

adidas

# Q3 2020 RESULTS

November 10, 2020



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# 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**



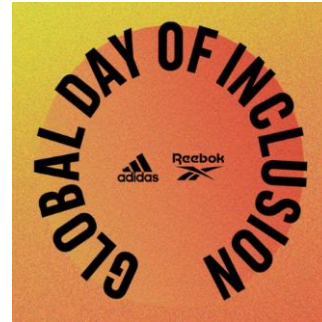
Creation of global committee to accelerate inclusion

**AUGUST**



Relaunch of our company-wide fair play code of conduct

**SEPTEMBER**



Global event to reflect, learn and celebrate inclusion

**Q4**



30-hour inclusion training mandatory for all employees



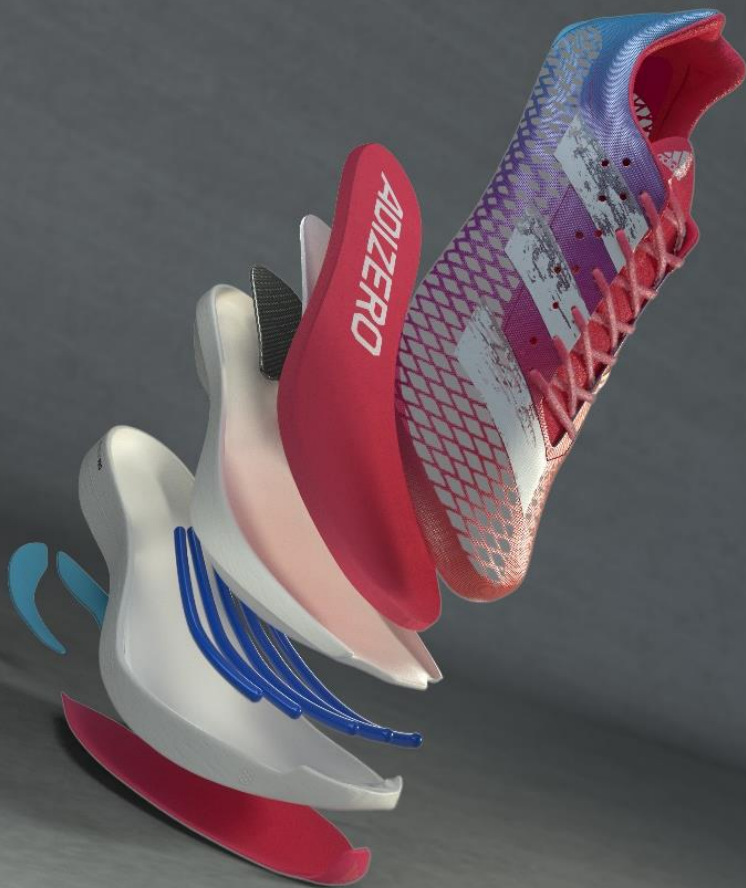
## ADIDAS AS BEST PLACE TO WORK

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



02

