

Q1 2020 RESULTS

Herzogenaurach,
April 27, 2020



adidas

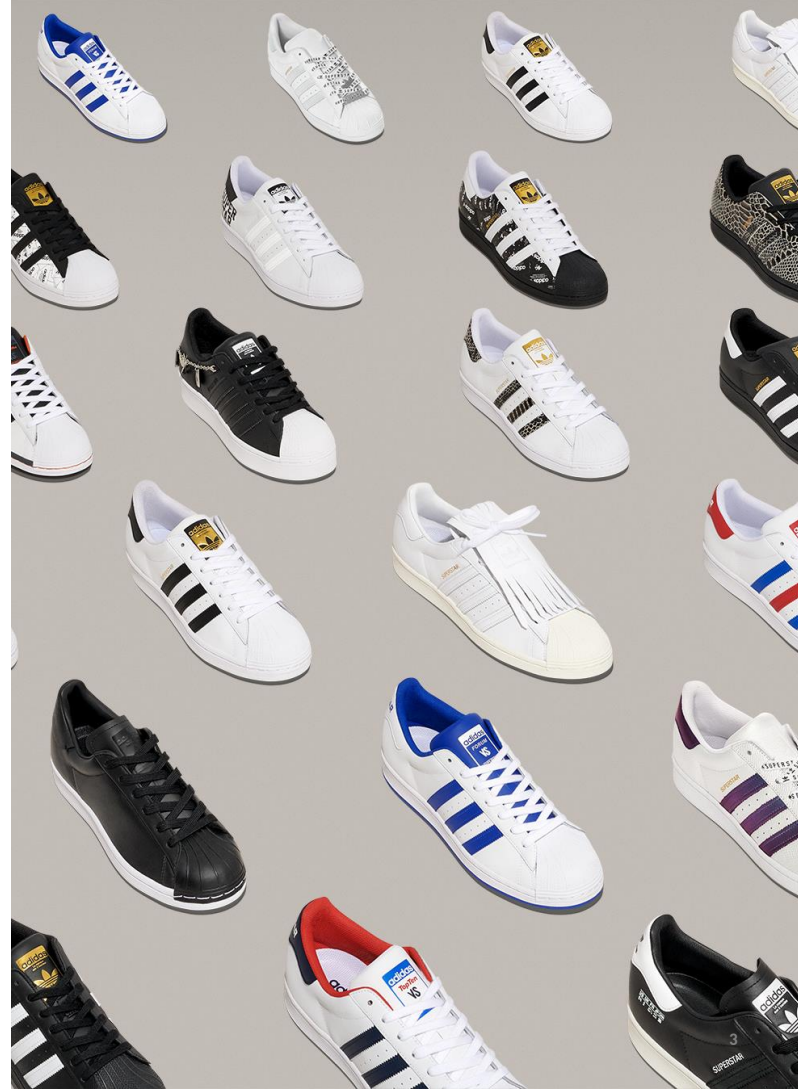
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AGENDA

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



01

INTRODUCTION



UNPRECEDENTED TIMES

AROUND THE GLOBE, IN SPORTS AND FOR ADIDAS



Almost all countries around the world impacted by the coronavirus outbreak



Global and local sports events of all kinds canceled or postponed



Standstill for 60% of our business as only e-com and stores in a few countries open

PROTECTING OUR PEOPLE AND PARTNERS REMAINS OUR TOP PRIORITY

HEALTH AND SAFETY

Providing workplace flexibility, protective gear and health support to enable all employees to work in a safe environment and to stay healthy – responsible 'return to work' plans being developed

FINANCIAL VIABILITY

Ensuring business continuity and financial security for our employees (e.g. short-time working) – supporting our retail staff during store closures and our DC staff during e-com peak periods

SUPPLY CHAIN RESPONSIBILITY

Supporting our supply chain partners and their workers through best-practice sharing – additional engagement with the UN and local governments



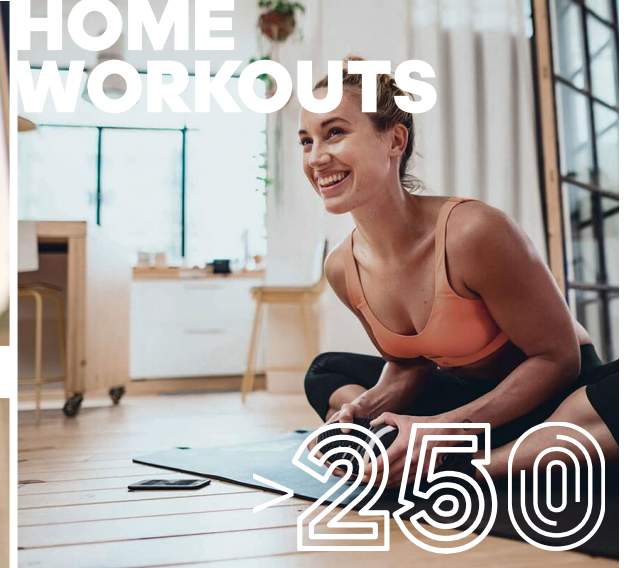
SUPPORTING THE GLOBAL COMMUNITY
STANDING TOGETHER IN DIFFICULT TIMES



Together with Carbon we are producing 18,000 face shields per week for healthcare professionals



We are donating financial resources, protective gear and product to WHO, China Youth Foundation and other organizations



Hundreds of thousands of athletes are using 250+ free videos, workouts and training plans in our adidas by Runtastic apps

SHORT-TERM PRIORITIES FOR OUR COMPANY

FOCUS ON CASH

Increase inflows



- **Push e-com**
- **Prioritize China** and other open markets
- **Intensify credit collection** efforts

Reduce outflows



- **Trade payables:** proactive adjustment of order book
- **OPEX:** cut discretionary spend, reduce management compensation, make use of short-time working, cancel marketing activities
- **CAPEX:** stop retail expansion/remodeling, IT projects

Additional financing



- Draw committed and uncommitted **credit lines**
- **Repatriate cash** from foreign entities
- **Bridge financing** through KfW syndicated loan



LONG-TERM IMPLICATIONS FOR THE INDUSTRY

STRUCTURAL TRENDS SUPPORTING FUTURE GROWTH ACCELERATED

HEALTH AND SPORTS EVEN MORE IMPORTANT TO CONSUMERS

Consumers developing an increased appreciation of well-being and physical exercising

BRAND STRENGTH MATTERS MORE THAN EVER

Strong, global brands best-placed to benefit from a scenario of potential market consolidation

FAST-FORWARD OF DIGITAL TRANSFORMATION

Social distancing is driving faster change in behavior toward digital tools and channels



