



adidas

**COMMERZBANK  
GERMAN  
INVESTMENT  
SEMINAR 2020**

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# AGENDA

- 01 BUSINESS UPDATE
- 02 FINANCIAL UPDATE
- 03 OUTLOOK



## **BRIAN GREVY SUCCEEDS ERIC LIEDTKE**

AS BOARD MEMBER RESPONSIBLE FOR GLOBAL BRANDS





# BUSINESS UPDATE

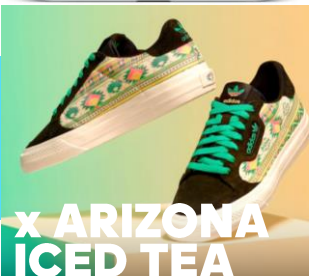
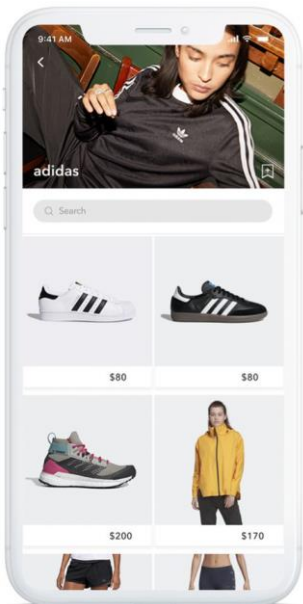
KASPER RORSTED  
CEO