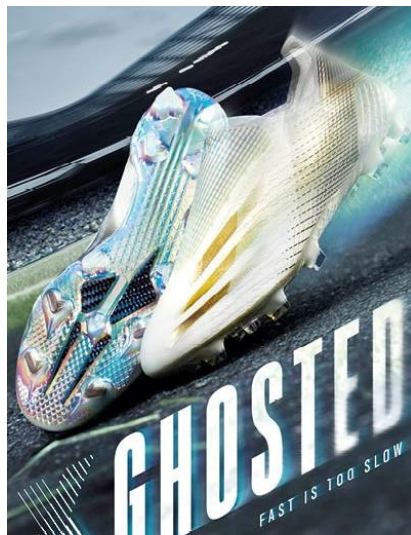
# BUSINESS UPDATE





## CONSUMER HIGHLIGHTS

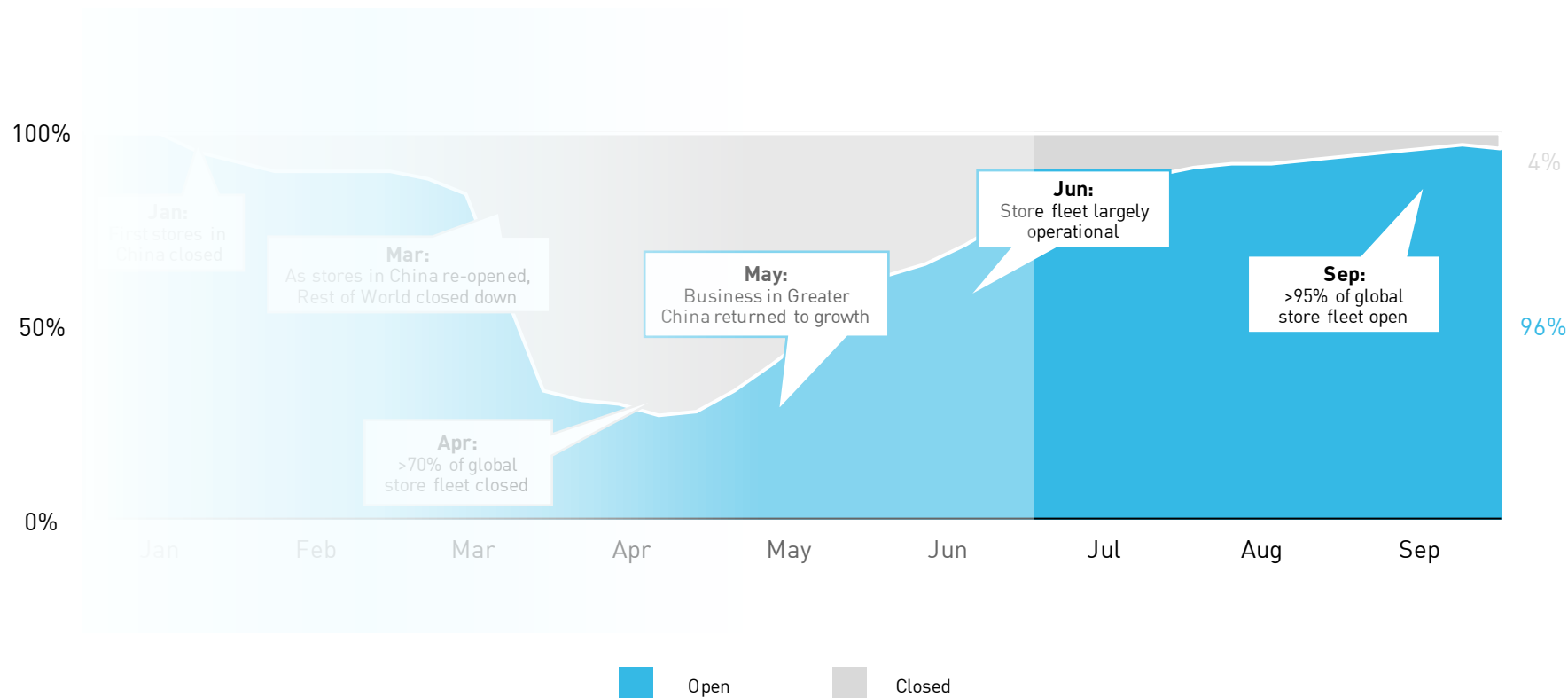
Q3 2020





## 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%

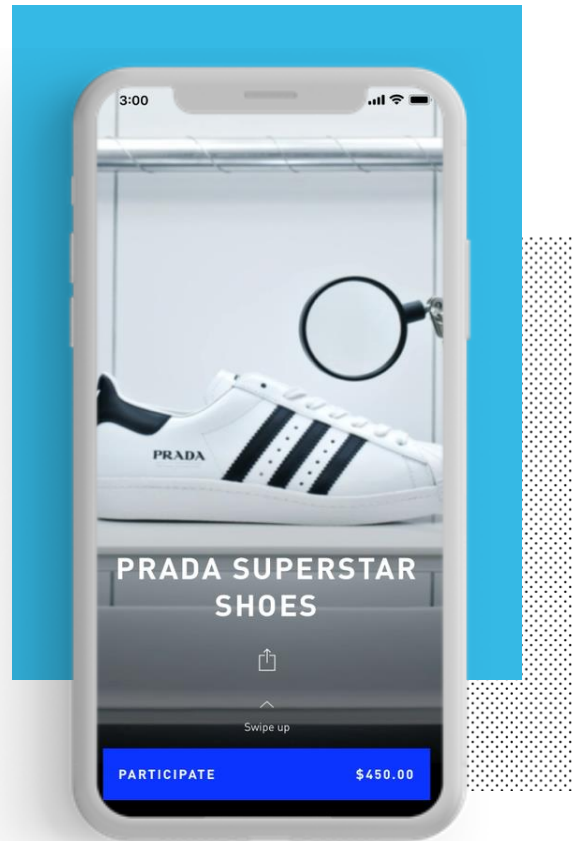
Exceptional growth despite store opening rate >90%

### 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%



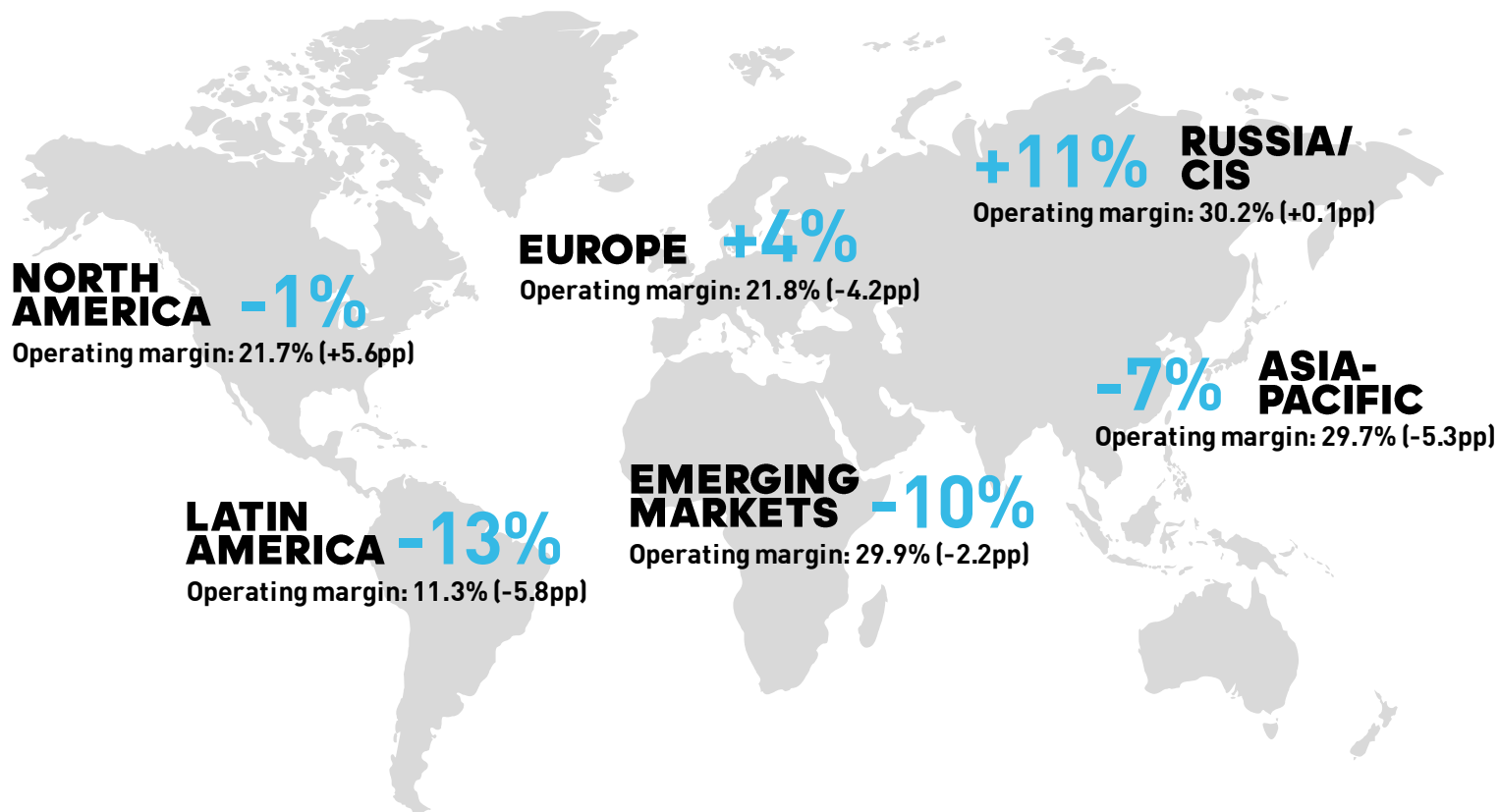
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# FINANCIAL UPDATE



## OVERVIEW MARKET SEGMENTS

EUROPE AND RUSSIA/CIS BACK TO GROWTH



## P&L OVERVIEW

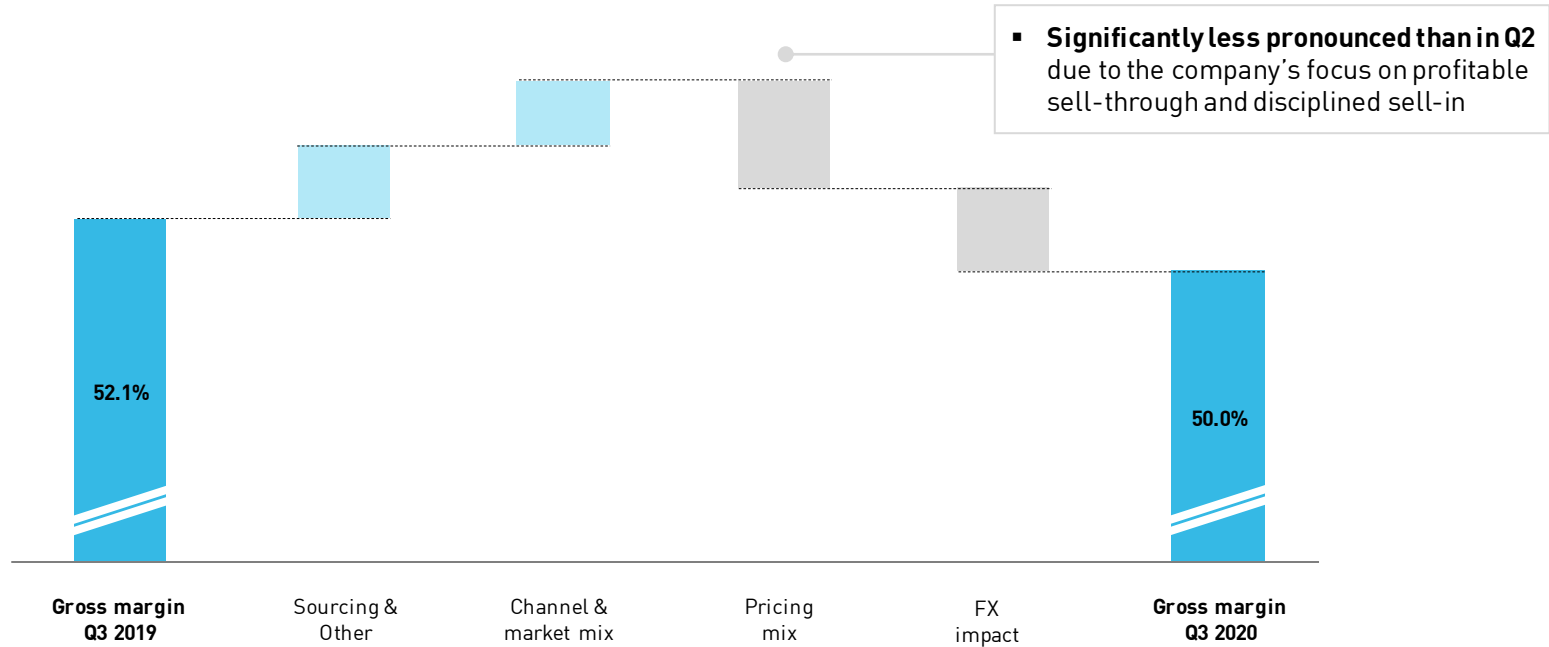
### RETURN TO DOUBLE-DIGIT OPERATING MARGIN

