTH AND SAFETY OF OUR PEOPLE REMAINS TOP PRIORITY

**Dedicated task force team in place**

**Temporary closure of office locations and stores**

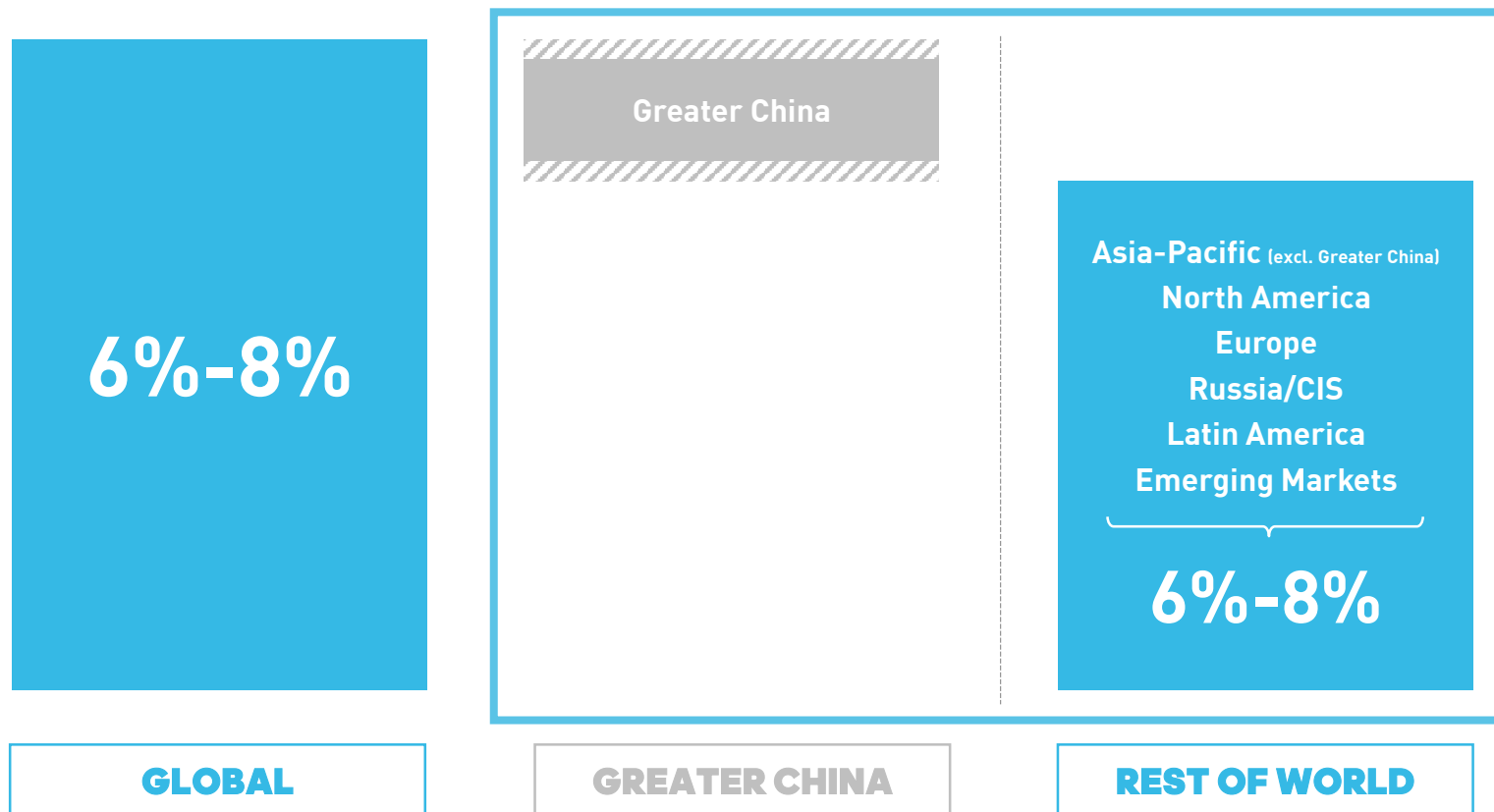
**Restricting international business travel**