# CONSUMER HIGHLIGHTS

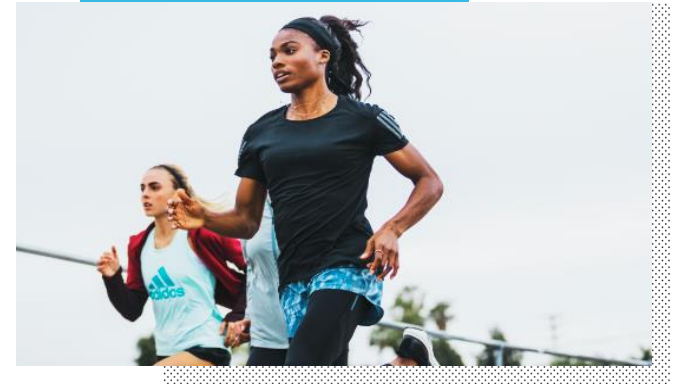
LEVERAGE CONSUMER ENGAGEMENT THROUGH PRODUCTS AND STORIES

**x STORR**



# STRENGTHS & WEAKNESSES

IN Q3 2019



+

## CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS

adidas North America, Greater China and e-com up double-digits

+

## RETURN TO GROWTH IN EUROPE

Strategic initiatives and reinvestments showing planned effects

+

## TOP-LINE GROWTH SUPPORTED BY ALL CHANNELS

Wholesale revenues accelerating

+

## APPAREL GROWING AT DOUBLE-DIGIT RATE

Driven by double-digit growth in Training, Outdoor and Originals

-

## SUPPLY CHAIN SHORTAGES WITH EXPECTED IMPACT

Weighing primarily on profitability

-

## DECELERATION OF GROWTH IN FOOTWEAR

Despite double-digit growth in Training and Outdoor

-

## UNDERLYING GROSS MARGIN DOWN

Due to air freight costs and price reinvestments

-

## NET INCOME DOWN YEAR-ON-YEAR AS GUIDED

Due to top-line phasing and OPEX timing

## P&L HIGHLIGHTS

IN Q3 2019

### **REVENUES INCREASE 6% CURRENCY-NEUTRAL**

And 9% in euro terms to € 6.410 billion

### **GROSS MARGIN UP 0.3PP TO 52.1%**

Driven by favorable FX development

### **OPERATING MARGIN DOWN 1.3PP TO 14.0%**

Due to planned increase in operating expenses

### **NET INCOME FROM CONTINUING OPERATIONS DECREASES 2%**

To € 644 million

### **BASIC EPS FROM CONTINUING OPERATIONS FLAT**

At € 3.26



## CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS

IN Q3 2019

### ADIDAS NORTH AMERICA

On top of 18% increase in Q3 2018

+10%

### GREATER CHINA

On top of 26% increase in Q3 2018

+11%

### E-COMMERCE

On top of 76% increase in Q3 2018

+14%



## ADIDAS BRAND GROWS IN ALL MARKETS

DOUBLE-DIGIT IMPROVEMENTS IN NORTH AMERICA, EMERGING MARKETS AND RUSSIA/CIS

+ 6%

### **SPORT PERFORMANCE INCREASES 8%**

Training continues to grow at double-digit rate

### **SPORT INSPIRED GROWS 4%**

Driven by mid-single-digit growth in Originals

### **APPAREL REVENUES INCREASE 13%**

Supported by introduction of new franchises



## CONTINUED TOP-LINE STABILIZATION AT REEBOK BRAND KEEPS GROWING AT A MODERATE RATE

+2%

### REEBOK REVENUES INCREASE 2%

Driven by double-digit growth in North America and Russia/CIS

### GROWTH IN SPORT

Driven by significant increase in Training

### GROSS MARGIN DOWN 3.1PP TO 42.1%

Following exceptional expansion in prior years



# STRONG GROWTH IN E-COMMERCE

## DRIVING DIGITAL CONSUMER ENGAGEMENT

+14%

### E-COMMERCE REVENUES GROW 14%

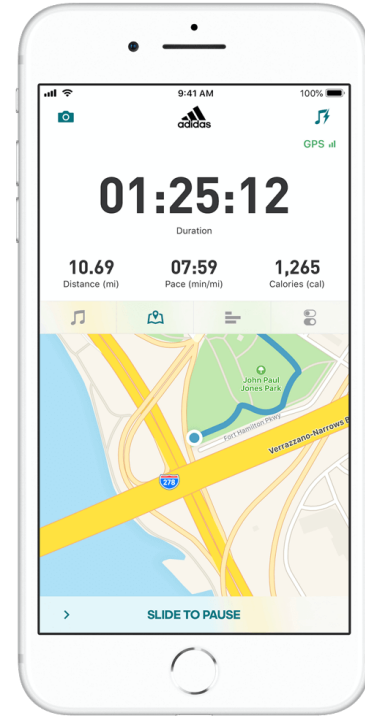
Driven by double-digit growth across most regions

