



adidas

**Q2 2019
ROADSHOW
PRESENTATION**

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AGENDA

- 01 BUSINESS UPDATE
- 02 FINANCIAL UPDATE
- 03 OUTLOOK



SUPERVISORY BOARD EXTENDS CONTRACTS OF KAREN PARKIN AND HARM OHLMEYER EXECUTIVE BOARD TEAM IN PLACE TO ENSURE LONG-TERM SUSTAINABLE SUCCESS



@1

**BUSINESS
UPDATE**



CONSUMER HIGHLIGHTS

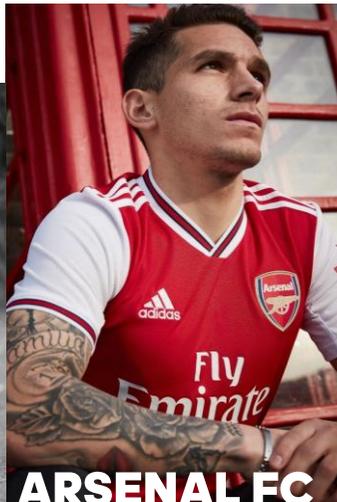
LEVERAGING MULTIPLE DIMENSIONS OF INNOVATION



NITE JOGGER



YEEZY 350



ARSENAL FC



UBI19



CLUB C



PARIS FLAGSHIP



RUN FOR THE OCEANS



x MISSONI

STRENGTHS & WEAKNESSES

IN Q2 2019



+

CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS

Double-digit growth in Greater China and e-commerce

+

NEW PRODUCTS GAIN COMMERCIAL TRACTION IN DTC

Double-digit growth in retail

+

TOP-LINE STABILIZATION AT REEBOK

First steps towards profitable growth

+

STRONG PROFITABILITY IMPROVEMENT

Continuation of double-digit bottom-line growth

-

SUPPLY CHAIN SHORTAGES WITH EXPECTED IMPACT

Weighing on growth and profitability in North America

-

NO GROWTH IN WHOLESALE

New products not yet scaled with partners

-

DECLINE IN SPORT PERFORMANCE

Due to Football facing tough prior year FIFA World Cup comparisons

-

OPEX LEVERAGE MASKED BY MARKETING SPEND AND DTC GROWTH

Increased brand investments

P&L HIGHLIGHTS

IN Q2 2019

REVENUES INCREASE 4% CURRENCY-NEUTRAL

And 5% in euro terms to € 5.509 billion

GROSS MARGIN UP 1.2PP TO 53.5%

Driven by favorable FX development

OPERATING MARGIN UP 0.4PP TO 11.7%

Despite increased brand investments and DTC-related costs

NET INCOME FROM CONTINUING OPERATIONS INCREASES 10%

To € 462 million

BASIC EPS FROM CONTINUING OPERATIONS UP 13%

To € 2.33



CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS

IN Q2 2019

ADIDAS NORTH AMERICA

On top of a 17% increase in Q2 2018

+ 5%

GREATER CHINA

On top of a 27% increase in Q2 2018

+ 14%

E-COMMERCE

On top of a 26% increase in Q2 2018

+ 37%



ADIDAS BRAND GROWS IN MOST MARKETS

FOOTWEAR REVENUES ACCELERATE

+ 4%

SPORT PERFORMANCE DECLINES 2%

Despite double-digit growth in Training and Basketball

SPORT INSPIRED GROWS 9%

Reflecting growth in Originals and Yeezy

FOOTWEAR REVENUES INCREASE 5%

Supply chain shortages weighing on growth in apparel



TOP-LINE STABILIZATION AT REEBOK

BRAND KEEPS EXECUTING 'MUSCLE-UP' AFTER RETURN TO PROFITABILITY

+ 3%

REEBOK REVENUES INCREASE 3%

Driven by double-digit growth in North America and Latin America

GROWTH IN CLASSICS

Driven by robust increase in footwear

GROSS MARGIN DOWN 1.6PP TO 43.2%

Following exceptional expansion in prior years



EXCEPTIONAL GROWTH IN E-COMMERCE

DRIVING DIGITAL CONSUMER ENGAGEMENT

+ 37%

E-COMMERCE REVENUES GROW 37%

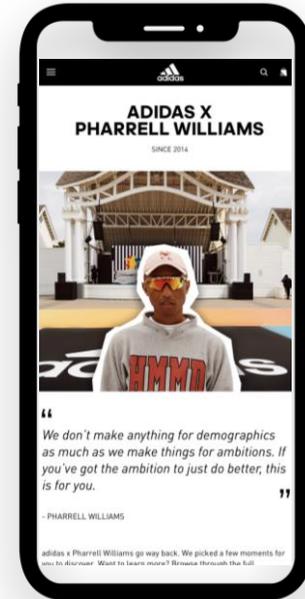
Driven by double-digit growth across all regions