**Ongoing guidance and support for employees**



## CONTINUING TO EXECUTE IN THE REST OF THE WORLD DESPITE CORONAVIRUS

### WHILE MANAGING THE IMPACT IN GREATER CHINA

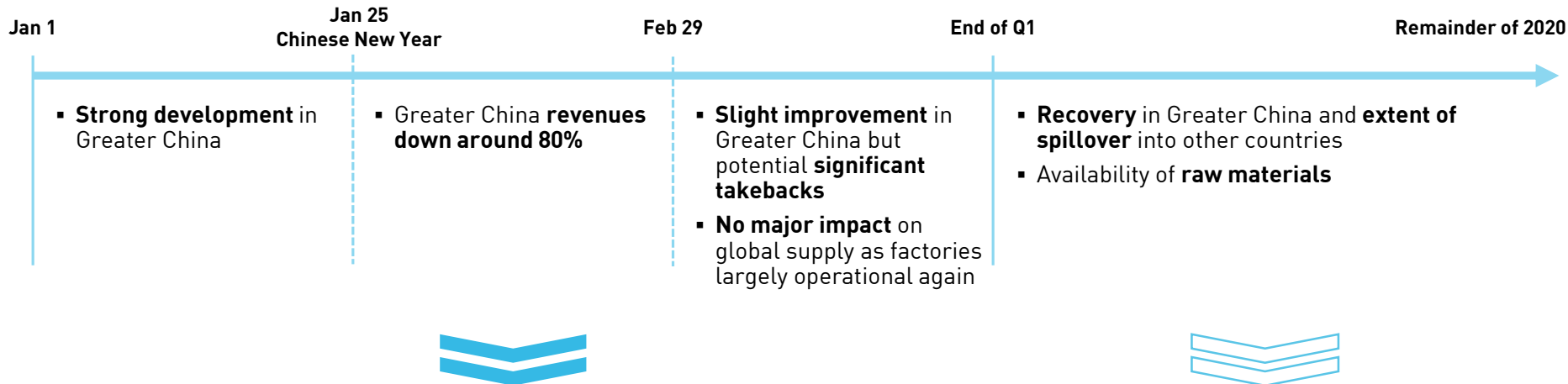




# ASSESSMENT OF CORONAVIRUS DEVELOPMENTS AND THE IMPACT ON