### EXTENDED PARTNERSHIPS WITH DIGITAL PLATFORMS

Leverage various channels to drive e-commerce sales

### INTEGRATION OF RUNTASTIC INTO DIGITAL ECOSYSTEM COMPLETED

Running and Training apps successfully rebranded to adidas by Runtastic



02

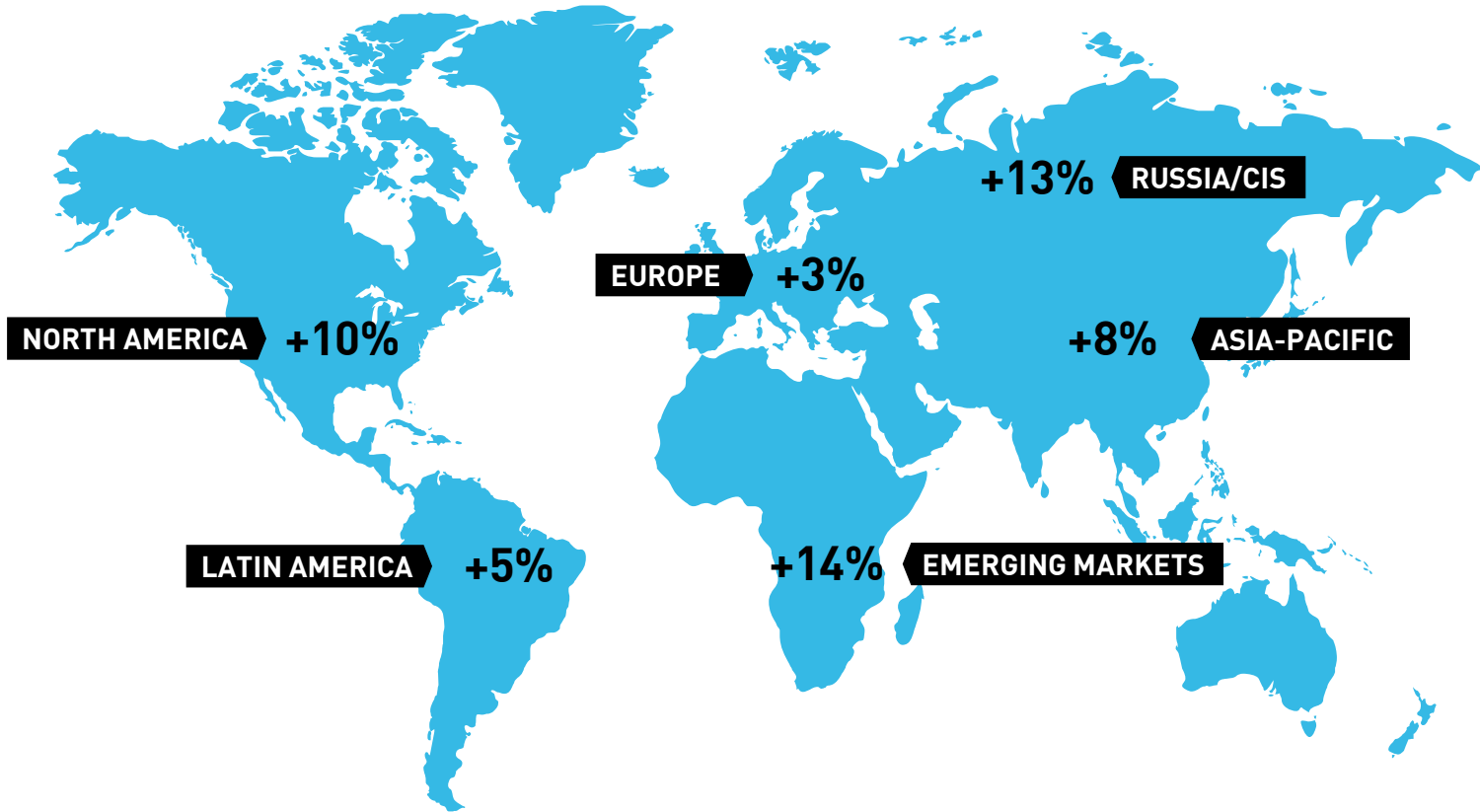
# FINANCIAL UPDATE

HARM OHLMEYER  
CFO



## GROWTH BY MARKET SEGMENT

BROAD-BASED GROWTH ACROSS ALL REGIONS



## NORTH AMERICA

STRONG GROWTH FOR BOTH BRANDS

+10%

**Currency-neutral sales increase 10%**

**adidas brand revenues up 10%**

Driven by growth in both Sport Performance and Sport Inspired

**Reebok brand revenues increase 17%**

Driven by double-digit growth in Sport

**Gross margin decreases 0.8pp to 41.2%**

Better product/channel mix offset by negative pricing mix and higher air freight costs

**Operating margin decreases 1.9pp to 16.1%**

Due to gross margin decline and OPEX investments



## ASIA-PACIFIC

SIGNIFICANT GROWTH DRIVEN BY GREATER CHINA

+ 8%

**Currency-neutral sales increase 8%**

**adidas brand sales up 9%**

Driven by double-digit growth in Sport Performance

**Reebok brand revenues down 11%**

Due to declines in both Sport and Classics

**Gross margin down 0.7pp to 56.5%**

Better channel mix more than offset by less favorable product/pricing mix

**Operating margin decreases 0.4pp to 35.1%**

Driven by gross margin decline



## EUROPE

### EUROPE BACK TO MODERATE GROWTH

+3%

**Currency-neutral sales grow 3%**

**adidas brand revenues increase 5%**

Driven by growth in both Sport Performance and Sport Inspired

**Reebok brand sales decrease 8%**

Due to declines in both Sport and Classics

**Gross margin improves 2.2pp to 51.0%**

Despite significant price reinvestments

**Operating margin up 1.6pp to 26.0%**

Mainly driven by gross margin expansion



## P&L OVERVIEW

### Q3 2019 RESULTS

(€ in millions)