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



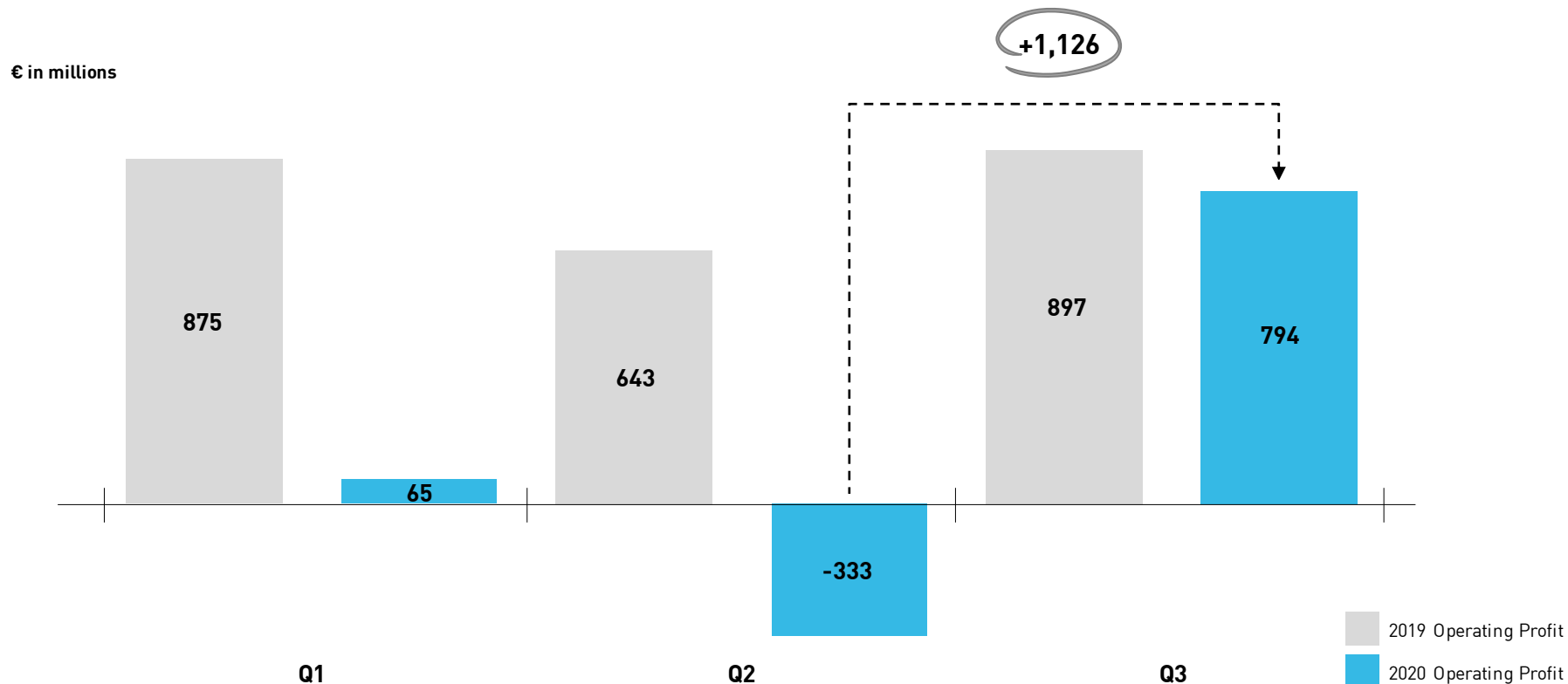
## GROSS MARGIN DEVELOPMENT DECOMPOSED

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

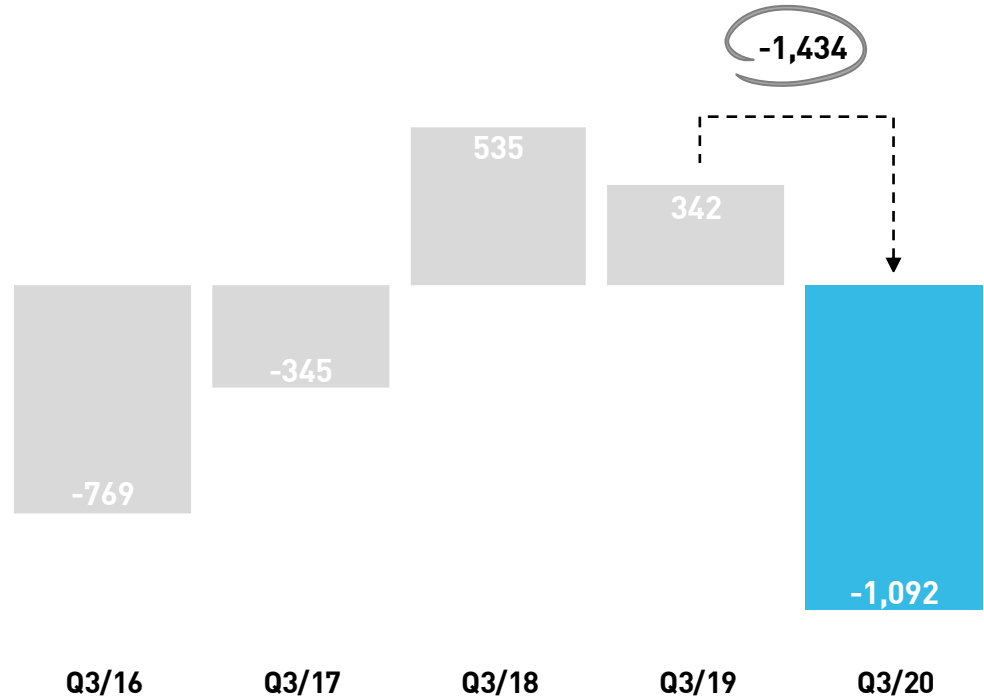
At € 1,092 million

### 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**

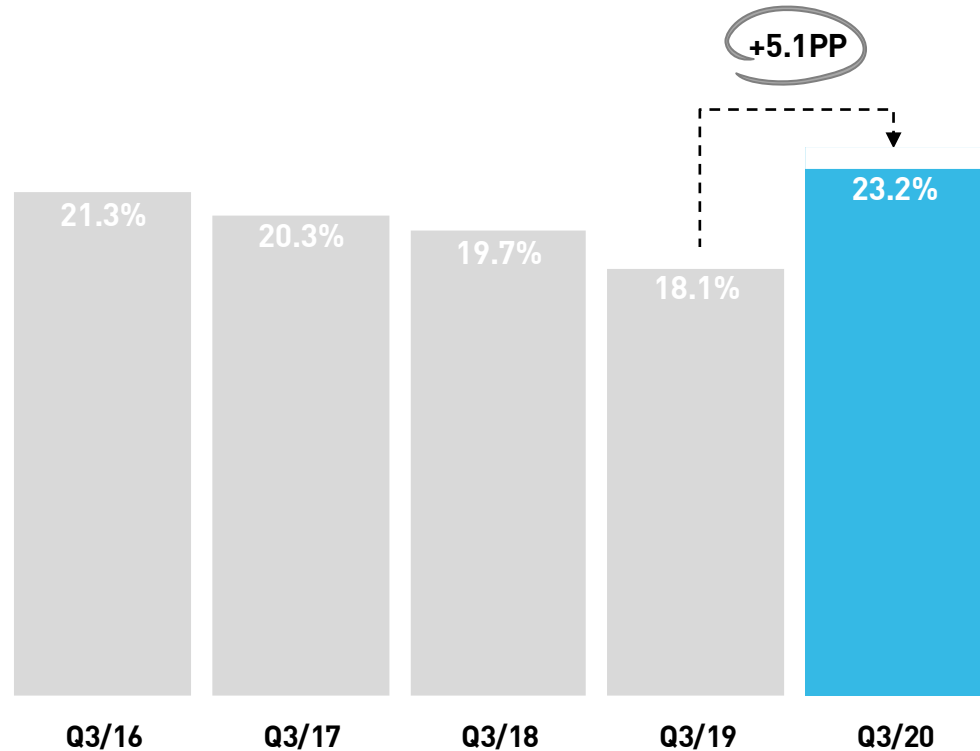
Reduced by 10% c.n. since end of June

**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





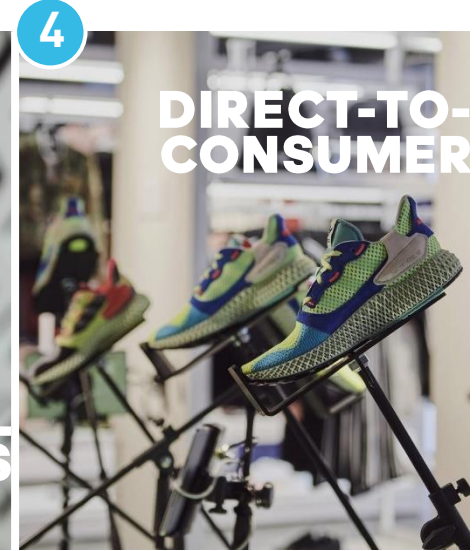
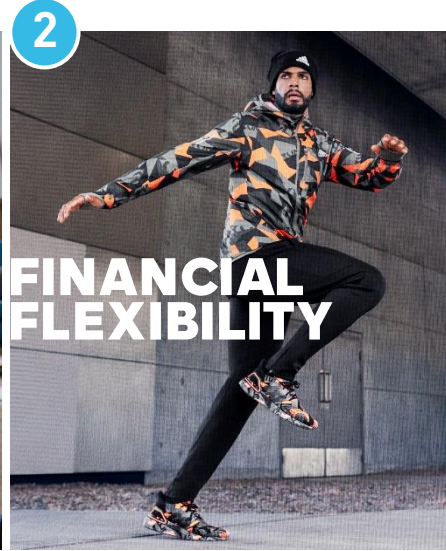
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**OPERATIONAL  
UPDATE**