LAUNCH OF CREATORS CLUB IN UK AND GERMANY

Driving traffic and engagement rates

ADIDAS APP LIVE IN ALMOST 30 COUNTRIES

Building direct relationships to consumers around the globe



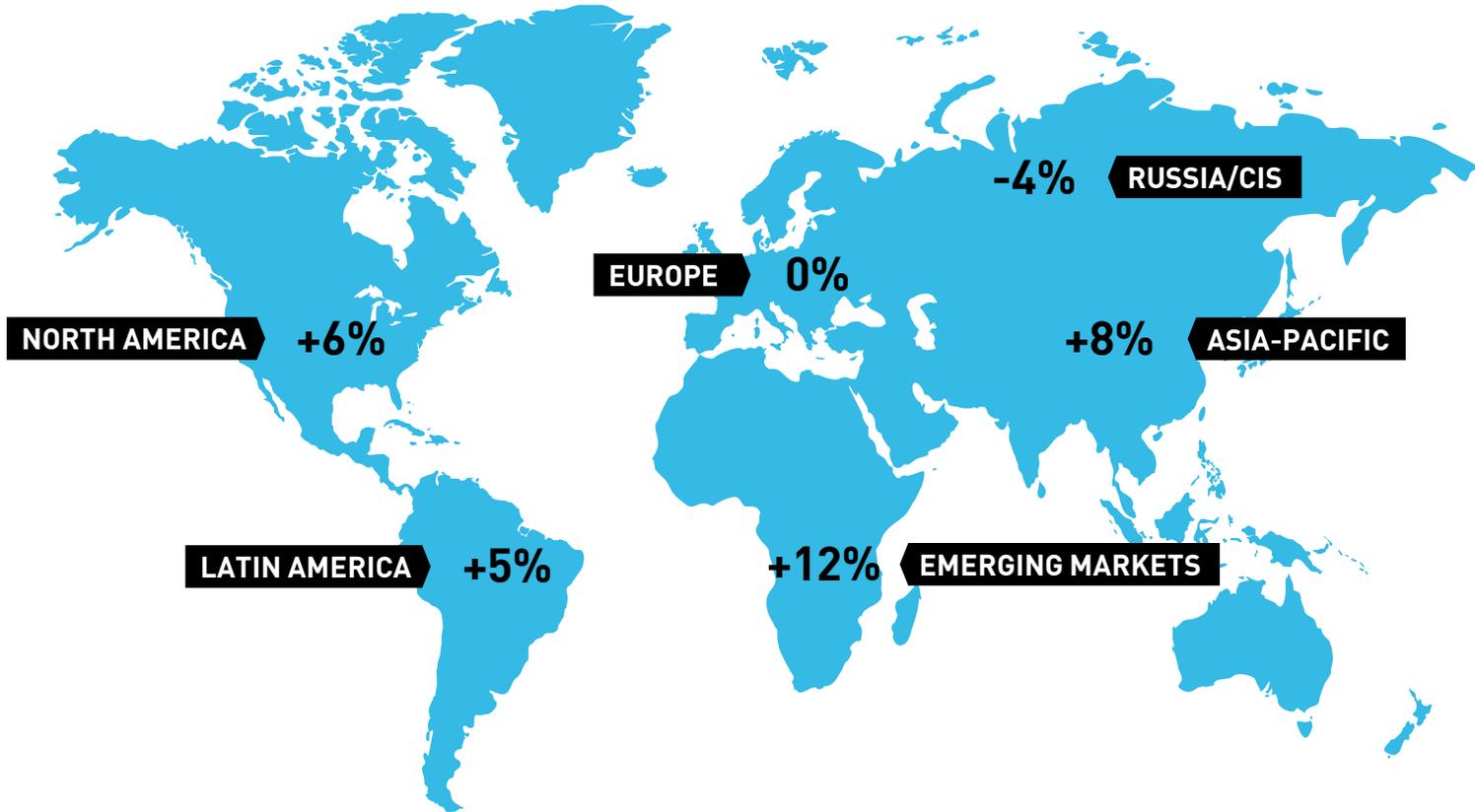
02

**FINANCIAL
UPDATE**



GROWTH BY MARKET SEGMENT

SIGNIFICANT INCREASE IN ASIA-PACIFIC AND ROBUST GROWTH IN NORTH AMERICA



NORTH AMERICA

TOP-LINE AND MARGIN IMPACTED BY SUPPLY CHAIN SHORTAGES

+ 6%

Currency-neutral sales increase 6%

adidas brand revenues up 5%

Driven by growth in both Sport Performance and Sport Inspired

Reebok brand revenues increase 10%

Driven by double-digit growth in Classics

Gross margin decreases 1.5pp to 39.3%

Better product/channel mix and lower sourcing costs more than offset by higher air freight costs and less favorable pricing mix

Operating margin decreases 5.3pp to 11.4%

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 Inspired

Reebok brand revenues down 11%

Due to declines in both Sport and Classics

Gross margin up 2.3pp to 59.7%

Driven by positive FX impact, a better product/channel mix and lower sourcing costs

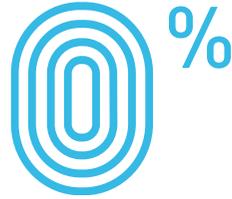
Operating margin increases 0.6pp to 34.9%

Gross margin expansion partially offset by opex investments



EUROPE

STRONG BOTTOM-LINE IMPROVEMENTS



Currency-neutral sales remain stable

adidas brand revenues remain stable