#### NET SALES

#### GROSS MARGIN

#### OTHER OPERATING INCOME

#### OTHER OPERATING EXPENSES

*(in % of sales)*

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

*(in % of sales)*

#### OPERATING OVERHEAD EXPENSES

*(in % of sales)*

#### OPERATING PROFIT

#### OPERATING MARGIN

#### NET INCOME from continuing operations

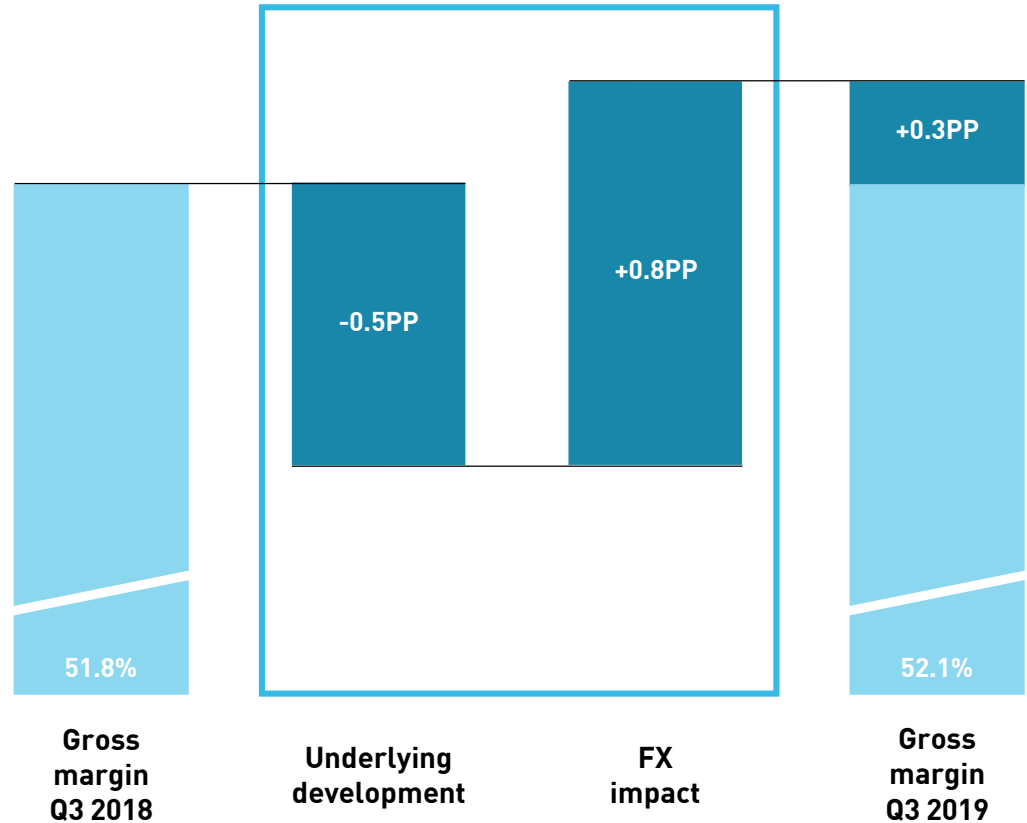
#### BASIC EPS from continuing operations (€)

Q3 2019	Q3 2018	Y-0-Y
6,410	5,873	+9%
52.1%	51.8%	+0.3pp
7	9	-22%
2,486	2,191	+13%
38.8%	37.3%	+1.5pp
753	713	+6%
11.7%	12.1%	-0.4pp
1,733	1,478	+17%
27.0%	25.2%	+1.9pp
897	901	-0%
14.0%	15.3%	-1.3pp
644	656	-2%
3.26	3.26	+0%

# GROSS MARGIN EXPANSION DECOMPOSED

POSITIVE FX EFFECTS MORE THAN OFFSET UNDERLYING GROSS MARGIN DECLINE

- Underlying decline**  
Less pronounced than expected
- Currency benefits**  
Higher than anticipated
- Gross margin to decline in Q4**  
Several factors to be considered