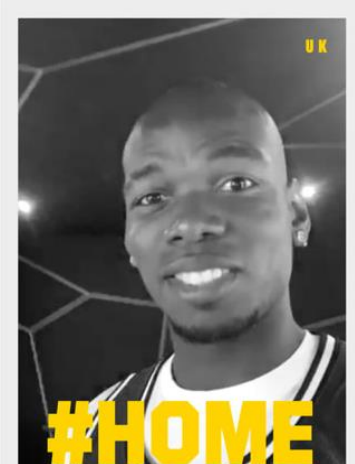
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BUSINESS UPDATE



CONSUMER HIGHLIGHTS

LEVERAGING MULTIPLE DIMENSIONS OF INNOVATION



STRENGTHS & WEAKNESSES

Q1 2020



+

OFF TO A GOOD START BEFORE CORONAVIRUS STRUCK

Currency-neutral sales up 8% during first two months excl. APAC

+

EFFECTIVE SET OF ACTIONS TO KEEP OUR PEOPLE SAFE

>40,000 employees in scope of closures and flexible ways of working

+

FAST SHIFT OF RESOURCES TOWARD DIGITAL

Doubling down on e-commerce and social media channels

+

SUFFICIENT FINANCIAL FLEXIBILITY

Decisive measures and access to additional liquidity

-

RAPID GLOBAL OUTBREAK OF CORONAVIRUS

Temporary standstill for 60% of our business as most stores are closed

-

HEADWIND FROM EXPOSURE TO GREATER CHINA

As the region had been most severely impacted in the first quarter

-

ELEVATED INVENTORY LEVELS

Due to store closures around the globe and inventory takebacks in China

-

PROFITABILITY MATERIALLY BELOW PRIOR YEAR

Operating profit declined over 90% in the first quarter

P&L AT A GLANCE

Q1 2020

REVENUES DECREASE 19% CURRENCY-NEUTRAL

Also 19% in euro terms to € 4.753 billion

GROSS MARGIN DOWN 4.2PP TO 49.3%

Due to declines in most markets

OPERATING MARGIN DOWN 13.5PP TO 1.4%

Reflecting operating deleverage due to revenue shortfall

NET INCOME FROM CONTINUING OPERATIONS DECREASES 97%

To € 20 million

BASIC EPS FROM CONTINUING OPERATIONS DOWN 96%

To € 0.13



STRATEGIC GROWTH AREAS

Q1 2020

ADIDAS NORTH AMERICA

Double-digit growth until end of February

+1%

GREATER CHINA

Recovery only starting to materialize in March

-58%

E-COMMERCE

55% increase in March

+35%

Currency-neutral.