Growth in Sport Inspired offset by decline in Sport Performance

Reebok brand sales increase 4%

Driven by growth in Classics

Gross margin improves 3.9pp to 52.2%

Due to significant positive FX impact, better channel mix and lower sourcing costs

Operating margin up 4.3pp to 25.3%

Mainly driven by gross margin expansion



P&L OVERVIEW

Q2 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 (€)

Q2 2019	Q2 2018	Y-0-Y
5,509	5,261	+5%
53.5%	52.3%	+1.2pp
5	19	-74%
2,346	2,210	+6%
42.6%	42.0%	+0.6pp
744	707	+5%
13.5%	13.4%	+0.1pp
1,602	1,502	+7%
29.1%	28.6%	+0.5pp
643	592	+9%
11.7%	11.3%	+0.4pp
462	418	+10%
2.33	2.06	+13%

GROSS MARGIN TO DECLINE IN H2

SEVERAL FACTORS TO BE CONSIDERED

- **Less favorable sourcing costs and increased use of air freight**
According to mitigation plan for supply chain shortages
- **More balanced growth across channels**
New products to be scaled with partners
- **Selective price reinvestments in Europe**
Supporting planned return to growth in H2
- **Tailwind from FX hedges fading**
Hedges significantly less favorable in H2
- **Tough comparison due to exceptional Yeezy launch**
Strong underlying improvements particularly in prior year's Q3



AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 1.9PP TO 18.3%

Inventories up 5% c.n.

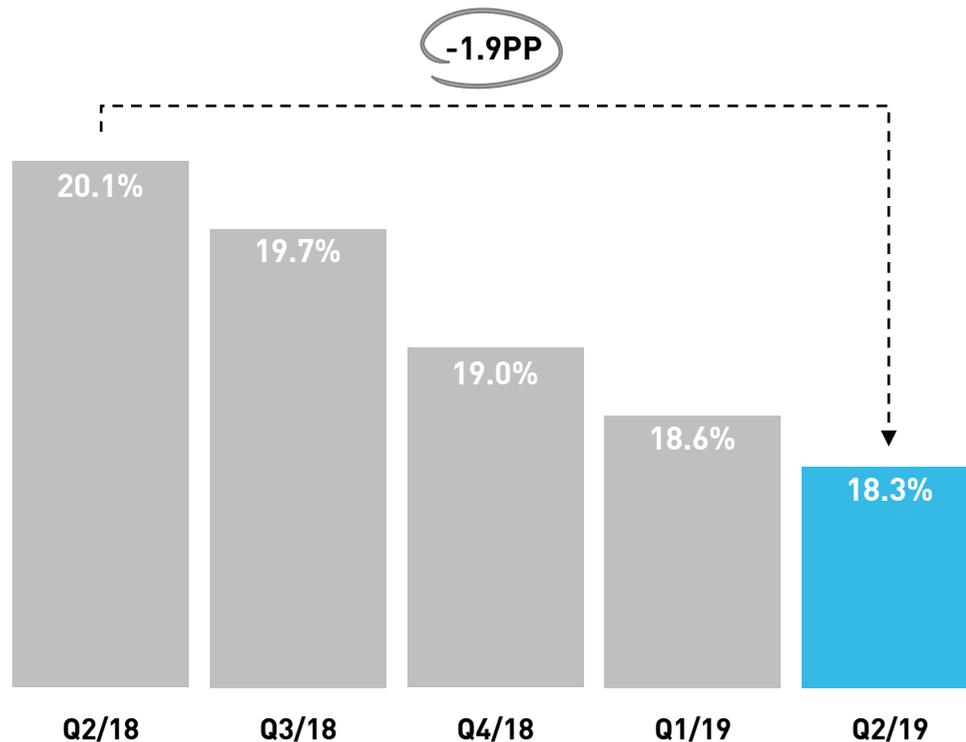
Reflecting planned top-line acceleration in H2