## OPEX PHASING IN H2

MORE BALANCED DISTRIBUTION BETWEEN Q3 AND Q4

### OPEX ratio up 1.5pp in Q3

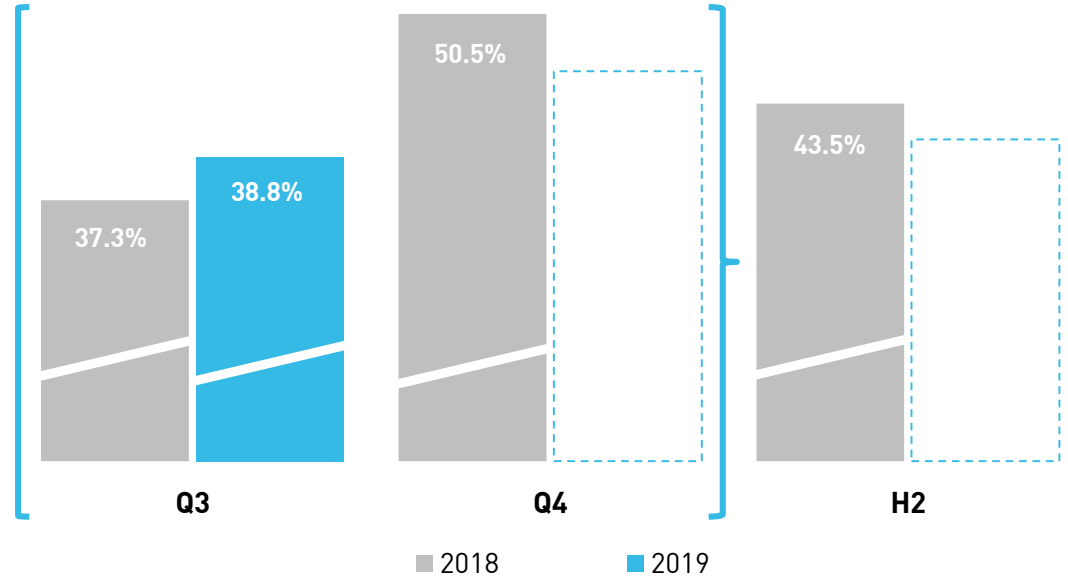
Due to expense shift from Q4 into Q3

### OPEX ratio to decline in Q4

As planned

### Absolute OPEX spend to increase moderately in Q4

Driven by IT-related business initiatives



## AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 1.6PP TO 18.1%

### Inventories up 12% c.n.

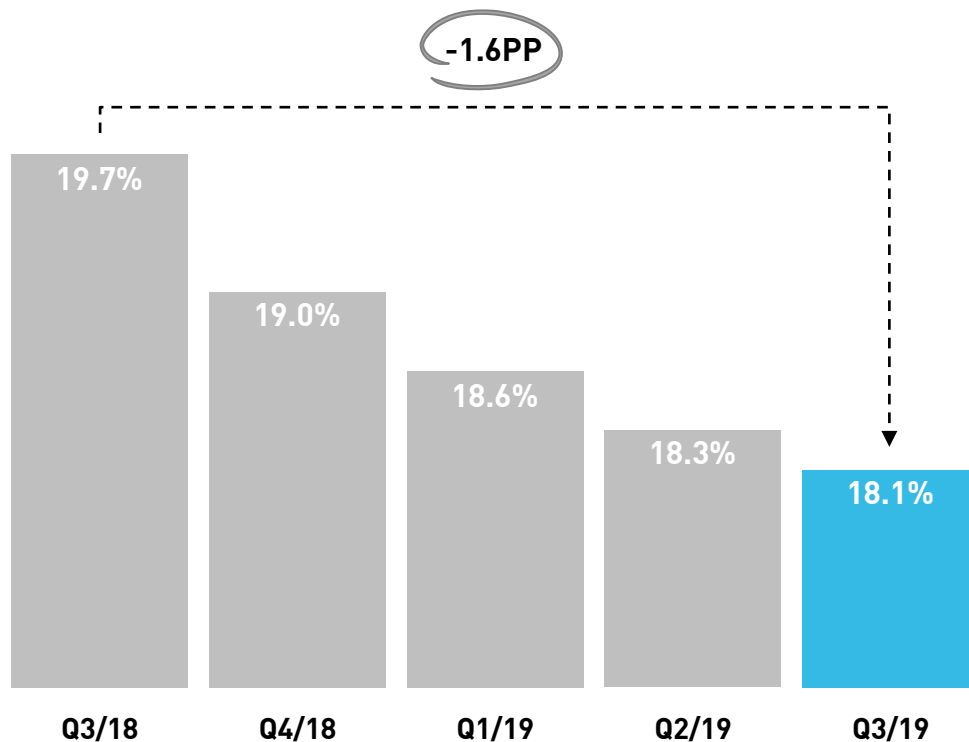
Reflecting planned top-line acceleration in Q4