ADIDAS AND REEBOK BRAND PERFORMANCE

MORE PRONOUNCED NET SALES DECLINE FOR BRAND ADIDAS REFLECTING HIGHER CHINA EXPOSURE



-20%

ADIDAS REVENUES DOWN 20%

Sport Performance decreases 20%
Sport Inspired declines 16%



-12%

REEBOK REVENUES DOWN 12%

Sport decreases 13%
Classics declines 10%

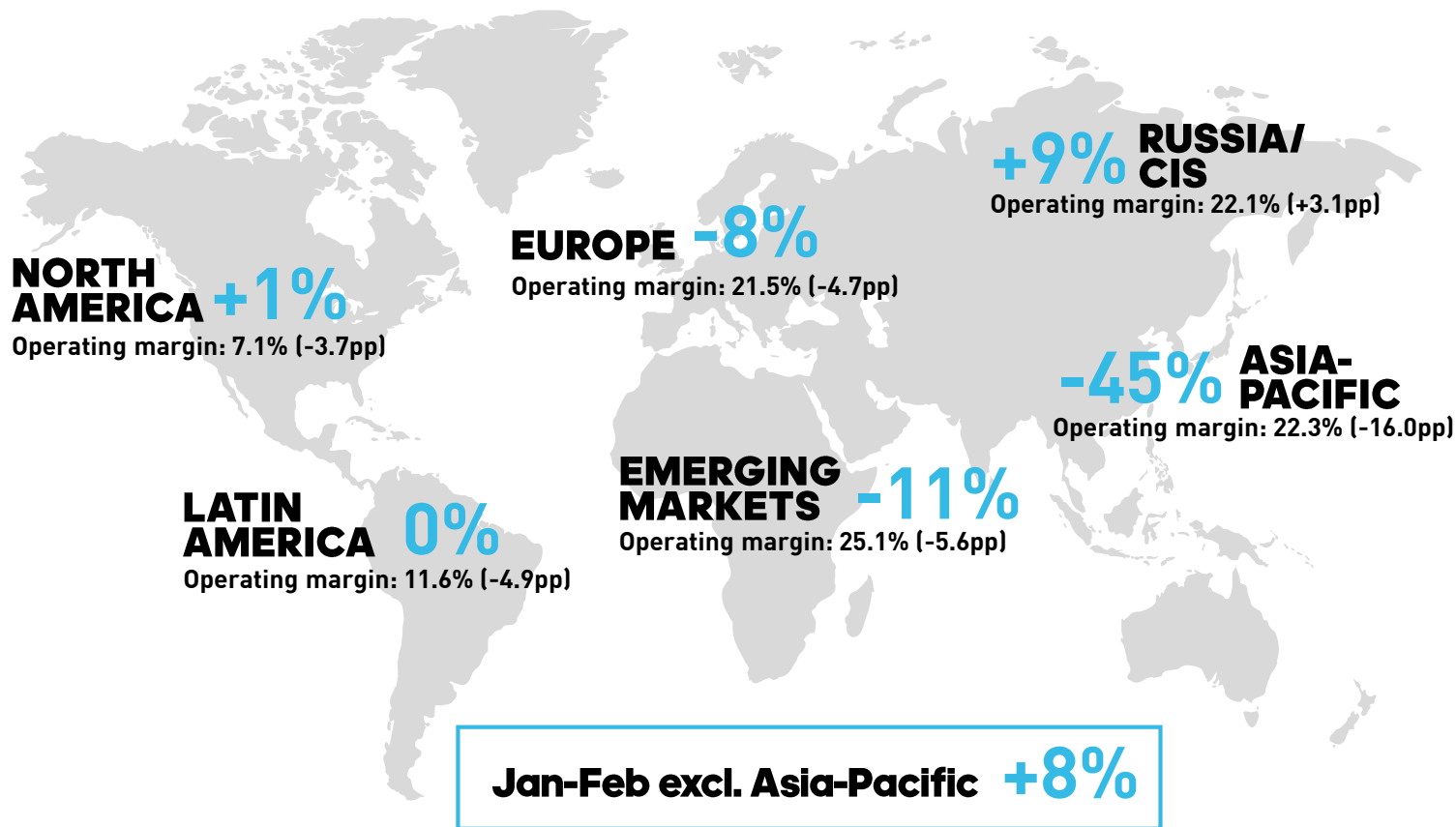


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FINANCIAL UPDATE

REVENUE GROWTH BY MARKET SEGMENT

CORONAVIRUS SPREADING GLOBALLY IN THE COURSE OF Q1



P&L OVERVIEW

Q1 RESULTS REFLECTING MATERIAL NEGATIVE CORONAVIRUS IMPACT

(€ in millions)	Q1 2020	Q1 2019	Y-O-Y
NET SALES	4,753	5,883	-19%
GROSS MARGIN	49.3%	53.6%	-4.2pp
OTHER OPERATING EXPENSES	2,305	2,317	-1%
<i>(in % of sales)</i>	48.5%	39.4%	+9.1pp
MARKETING AND POINT-OF-SALE EXPENSES	704	703	+0%
<i>(in % of sales)</i>	14.8%	12.0%	+2.9pp
OPERATING OVERHEAD EXPENSES	1,601	1,614	-1%
<i>(in % of sales)</i>	33.7%	27.4%	+6.3pp
OPERATING PROFIT	65	875	-93%
OPERATING MARGIN	1.4%	14.9%	-13.5pp
NET INCOME from continuing operations	20	631	-97%
BASIC EPS from continuing operations (€)	0.13	3.17	-96%

Including **negative impact of ~€ 250 million** from product takebacks in Greater China, purchase order cancellations and higher bad debt allowances

NET DEBT AND EQUITY POSITION

EQUITY RATIO AT 32.1%

Net debt

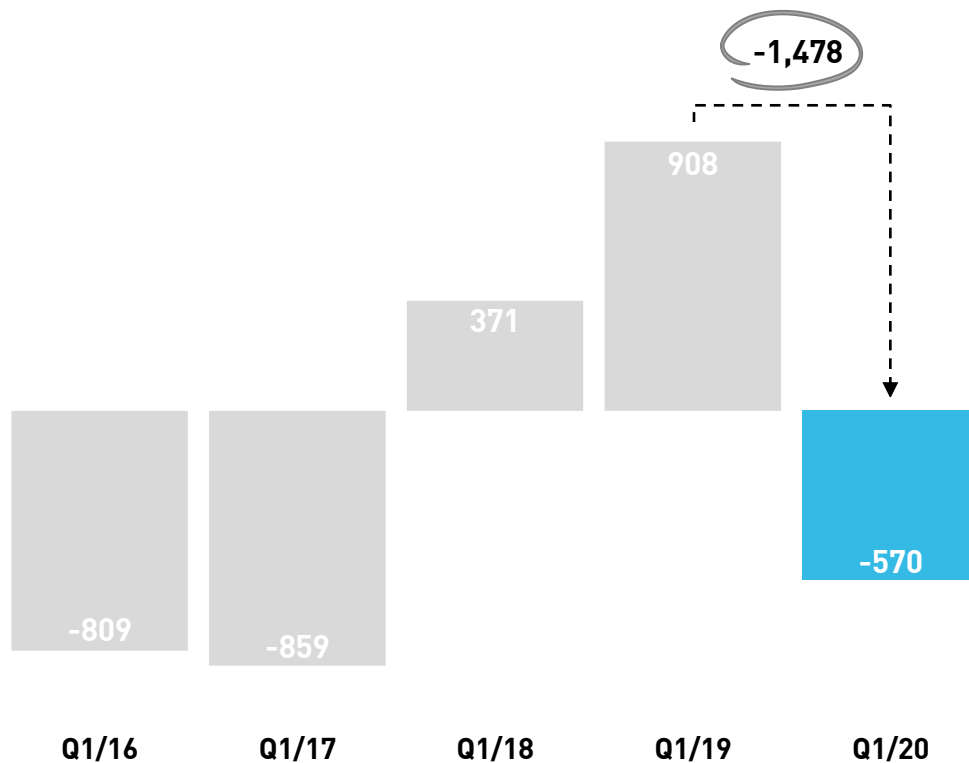
At € 570 million

Equity position

Decrease of € 270 million year-on-year

Equity ratio

Down 3.9pp year-on-year



AVERAGE OPERATING WORKING CAPITAL

SIGNIFICANT INCREASE IN INVENTORIES

Inventories up 36% c.n.

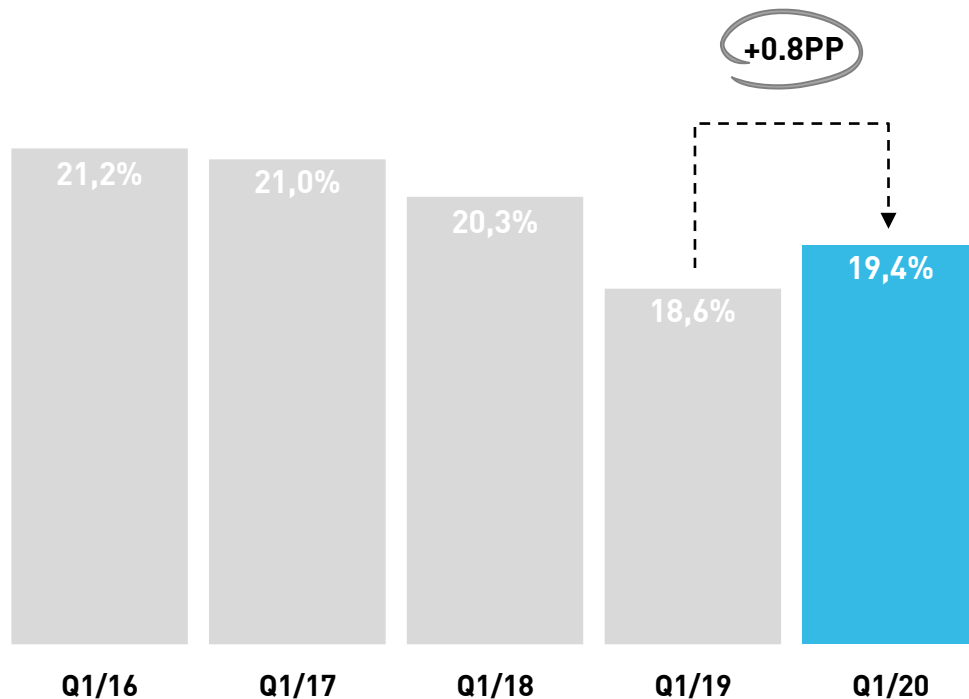
Due to broad-based store closures

Receivables down 5% c.n.

Partly driven by lower shipments toward quarter-end

Payables up 25% c.n.