Receivables up 1% c.n.

Reflecting top-line development in wholesale

Payables up 14% c.n.

Due to improved terms with vendors



NET CASH AND EQUITY POSITION

EQUITY RATIO AT 34.3%

Net cash position

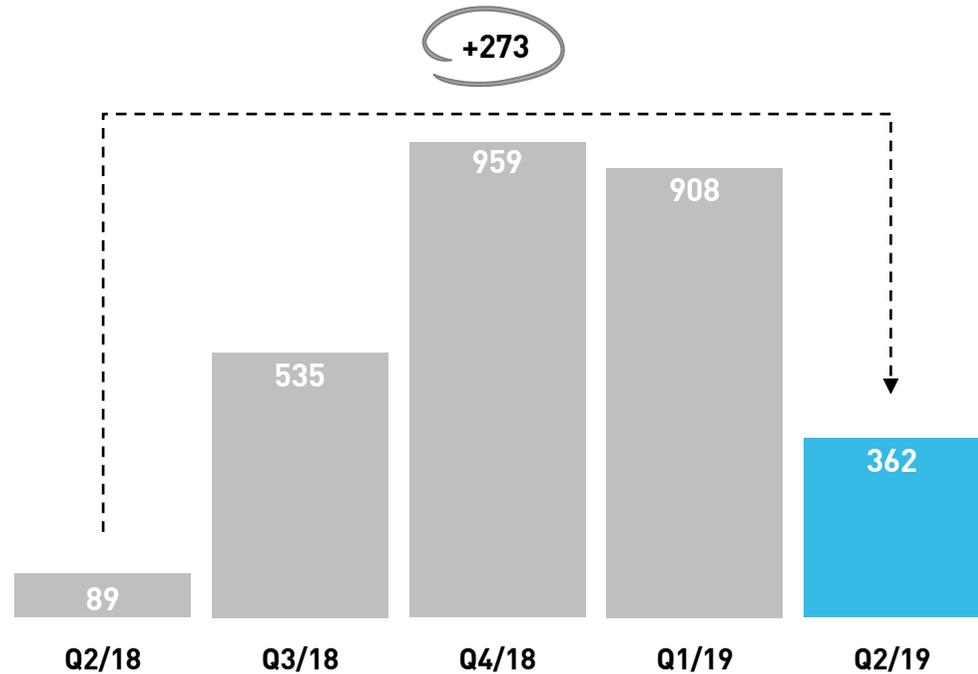
At € 362 million

Equity position

Increases € 580 million year-on-year

Equity ratio

Down 7.9pp 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	€ 301 million	€ 1.3 billion
Shares Purchased*	5.1 million	1.3 million	6.4 million