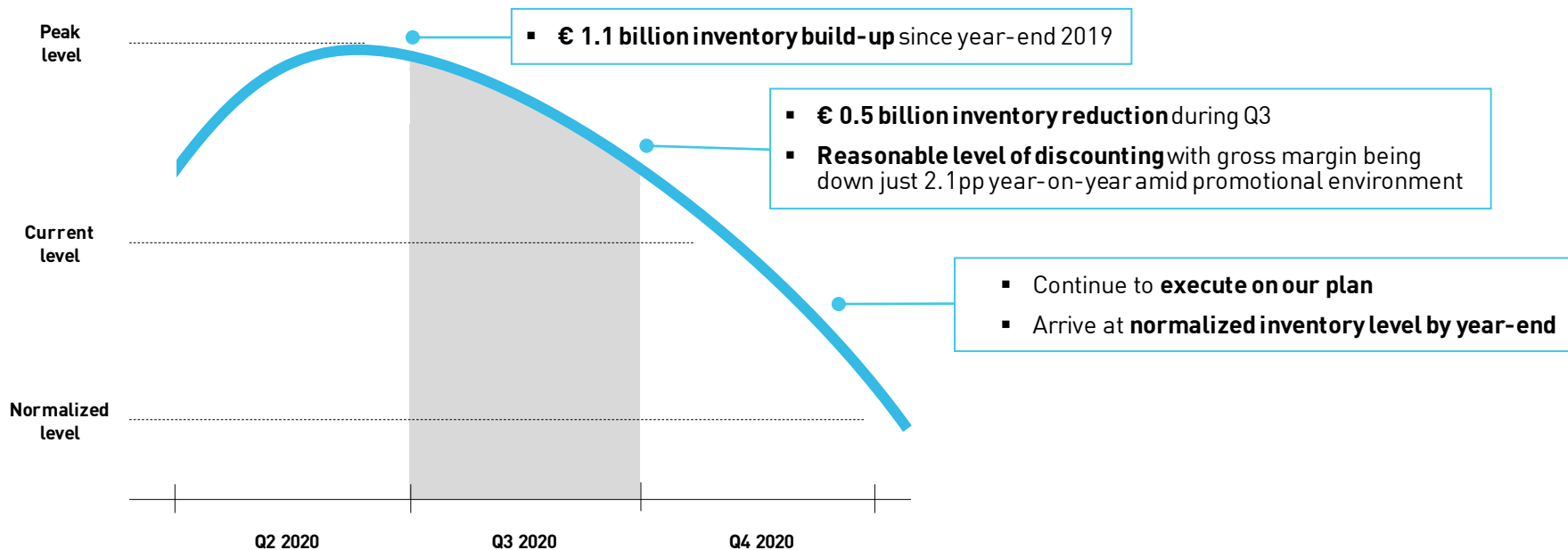
## EXECUTE THROUGH COVID-19

STRIKING THE BALANCE BETWEEN SHORT AND LONG TERM



# 1 INVENTORY NORMALIZATION PROGRESSING AS PLANNED

## OPERATIONAL FLEXIBILITY





# 1 EXECUTING INVENTORY NORMALIZATION PLAN

## OPERATIONAL FLEXIBILITY

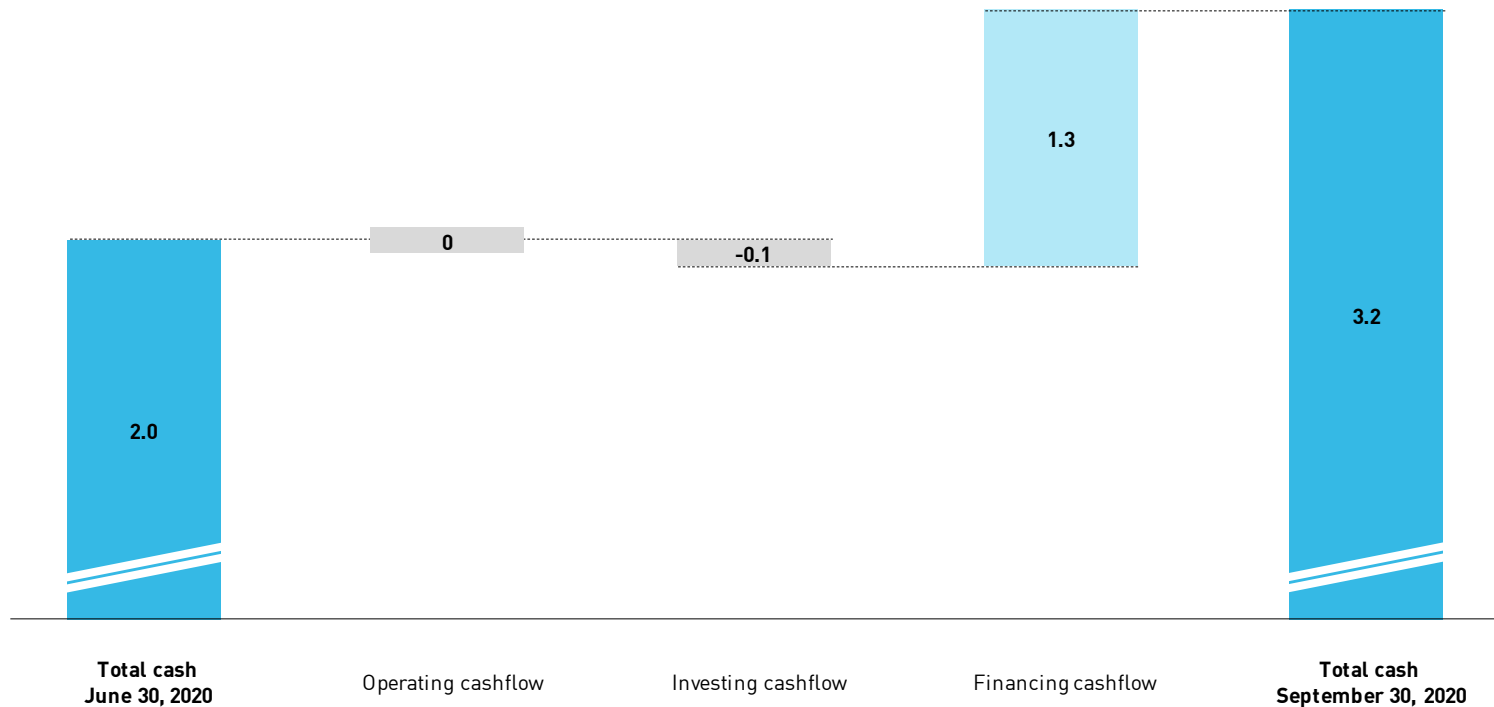