OUR BUSINESS

## WHAT WE KNOW

## WHAT WE DON'T KNOW



### Q1 2020 expected impact:

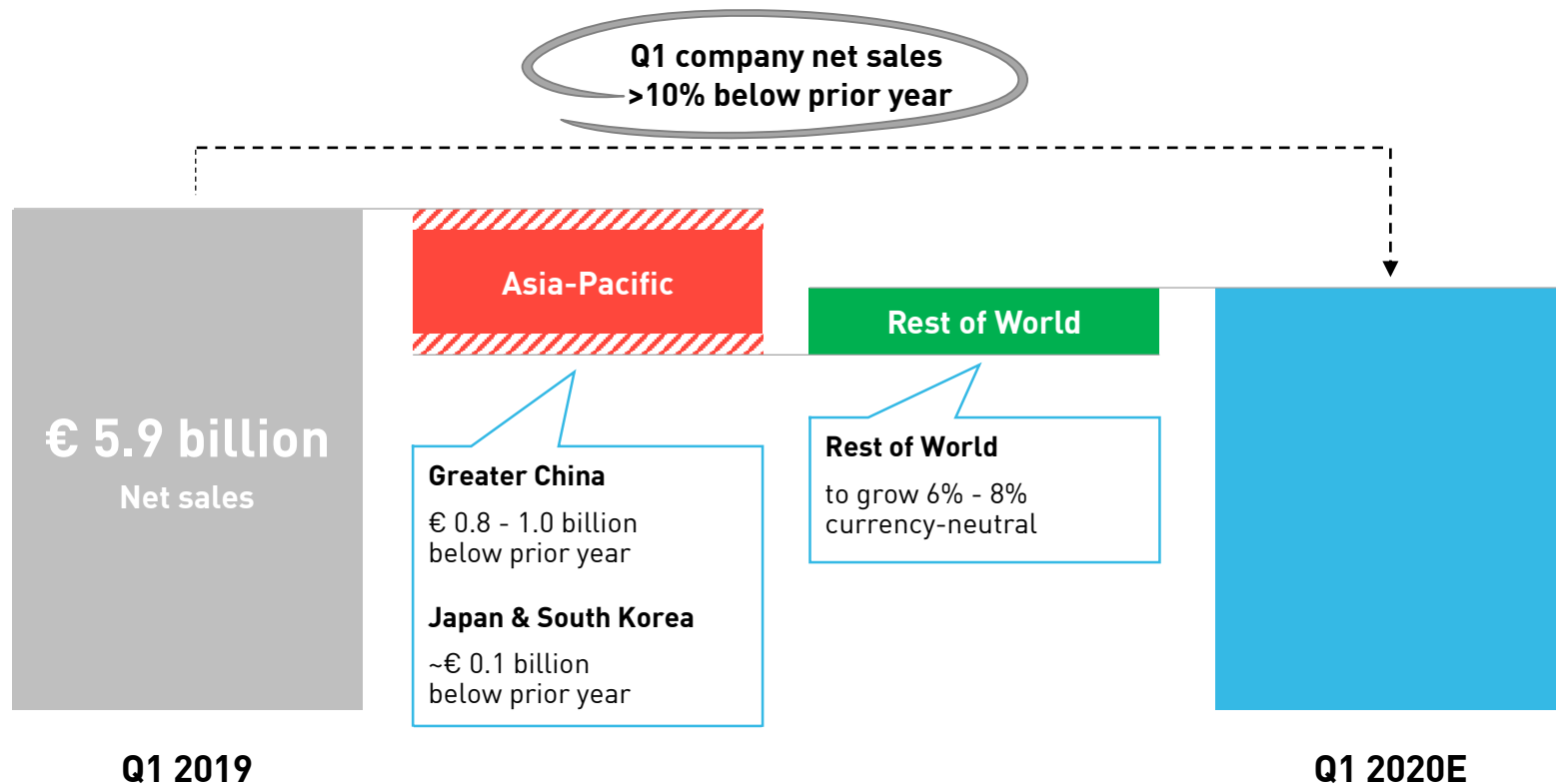
Net sales in Greater China € 0.8 - 1.0 billion below prior year level  
Operating profit in Greater China € 0.4 - 0.5 billion below prior level