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



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OUTLOOK



2019 FOCUS AREAS

ANOTHER IMPORTANT MILESTONE TOWARD 2020 TARGETS



Leveraging multiple dimensions of innovation

To drive quality top-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



EVOLVING ICONS FROM THE PAST AND BUILDING ICONS OF THE FUTURE

MULTIPLE DIMENSIONS OF INNOVATION



NITE JOGGER



OZWEEGO + LXCON



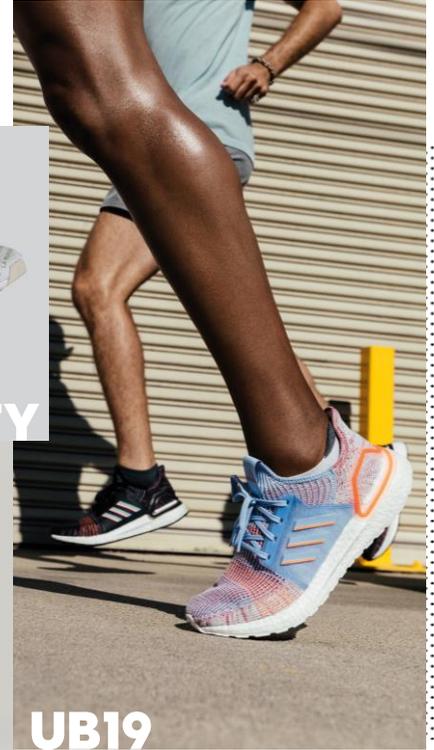
UB CTY



SUPERCOURT



HOME OF CLASSICS



UB19

SCALING GROUNDBREAKING TECHNOLOGY

MULTIPLE DIMENSIONS OF INNOVATION



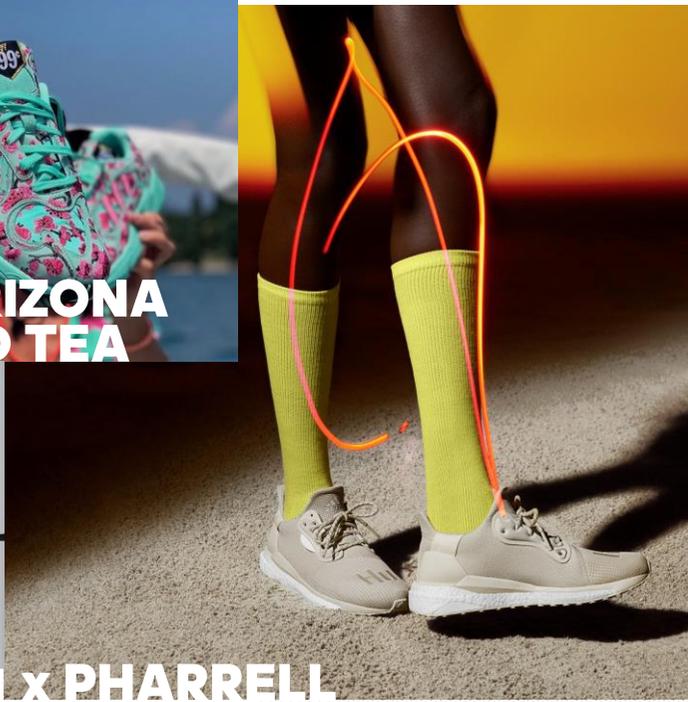
CONSORTIUM RUNNER 4D



PULSEBOOST HD

BRINGING COLLABORATION TO THE NEXT LEVEL

MULTIPLE DIMENSIONS OF INNOVATION



TOP-LINE ACCELERATION IN H2 2019

BUILDING BLOCKS IN PLACE



Product engine to contribute

Scaling recent launches as well as introducing new products



Europe to return to growth

Foundation laid for recovery in H2



Upcoming UEFA EURO 2020

First positive impact from related product launches in Q4



Earlier Chinese New Year

Sell-in of related product partly in Q4