## 2 CASH POSITION INCREASES TO € 3.2 BILLION AT THE END OF Q3

### FINANCIAL FLEXIBILITY

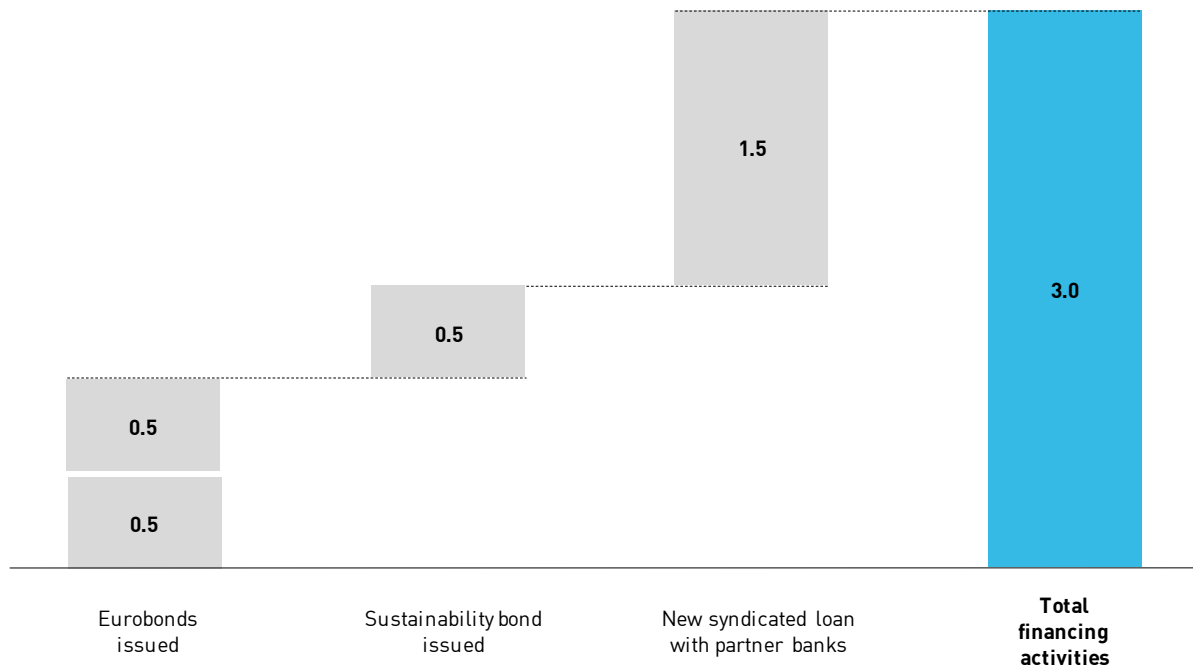
€ in billions



## 2 OPTIMIZED CAPITAL STRUCTURE AND FINANCING COSTS

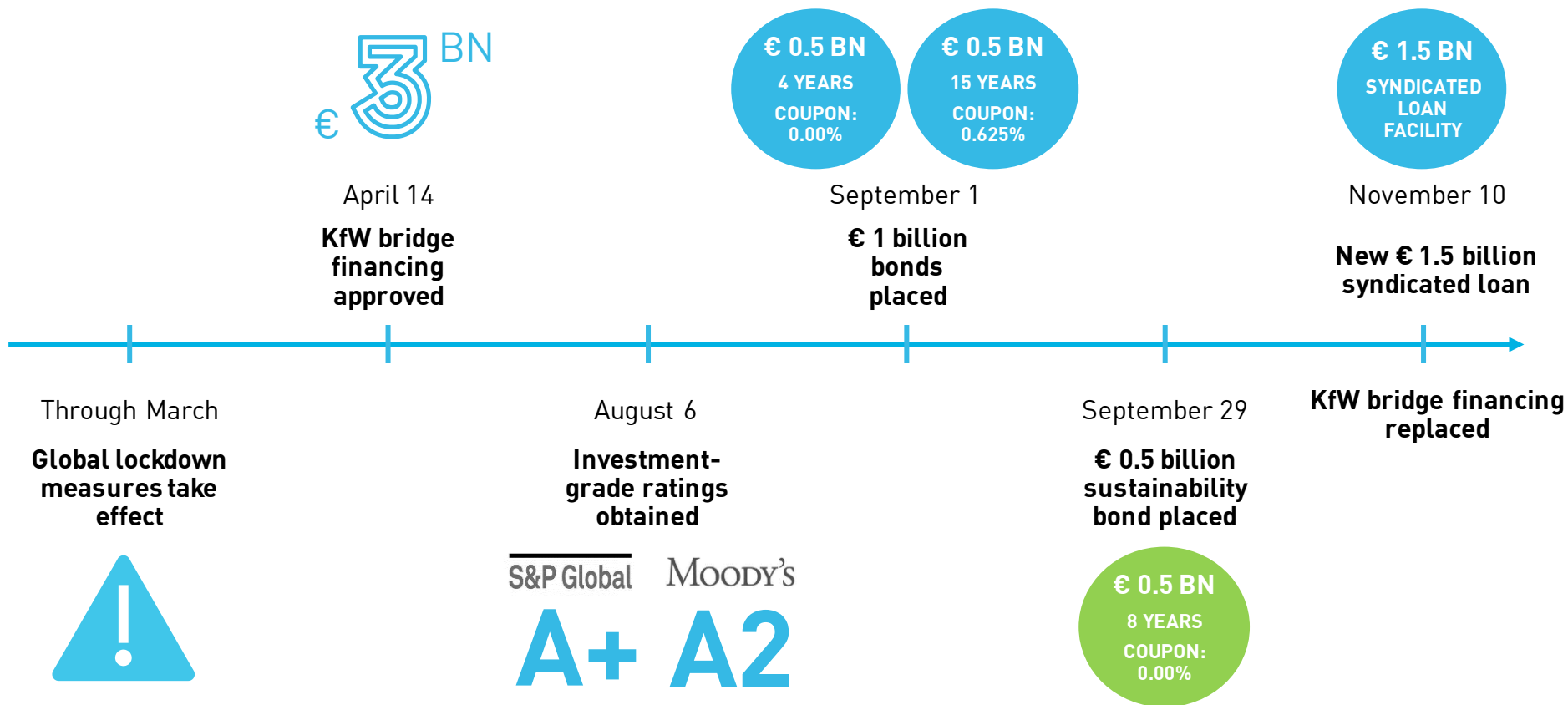
### FINANCIAL FLEXIBILITY

€ in billions



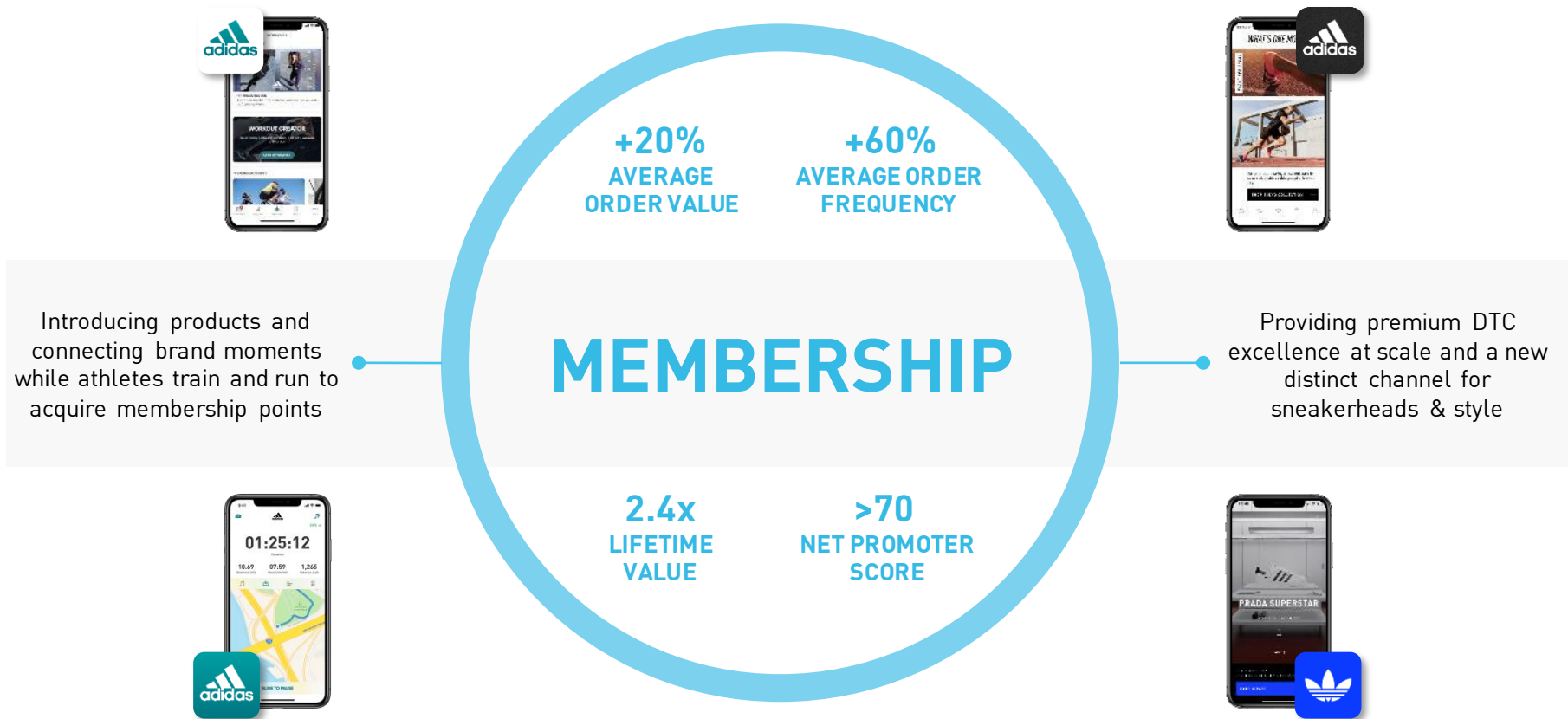