Reflecting measures to manage cash outflows





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OPERATIONAL UPDATE

MANAGEMENT PRIORITIES IN UNPRECEDENTED TIMES

STRIKING THE BALANCE BETWEEN SHORT- AND LONG-TERM



Protecting people and community

Health and safety remains top priority



Making use of operational flexibility

'CTN' a strong foundation to build upon



Sufficient financial flexibility

Decisive measures and access to additional liquidity



Going after digital opportunities

E-com more important than ever before



Learnings from China

China first major market on road to recovery



ADJUSTING COST BASE TO PROTECT CASH AND PROFITS

MAKING USE OF OPERATIONAL FLEXIBILITY

Scope to partially adjust cost base in response to lower top line

Thanks to foundation built through ONE adidas initiatives within 'CTN'

Case-by-case decisions in order to not jeopardize future prospects

Focus so far on tactical measures in terms of both OOH and MWB

Making use of flexibility in OPEX based on current visibility

Semi-flexible expenses could be tackled in addition if circumstances require



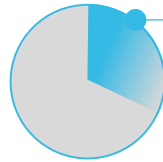
FOCUS ON TACTICAL OPEX MEASURES TO NOT JEOPARDIZE FUTURE PROSPECTS

MAKING USE OF OPERATIONAL FLEXIBILITY

FY 2019

2020 Flexibility

OOH **€ 6.8bn**



fixed

Personnel, depreciation, rent and IT

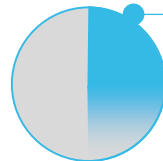
semi-flexible

E-com and warehouse infrastructure

flexible

Logistics, travel & expenses and IT projects

MWB **€ 3.0bn**



fixed

Sports marketing contracts and Jan-Feb spending

semi-flexible

E-com and digital brand campaigns

flexible

Variable contract components and physical events

Illustrative.

OOH – Operating overhead expenses.

MWB (Marketing Working Budget) – Marketing and point-of-sale expenses.

PLAN IN PLACE TO ARRIVE AT HEALTHY INVENTORY LEVEL MAKING USE OF OPERATIONAL FLEXIBILITY

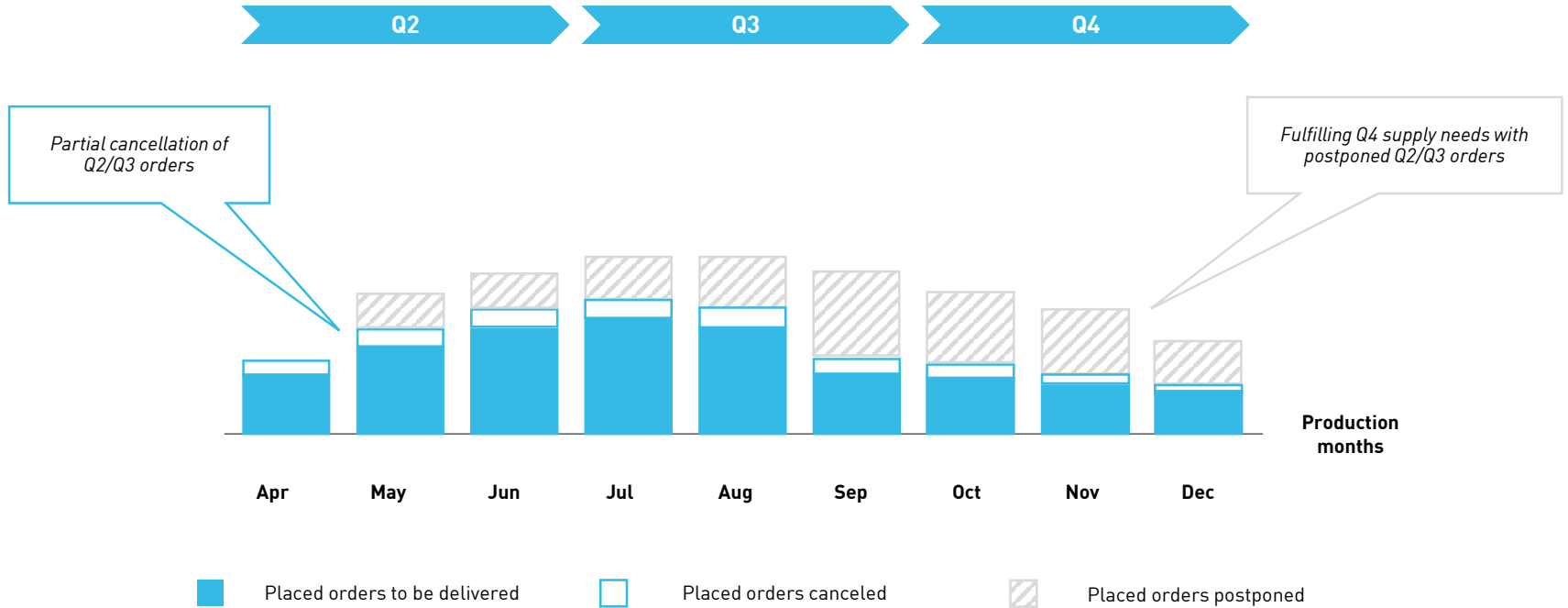
1 Proactive order management to align deliveries with lower demand