### Receivables up 4% c.n.

Reflecting top-line development in wholesale

### Payables up 21% c.n.

Due to improved terms with vendors



## NET CASH AND EQUITY POSITION

EQUITY RATIO AT 35.4%

### Net cash position

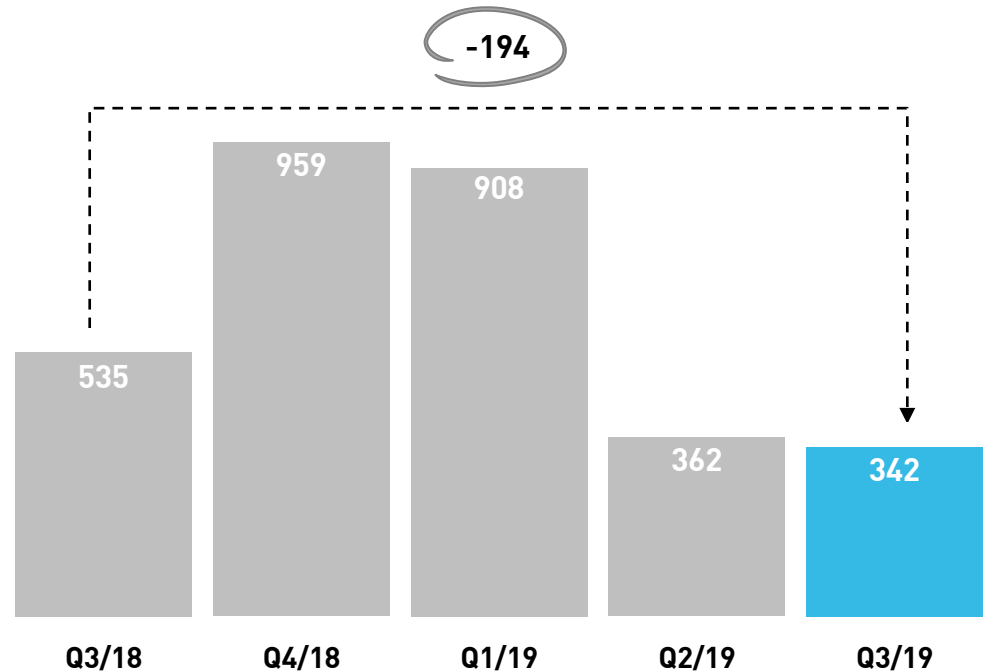
At € 342 million

### Equity position

Increases € 612 million year-on-year

### Equity ratio

Down 6.5pp year-on-year due to IFRS 16



## SHAREHOLDER RETURN

### SHARE BUYBACK UPDATE

	2018	2019	TOTAL
Volume Targeted	Up to € 1.0 billion	Around € 800 million	Up to € 3.0 billion
Volume Completed*	€ 1.0 billion	€ 629 million	€ 1.6 billion
Shares Purchased*	5.1 million	2.5 million	7.6 million

\* For 2019 and Total: As at September 30, 2019.  
Buyback started on March 22, 2018 and ending latest on May 11, 2021.