### FY 2020 expected impact:

Not quantifiable

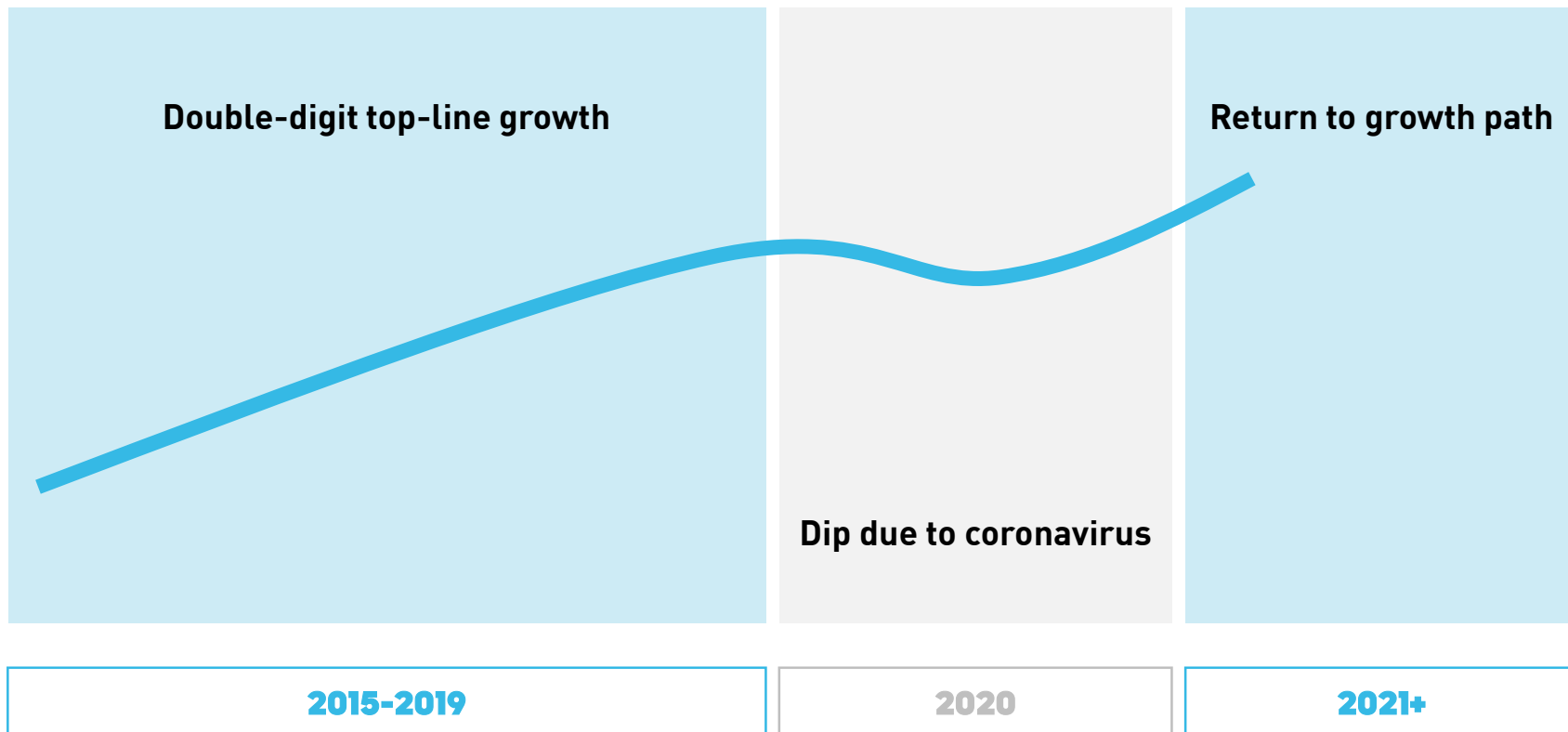
## ASSESSMENT OF CORONAVIRUS IMPACT IN THE FIRST QUARTER

COMPANY'S NET SALES EXPECTED TO BE MORE THAN 10% BELOW PRIOR YEAR LEVEL IN Q1



## GREATER CHINA GROWTH TRAJECTORY

CORONAVIRUS EXPECTED TO ONLY CAUSE A TEMPORARY DIP IN 2020





## **‘CREATING THE NEW’ HAS MADE US STRONGER**

HEALTHY FUNDAMENTALS ENSURE THAT FUTURE PROSPECTS REMAIN INTACT



**Record profit and cash generation**



**Stronger-than-ever balance sheet**



**Resilient business model**



**Proven ability to take the right decisions for long-term success**



**A leading player in an attractive industry**

## 'CREATING THE NEW' HAS MADE US STRONGER

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A leading player in an attractive industry

### **ATHLEISURE IS HERE TO STAY**

Sportswear a permanent component of fashion landscape

### **STRUCTURAL SHIFT IN CONSUMER MINDSET**

Rising sports participation rates as well as awareness for health and sustainability

### **DIRECT-TO-CONSUMER RELATIONSHIP**

Targeted storytelling and leveraging first-hand consumer insights

### **SPORTING EVENTS AS GLOBAL STAGES**

Frequent opportunities to make our athletes, brands and products shine

### **SUPPLY CHAIN UPSIDE**

Scope to increase industry's speed-to-market

## SUMMARY













- 1 Proved resilience in 2019 and again delivered double-digit earnings growth
- 2 Shareholders participating in the company's ongoing success
- 3 Investing back into brands and business for future profitable growth
- 4 Leverage company's strength to manage impact from coronavirus outbreak
- 5 Focused on bringing 'Creating the New' home





## FOUR YEARS INTO 'CREATING THE NEW'

WE KEEP DELIVERING ON OUR PROMISES

Annual Outlook	2016	2017	2018	2019	SINCE START OF 'CTN'
Net sales					+ € 6.7 <sup>BN</sup>
Operating margin					+ 4.8 <sup>PP</sup>
Net income					+ € 1.2 <sup>BN</sup>

## UPCOMING EVENTS

**May 8, 2020**

Q1 2020 Results Release

**May 14, 2020**

Annual General Meeting

**August 6, 2020**

Q2 2020 Results Release

**NEW DATE: November 10, 2020**

Q3 2020 Results Release & Investor and Media Day



# Q&A