2 Repurpose and liquidate existing inventories



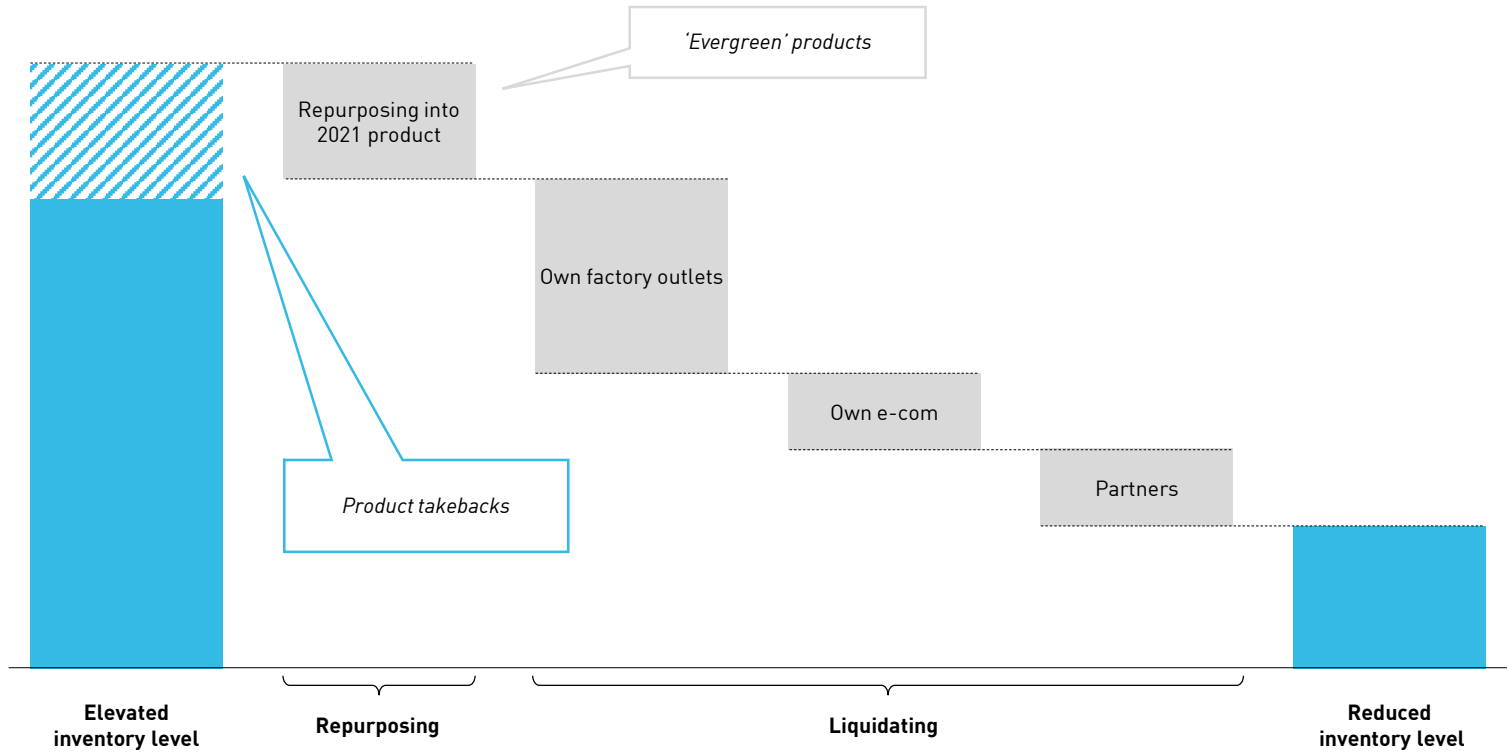
PROACTIVE ORDER MANAGEMENT TO ALIGN DELIVERIES WITH LOWER DEMAND

MAKING USE OF OPERATIONAL FLEXIBILITY IN CLOSE PARTNERSHIP WITH OUR SUPPLIERS



REPURPOSE AND LIQUIDATE EXISTING INVENTORIES

MAKING USE OF OPERATIONAL FLEXIBILITY



DECISIVE MEASURES AND ACCESS TO ADDITIONAL LIQUIDITY

SUFFICIENT FINANCIAL FLEXIBILITY

Decisive action taken to manage liquidity position

Suspension of dividend/buyback and reduction of management compensation

Using existing cash buffer and tapping unused credit facilities

As situation poses a liquidity challenge even for healthy companies

Additional € 3.0 billion revolving loan to bridge unprecedented situation

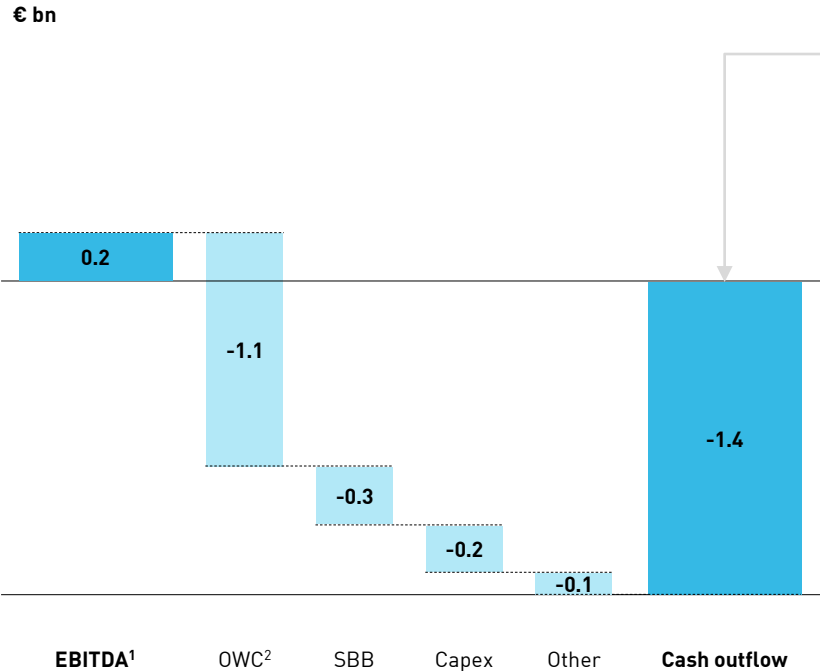
Syndicate of KfW and partner banks with interest/fees at market conditions