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# OUTLOOK

KASPER RORSTED  
CEO



## 2019 FOCUS AREAS

ANOTHER IMPORTANT MILESTONE TOWARD 2020 TARGETS



### **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



### **Tackling challenges decisively**

Return Europe to growth and mitigate supply shortages



# LEVERAGING MULTIPLE DIMENSIONS OF INNOVATION

TO DRIVE TOP- AND BOTTOM-LINE GROWTH

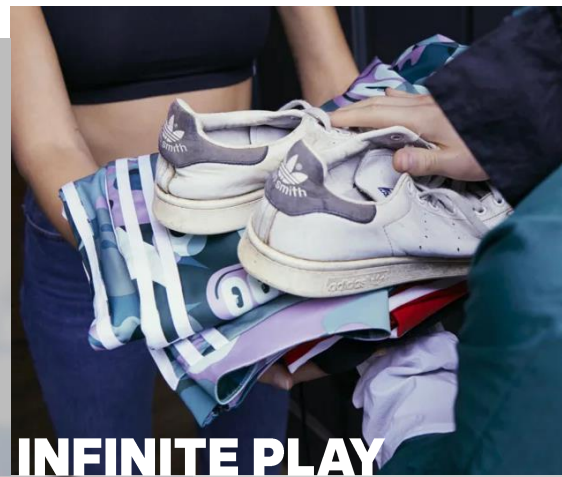
X SNAPCHAT



HOME OF CLASSICS



100% RECYCLABLE HOODIE



INFINITE PLAY



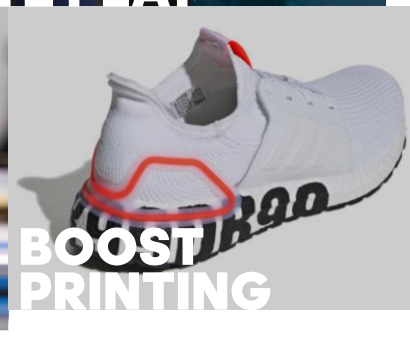
PULSEBOOST WINTERIZED



UEFA EURO 2020



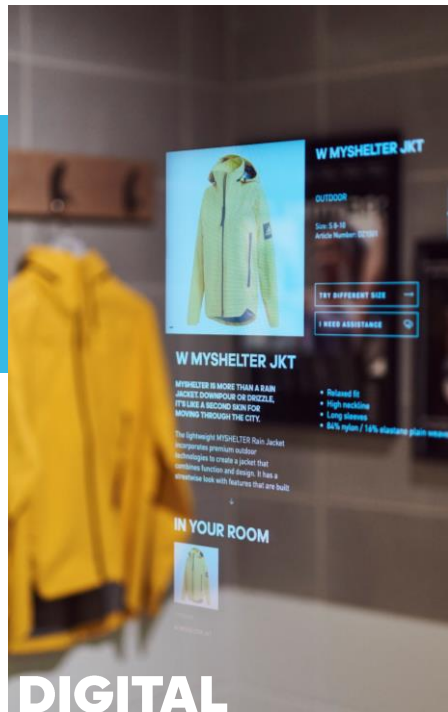
INSTAPUMP FURY BOOST



BOOST PRINTING

# LONDON FLAGSHIP OPENING

## OUR MOST DIGITAL STORE



## SIGNIFICANT TOP-LINE ACCELERATION IN Q4 2019

### BUILDING BLOCKS IN PLACE



#### **Product engine to contribute**

Scaling recent launches as well as introducing new products



#### **Europe turnaround unfolding**

Recovery accelerating



#### **Upcoming UEFA EURO 2020**

First positive impact from related product launches



#### **Earlier Chinese New Year**

Sell-in of related product partly in Q4



#### **Minimal top-line impact from supply chain shortages**

Measures to resolve bottleneck successfully executed



#### **Prior year comparisons to ease**

Lower base in Q4 than in Q3



## OUTLOOK 2019 CONFIRMED

DRIVING DOUBLE-DIGIT BOTTOM-LINE GROWTH

	GUIDANCE EXCL. IFRS 16	GUIDANCE INCL. IFRS 16**
Net sales*	Increase of 5% – 8%	
Gross margin	Increase to around 52.0%	
Operating margin	Increase of 0.5pp – 0.7pp to around 11.3% – 11.5%	
Net income from continuing operations	Increase of 10% – 14% to € 1.880 – € 1.950 billion	Increase of 8% – 12% to € 1.845 – € 1.915 billion

\* Currency-neutral.