Impact of supply chain shortages to fade

Efforts to resolve bottleneck to take effect particularly in Q4



Prior year comparisons to ease

Lower base in H2 than in H1



OUTLOOK 2019 CONFIRMED

TOUGH YEEZY COMPS AND SUPPLY SHORTAGE TO IMPACT H2 PHASING



Sequential top-line acceleration towards year-end

Modest improvement in Q3 followed by step-up in Q4



Gross margin to decline in H2

Air freight costs, fading tailwinds, price reinvestments and tough comps



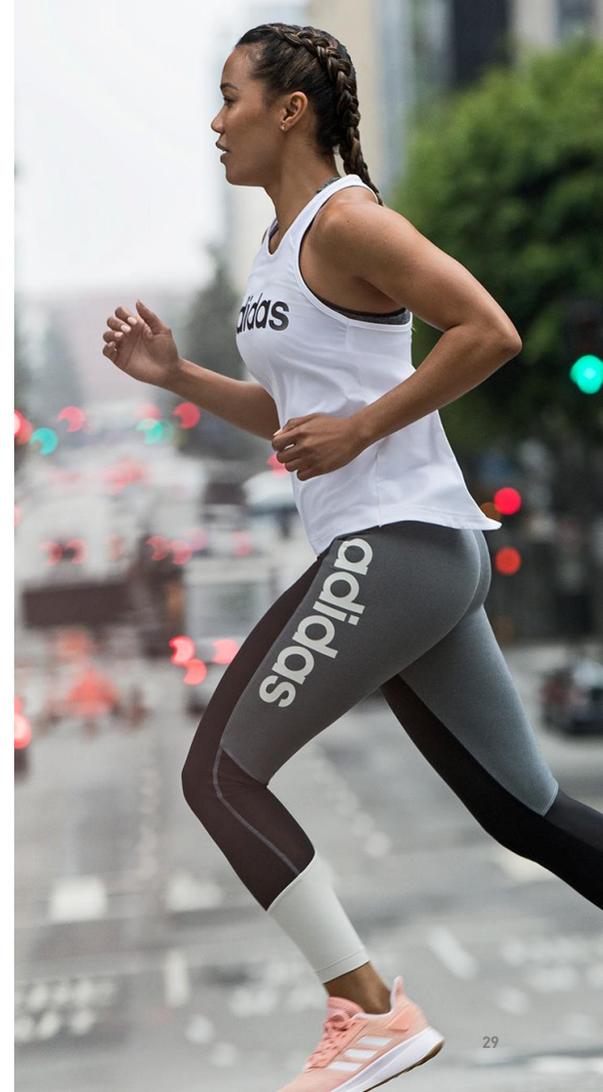
Opex spend more evenly distributed across quarters

Impacting operating margin and profit development



Bottom-line growth skewed towards Q4

Q3 net income to be down y-o-y due to top-line phasing and margin profile



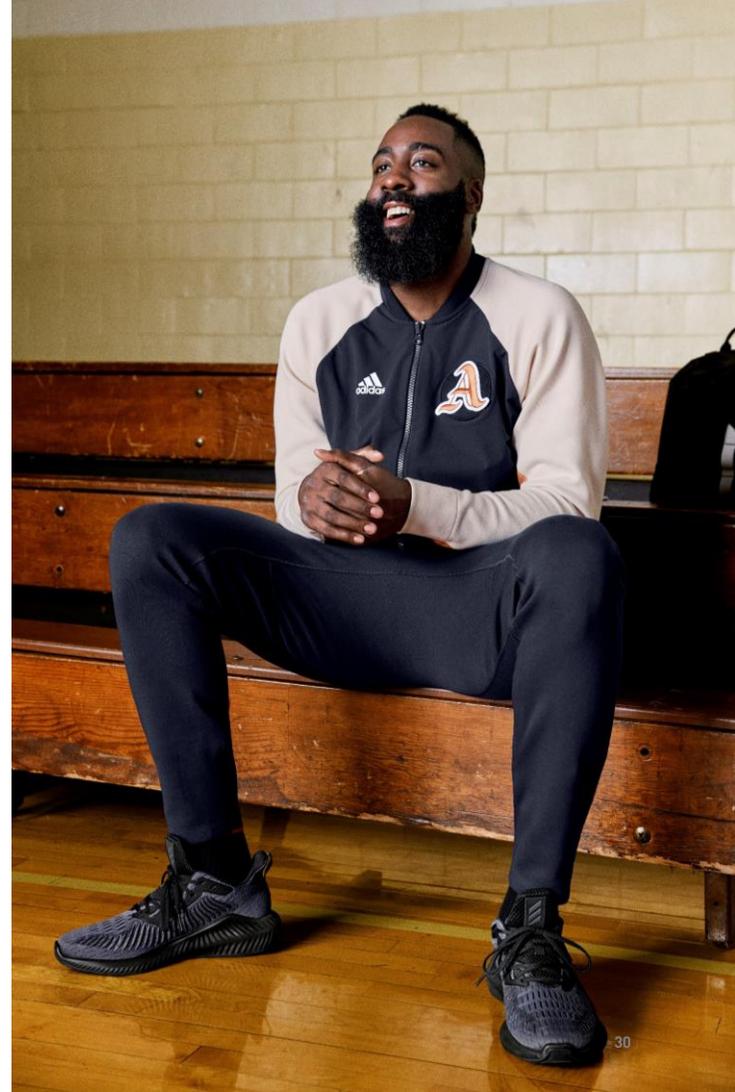
OUTLOOK 2019 CONFIRMED

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).



SUMMARY

- 1 First half of 2019 according to plan
- 2 Continuation of double-digit bottom-line growth
- 3 Building blocks in place to accelerate top line in H2
- 4 2019 another year of quality top- and bottom-line growth
- 5 Focus on relentless execution of 'Creating the New'