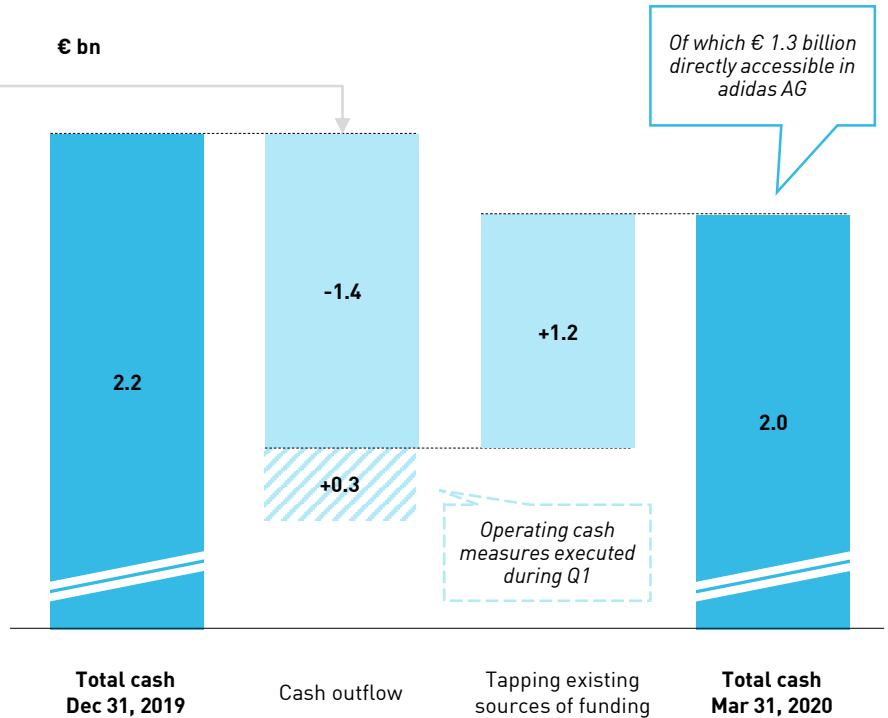
CASH OUTFLOW IN Q1 LARGELY OFFSET BY CASH MEASURES AND USE OF CREDIT FACILITIES

SUFFICIENT FINANCIAL FLEXIBILITY

Q1 CASH OUTFLOW DECOMPOSED



Q1 CASH DEVELOPMENT

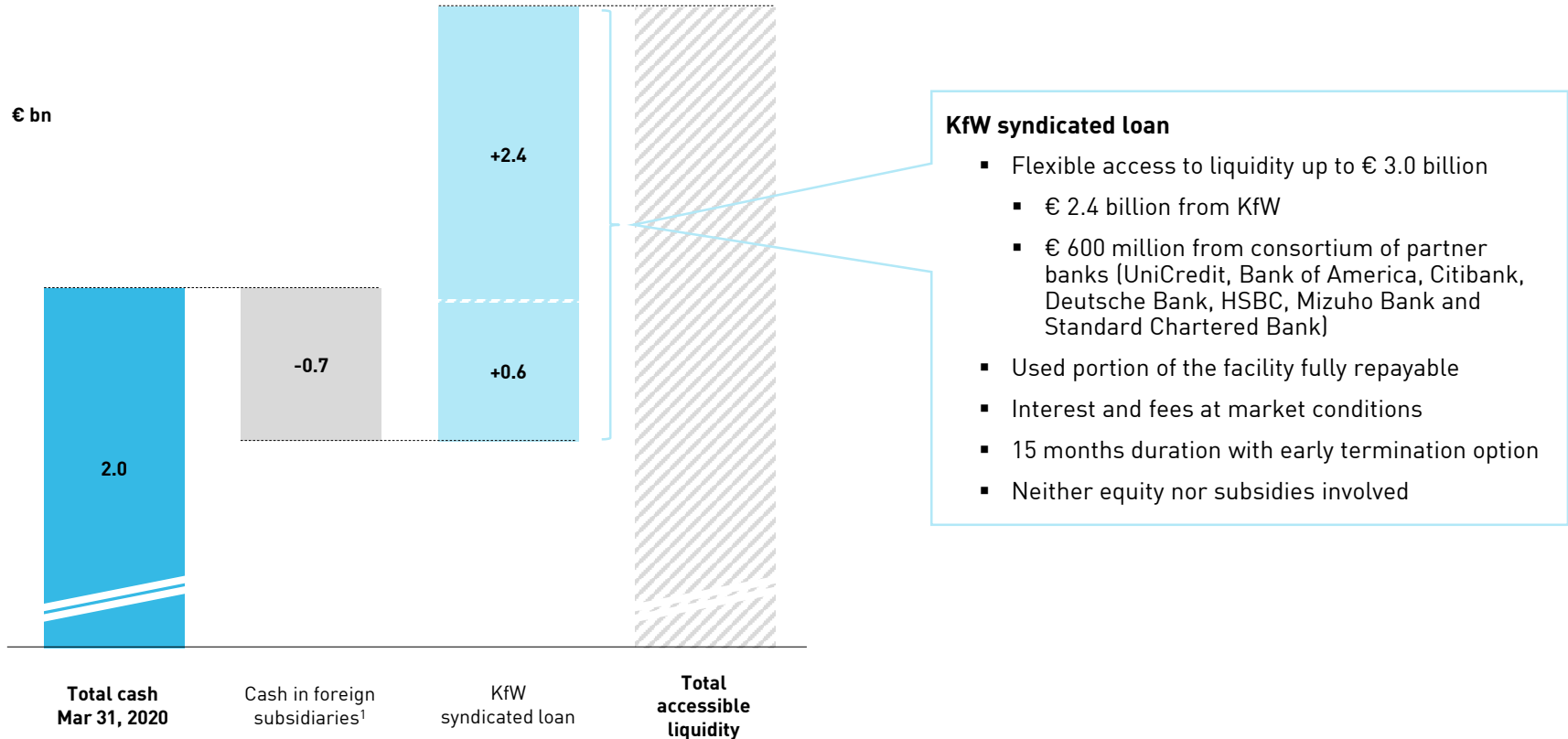


¹Excluding lease payments.

²Including other assets and other liabilities.

TOTAL ACCESSIBLE LIQUIDITY DECOMPOSED

SUFFICIENT FINANCIAL FLEXIBILITY



¹As of March 31, 2020.

E-COM MORE IMPORTANT THAN EVER BEFORE

GOING AFTER DIGITAL OPPORTUNITIES

Raising 2020 e-com target to more than € 4 billion

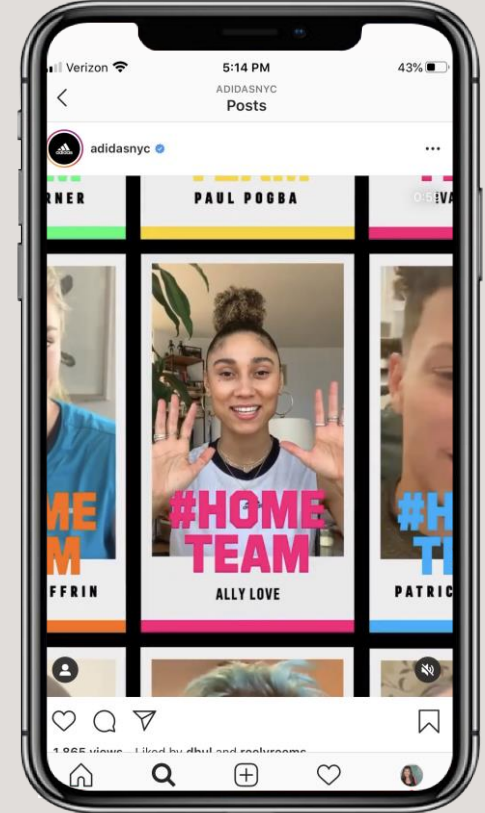
Reallocation of resources into digital to support new ambition

Driving brand awareness and digital sales

Through consumer-facing campaigns and well-received product launches

E-com always open for business

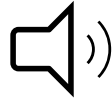
Risk mitigation in place to minimize impact of potential disruptions



RAISING 2020 E-COMMERCE TARGET

GOING AFTER DIGITAL OPPORTUNITIES

DRIVING NET SALES TO MORE THAN € 4 BILLION



Product

- Reallocate existing inventory
- Prioritize e-com within supply chain
- Launch plan for product pull-forwards and rapid creation