## 2 KFW SYNDICATED LOAN FACILITY REPLACED

### FINANCIAL FLEXIBILITY



### 3 ONLY SPORTS BRAND TO REWARD BOTH PHYSICAL AND PURCHASING ACTIVITY

#### DIGITAL OPPORTUNITIES

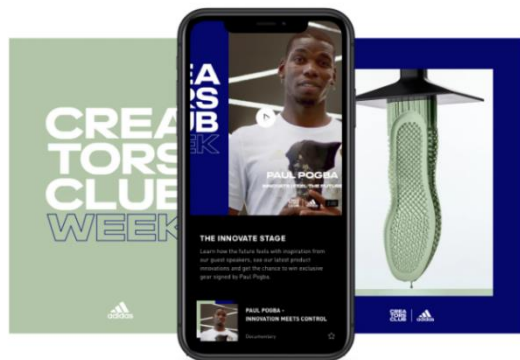
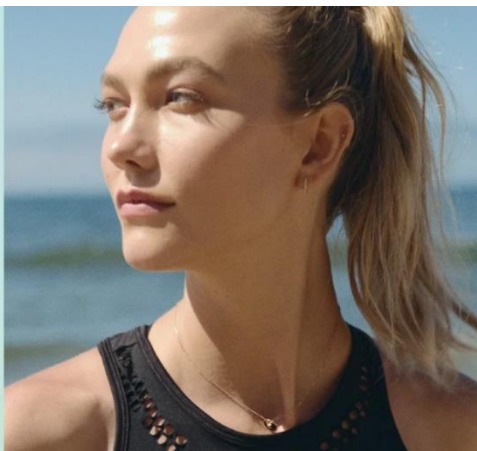


Metrics on average order value, average order frequency and lifetime value compare members versus non-members across US and Europe.