\*\* Net income including estimated negative impact from accounting change according to IFRS 16 of around € 35 million in 2019 (based on lease contracts as of January 1, 2019).



## **OUTLOOK 2019 CONFIRMED**

DRIVING DOUBLE-DIGIT BOTTOM-LINE GROWTH

- 1 First nine months of 2019 according to plan**
- 2 On track to achieve full-year outlook**
- 3 Building blocks in place for significant top-line acceleration in Q4**
- 4 2019 will be another record year**
- 5 Focus on relentless execution of 'Creating the New'**



**RELENTLESS EXECUTION OF 'CREATING THE NEW'**  
TO DELIVER ON OUR FINANCIAL AMBITION 2020

**NET SALES**

CAGR 2015-2020 c.n.

10 - 12 %

**OPERATING MARGIN**

Up to

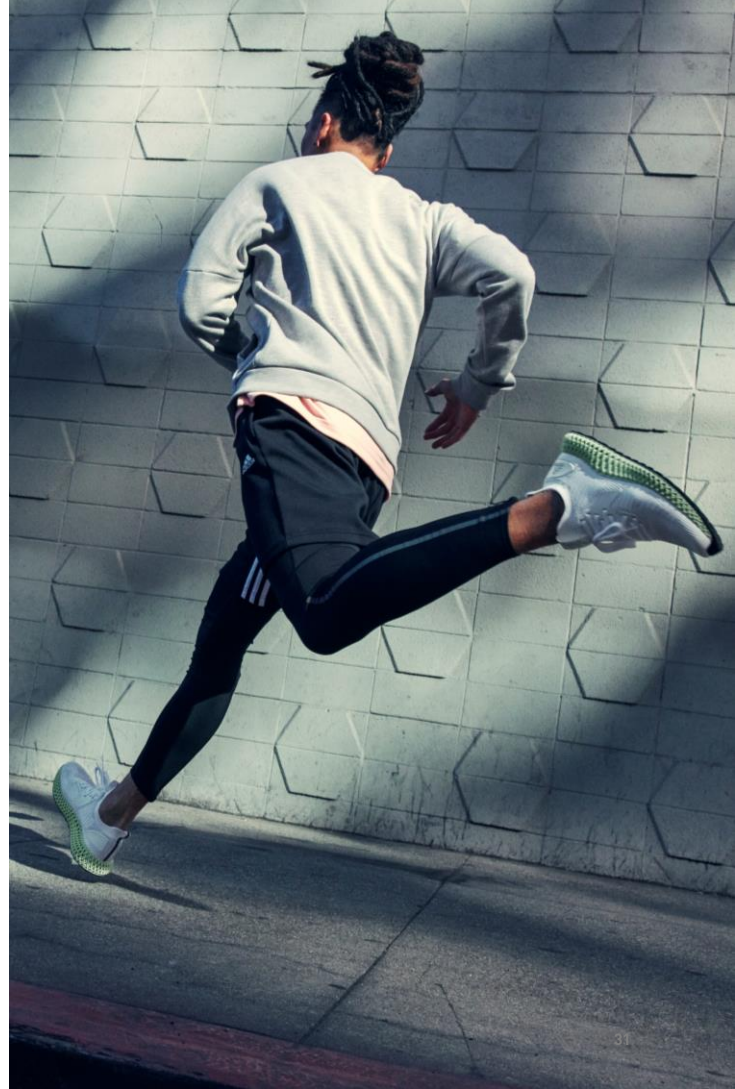
11.5 %

**NET INCOME\***

CAGR 2015-2020

22 - 24 %

*\* Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses and exclude negative one-time tax impact of € 76 million in 2017.*



# Q&A



## UPCOMING IR EVENTS

**March 11, 2020**

FY 2019 Results Release

**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 Day