Storytelling

- Make big commercial moments even bigger
- Shift marketing investments to digital channels
- Establish task force to hunt and identify traffic and sales opportunities

Capabilities

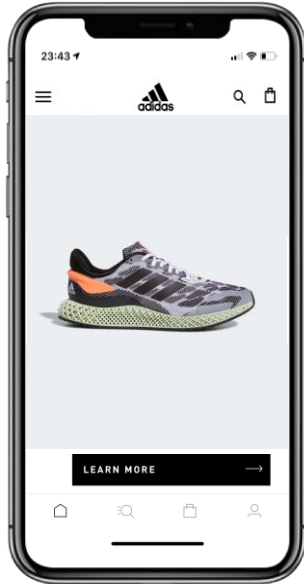
- Reprioritize focus areas within wider digital priorities
- Shift resources to drive online conversion
- Accelerate app and hype drop initiatives

DRIVING BRAND AWARENESS AND DIGITAL SALES

GOING AFTER DIGITAL OPPORTUNITIES



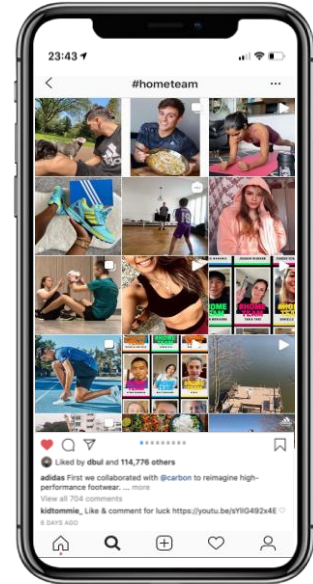
Yeezy releases with
100% sell-through



Fully digital execution of high-
profile launches



Keeping our communities
active, engaged and connected



Leveraging our asset base with
global #hometeam activation

CHINA FIRST MAJOR MARKET ON ROAD TO RECOVERY

LEARNINGS FROM CHINA

Retail business recovering since stores reopened at beginning of March

Traffic and conversion trends normalizing over time rather than instantly

E-com business also impacted during February but recovered much quicker

Driven by aggressive doubling-down on digital channels

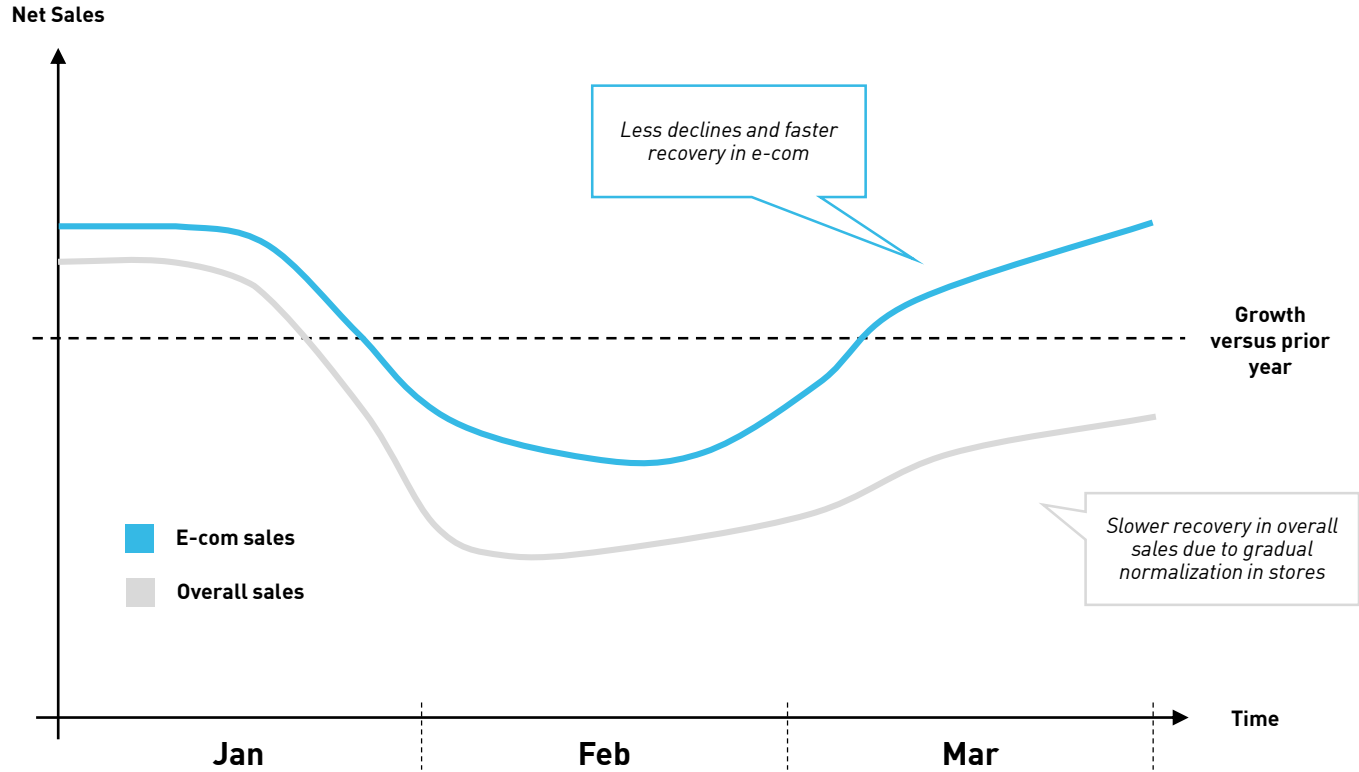
Successful strategy to revitalize retail after end of confinement period

Brand moments and campaigns to drive traffic and conversion



REBOUND OF GROWTH AFTER SHARP DECLINE IN FEBRUARY

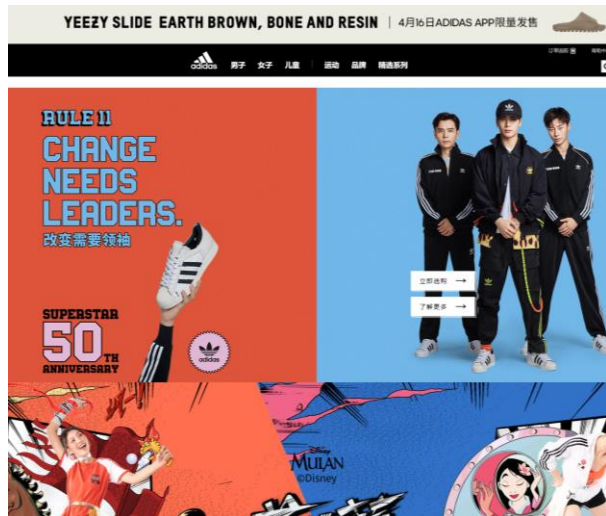
LEARNINGS FROM CHINA



PROVEN RECIPE TO STAY ENGAGED WITH CONSUMERS AND RESTART BUSINESS

LEARNINGS FROM CHINA

Doubling down on digital channels



First brand to serve consumers via livestream at Tmall Super Brand Day for enhanced digital shopping experience