### 3 CREATORS CLUB WEEK WITH EXCLUSIVE OFFERS FOR MEMBERS

#### DIGITAL OPPORTUNITIES



Men Performance

WEDNESDAY 14 OCTOBER AT 00:00

ULTRA4D SHOES

€ 214,41

## 4 MORE IMPACTFUL STORYTELLING IN OUR STORES

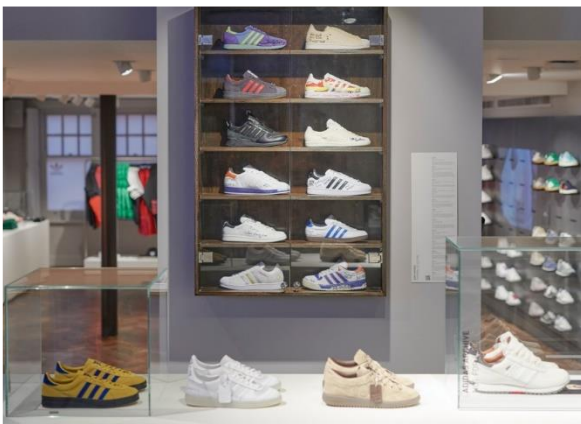
### DIRECT-TO-CONSUMER





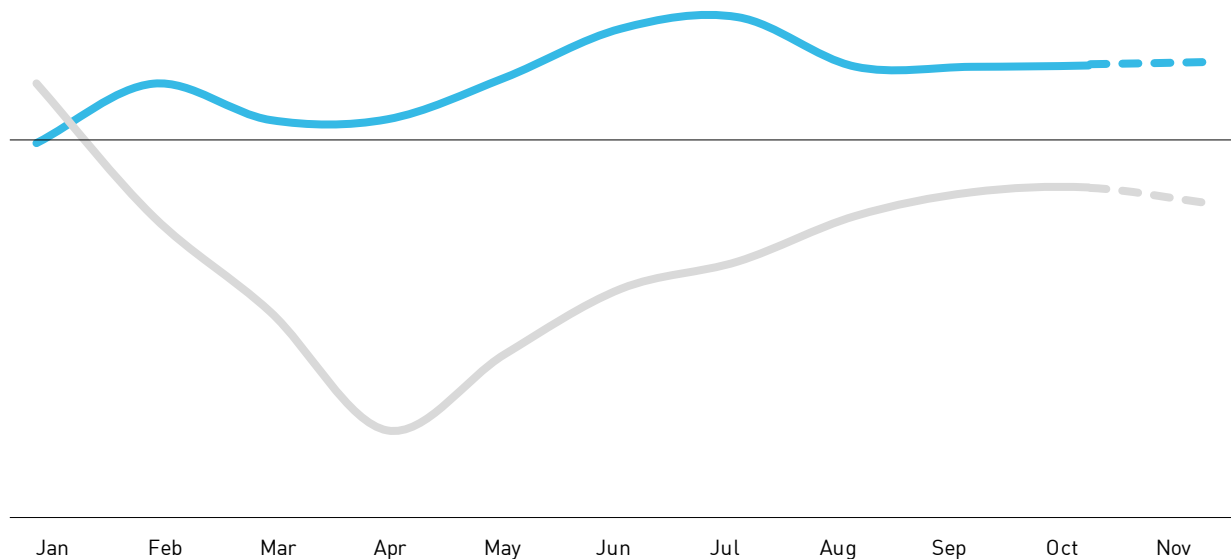
## 4 LONDON ORIGINALS FLAGSHIP OPENING

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

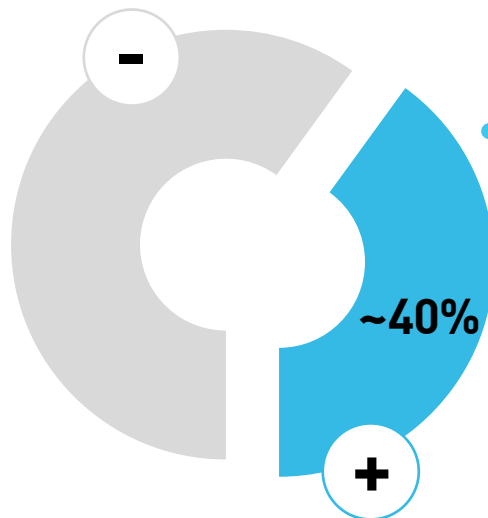
### DIRECT-TO-CONSUMER


YTD SEPTEMBER 2019



 DTC share (% of total net sales)

YTD SEPTEMBER 2020



 Wholesale share (% of total net sales)

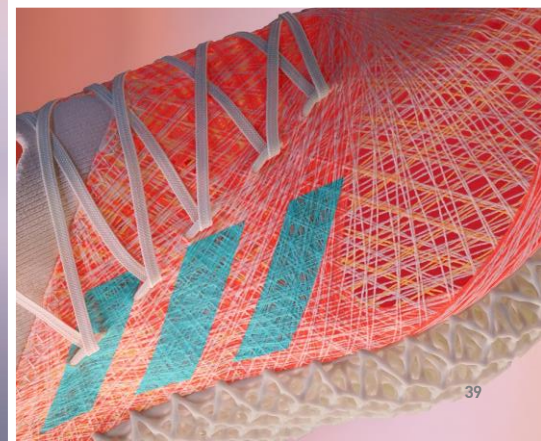
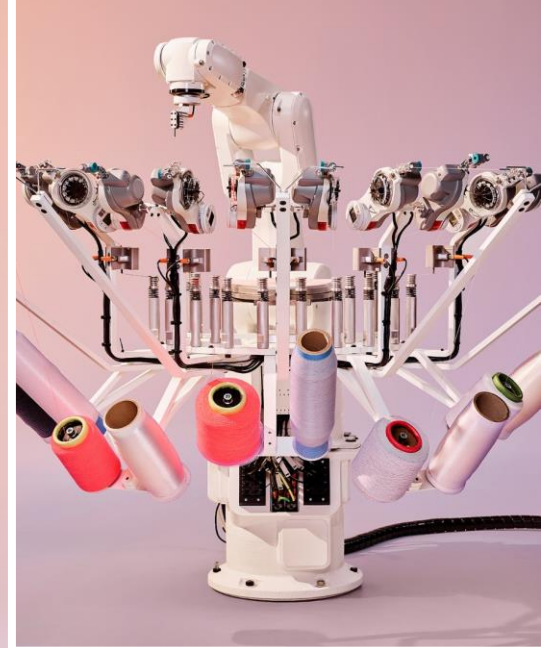
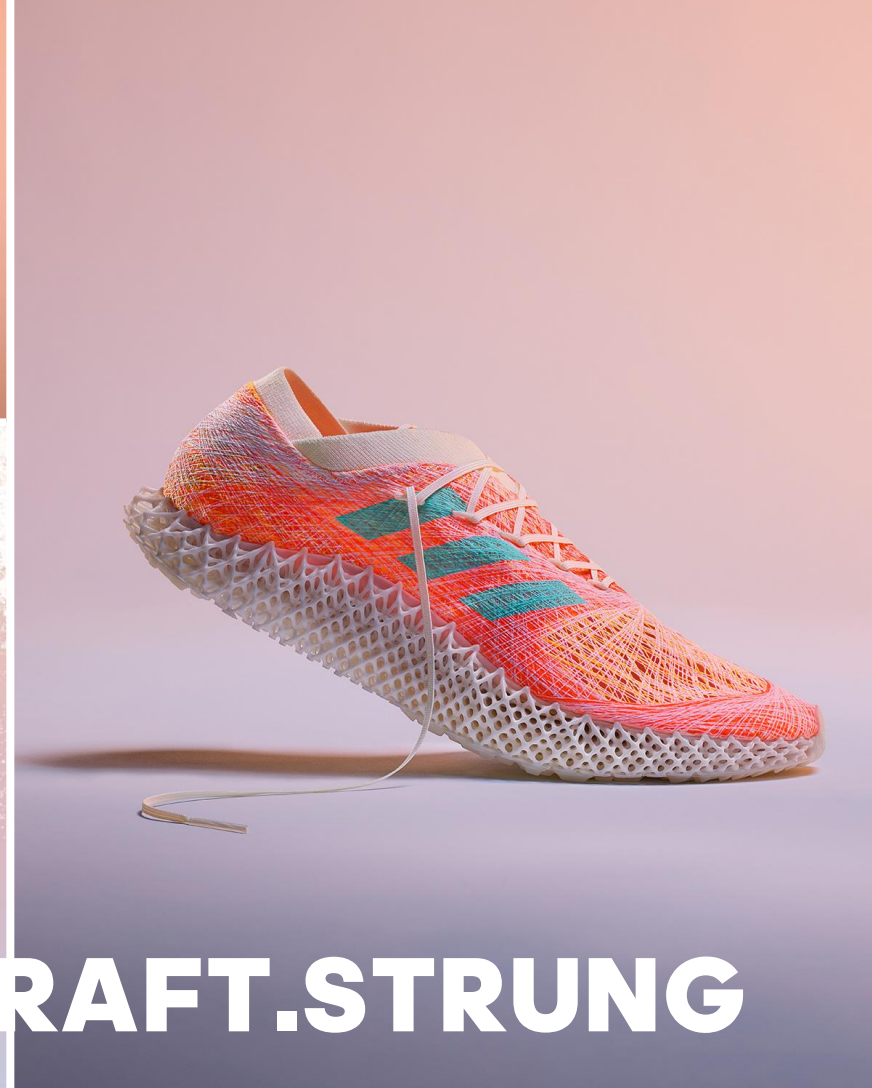
- Exceptional **e-com growth** paired with successful **store activations**
- Direct **relationship to consumers** with digital and physical touchpoints
- Exiting non-strategic wholesale accounts to **win with the winners**
- **Scaling self-service model** for wholesale partners