Staying engaged with consumers



Created brand moment to celebrate the end of the confinement period and gradual return to normal life

Revitalizing retail as stores reopen



Executed 'Share your Stripes' campaign to drive consumers back to our stores

05

OUTLOOK



PRODUCT ENGINE CONTINUES TO RUN

LEVERAGING MULTIPLE DIMENSIONS OF INNOVATION



CONTINUED EXECUTION

NAVIGATING TOWARD LONG-TERM SUCCESS

Managing the storm

- Ensuring **health & safety** of our people
- Making use of **operational flexibility**
- Sufficient **financial flexibility**
- Going after **digital opportunities**

Coming out of the storm

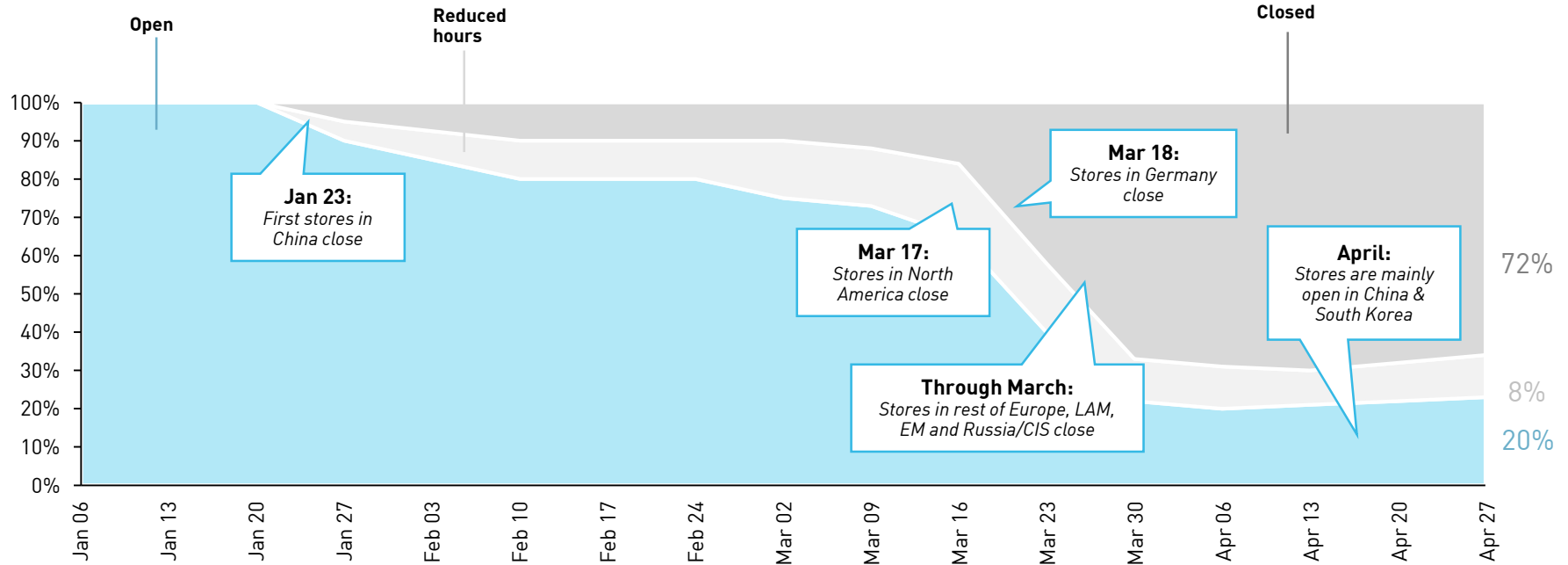
- Understanding changing **preferences and shopping behaviors**
- **Ramp-up of locations** (stores, offices, warehouses)
- Resource and inventory **(re)allocation**
- Refocus on **long-term strategy execution**

Managing 'the new normal'

- Global recession and economic **uncertainty**
- **Health and sports** even more important
- **Brand strength matters** more than ever
- Fast-forward of **digital transformation**







MORE THAN 70% OF OWN RETAIL STORES CURRENTLY CLOSED

STORES OPEN IN ONLY A FEW COUNTRIES



ASSESSMENT OF CORONAVIRUS IMPACT IN THE SECOND QUARTER

ONGOING STORE CLOSURES EXPECTED TO LEAD TO NEGATIVE OPERATING RESULT IN Q2

	Q1 2020	Q2 2020 Trend (vs. Q1)
Net sales	-19%	
North America	+1%	
Asia-Pacific	-45%	
Europe	-8%	
E-commerce	+35%	
Operating result	-93%	



Q2 2020 Outlook:

Net sales: down more than 40%
Operating result: negative

MANAGING THROUGH 2020

UNCERTAINTIES ON FULL-YEAR IMPACT REMAIN

WHAT WE KNOW

WHAT WE DON'T KNOW

Q1
2020

- Coronavirus impacting mainly Greater China, Japan, South Korea
- Rest of the world hit in March
- Net sales -19%, operating profit -93%

Q2
2020

- Sequential recovery in Greater China, South Korea
- Store closures in almost all other countries
- Net sales expected to be down more than 40% and operating result to be negative

Remainder of 2020

- Speed of recovery in Greater China with the risk of setbacks
- Duration of closures in North America, Europe and other parts of the world
- State of the global economy and consumer sentiment through the year
- Risk of industry-wide clearance and discounting activities



FY 2020 Outlook:
Not quantifiable

NEW DATE FOR INVESTOR AND MEDIA DAY SET FOR MARCH 2021

**Investor and Media Day
March 10, 2021**



- Review 'Creating the New'
- Derive key insights and long-list of strategic priorities

- Select and quantify proposed strategic priorities
- Set financial ambition and targets
- Incorporate learnings from current crisis situation

Completed

In progress

SUMMARY

- 1 **Navigating the company through unprecedented times**
- 2 **Using operational flexibility, sufficient financial flexibility**
- 3 **Doubling down on digital channels and tools**
- 4 **Structural industry trends being amplified and accelerated**
- 5 **Enabling long-term success by preparing for 'the new normal'**





Q&A

ADIDAS INVESTOR RELATIONS

TEAM COMMUNICATIONS