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**OUTLOOK**







# FUTURECRAFT.STRUNG





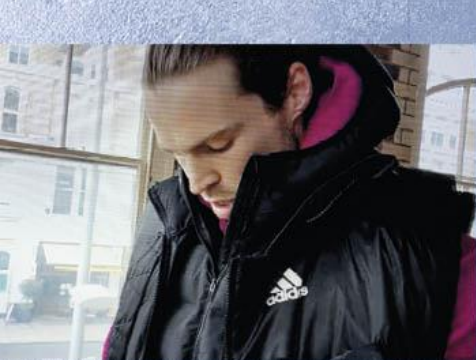
**REEBOK  
FOREVER FLOATRIDE GROW**



# ZX 2K BOOST



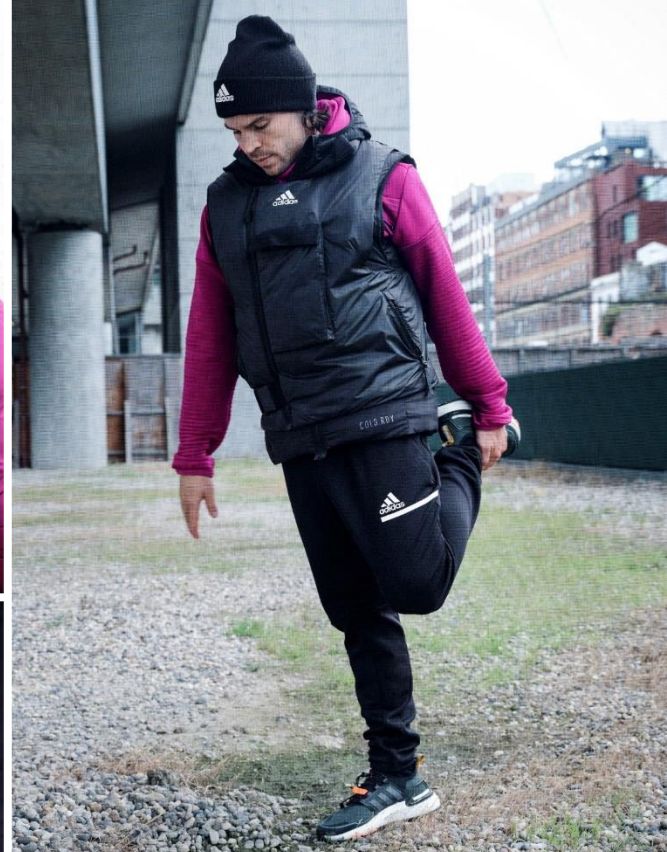




READY  
FOR  
WINTER



STAY WARM WITH ADIDAS COLD.RDY







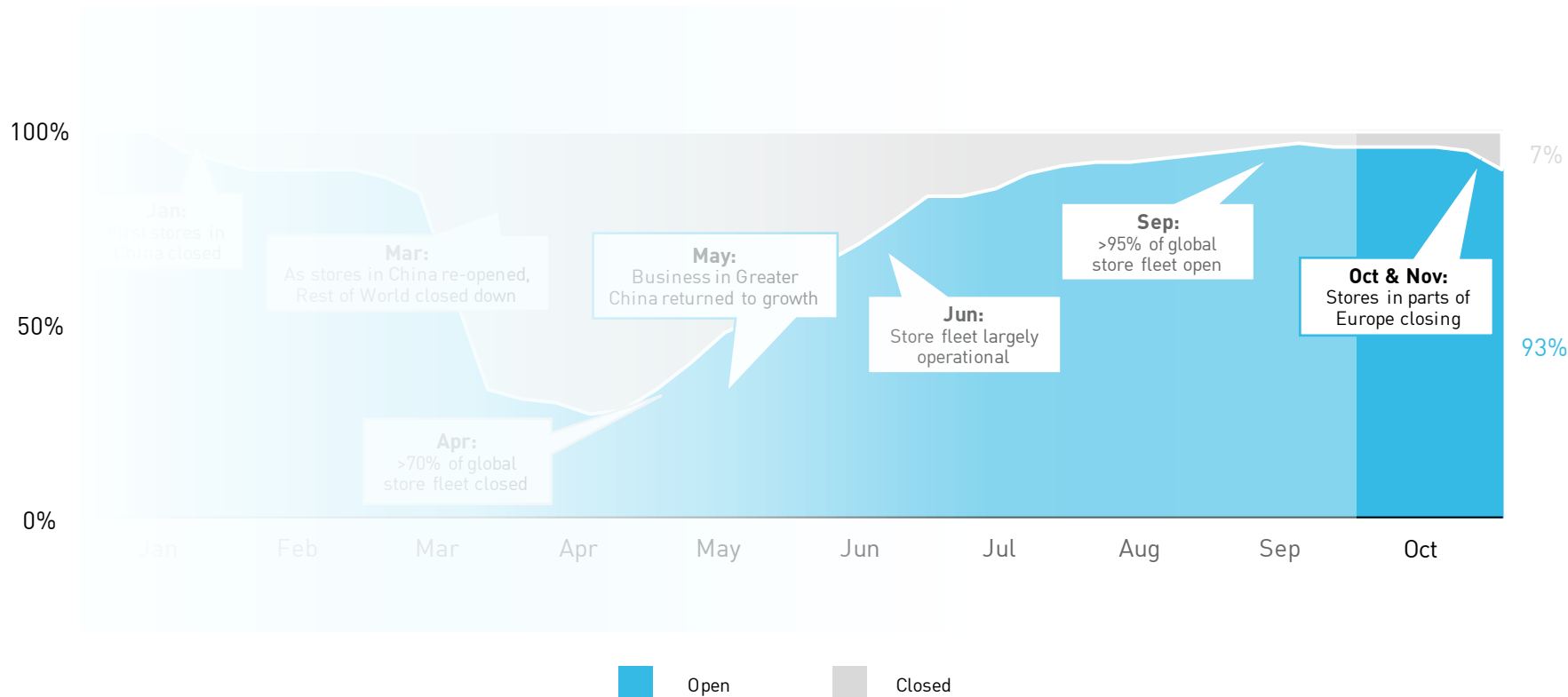
**NINJA  
CHASE THE SPARK**



# 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
<b>Net sales</b>	-19%	-34%	-3%	<b>Low- to mid-single-digit decline</b>
<b>Gross margin</b>	-4.2pp	-2.4pp	-2.1pp	<b>Around prior year level</b>
<b>Operating result</b>	€ 65m	-€ 333m	€ 794m	<b>€ 100-200 million</b>

### 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**



# ADIDAS INVESTOR RELATIONS

## TEAM COMMUNICATIONS



**SEBASTIAN STEFFEN**  
Head of Investor Relations



**ADRIAN ROTT**  
Senior Director Investor Relations



**CHRISTOPH RUMP**  
Director Investor Relations



**ANJA KLIEBER**  
Senior Manager Investor Relations



**PHILIPP ULRICH**  
Senior Manager Investor Relations



**MORITZ VERLEGER**  
Manager Investor Relations



**LAURA SÄNGER**  
Assistant Manager Investor Relations