

# **FY 2017 ROADSHOW PRESENTATION**

**adidas**

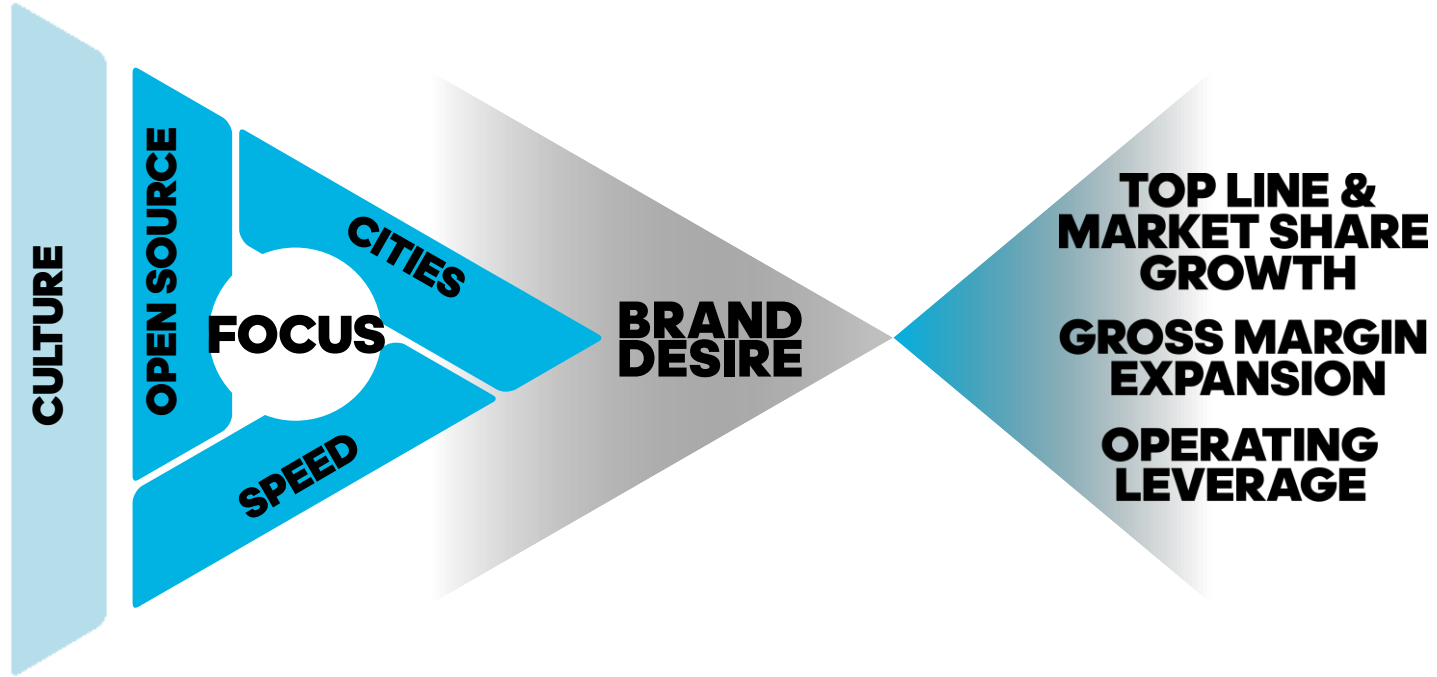


# STRATEGIC UPDATE



## CREATING THE NEW

FOCUS ON DRIVING BRAND HEAT



## CULTURE

### FOSTERING PASSION FOR SPORTS IN CLEARLY DEFINED PERFORMANCE CULTURE

#### **Value diversity and promote inclusivity**

Continuously increasing the share of females in leadership positions

#### **Create a performance culture**

Based on clearly defined roles and accountabilities

#### **Establish leadership groups**

Defining strong leadership and improving cross-functional collaboration and decision making

#### **Introduce new long-term incentive plan (LTIP)**

Strong alignment with shareholder interests through transparent and equity-based compensation



## NEW MANAGEMENT TEAM IN PLACE

INTERNAL APPOINTMENTS REFLECT QUALITY AND DEPTH OF THE COMPANY'S POOL OF LEADERSHIP





## STRATEGIC CHOICES

EXECUTING 'CREATING THE NEW' WITH MAJOR PROGRESS  
ON STRATEGIC CHOICES

SPEED	CITIES	OPEN SOURCE
<p>All markets and categories onboarded</p> <p>Speed-enabled products now representing 28% of net sales</p> <p>Speedfactory releases the AM4 series</p>	<p>Growth rates above market, resulting in market share gains</p> <p>Relative NPS outperformance in most cities</p> <p>Transforming retail spaces within key trade zones</p>	<p>More than one million pairs of shoes using Parley Ocean Plastic</p> <p>Joining forces with Carbon to create the first performance footwear crafted with light and oxygen</p> <p>'adidas Runners' established in more than 50 cities</p>



## 'ACCELERATION PLAN'

EXECUTING AGAINST 'ACCELERATION PLAN' DRIVES OPERATIONAL PROGRESS

PORTFOLIO	ADIDAS NORTH AMERICA	ONE ADIDAS	DIGITAL
<p>Divestiture of TaylorMade and CCM Hockey completed</p> <p>Reebok Muscle-Up well on track, resulting in margin improvements</p> <p>Brazil and Argentina turnaround plans progressing</p>	<p>Exceptional top-line growth despite challenging environment</p> <p>Significant increase in footwear market share</p> <p>Strong profitability improvements</p>	<p>Initiatives to improve operating efficiency and profitability established</p> <p>Further reduction of product ranges and marketing concepts</p> <p>Becoming a more agile and truly global company</p>	<p>Driving the digital transformation company-wide</p> <p>Digital leadership team established and priority roadmap defined</p> <p>Exceptional e-com growth in FY 2017</p>



# BUSINESS UPDATE





## 2017 MAJOR P&L DEVELOPMENTS

### STRONG TOP- AND EXCEPTIONAL BOTTOM-LINE PERFORMANCE

#### STRONG NET SALES DEVELOPMENT

Currency-neutral increase of **16%**

Absolute net sales reach **€ 21.218 billion**

#### EXCEPTIONAL PROFITABILITY IMPROVEMENTS

Operating margin up **1.2pp** to **9.8%**

Net income from continuing operations increases **32%** to **€ 1.430 billion\***

*Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.*

*\* Excluding negative one-time tax impact of € 76 million in 2017.*



## SHAREHOLDER RETURN

### CREATING LONG-TERM SHAREHOLDER VALUE

#### DIVIDEND PROPOSAL IN LINE WITH NET INCOME GROWTH

Dividend of **€ 2.60\*** per share, **up 30% versus prior year**

Payout ratio of **37.1%\*\* (2016: 37.4%)**

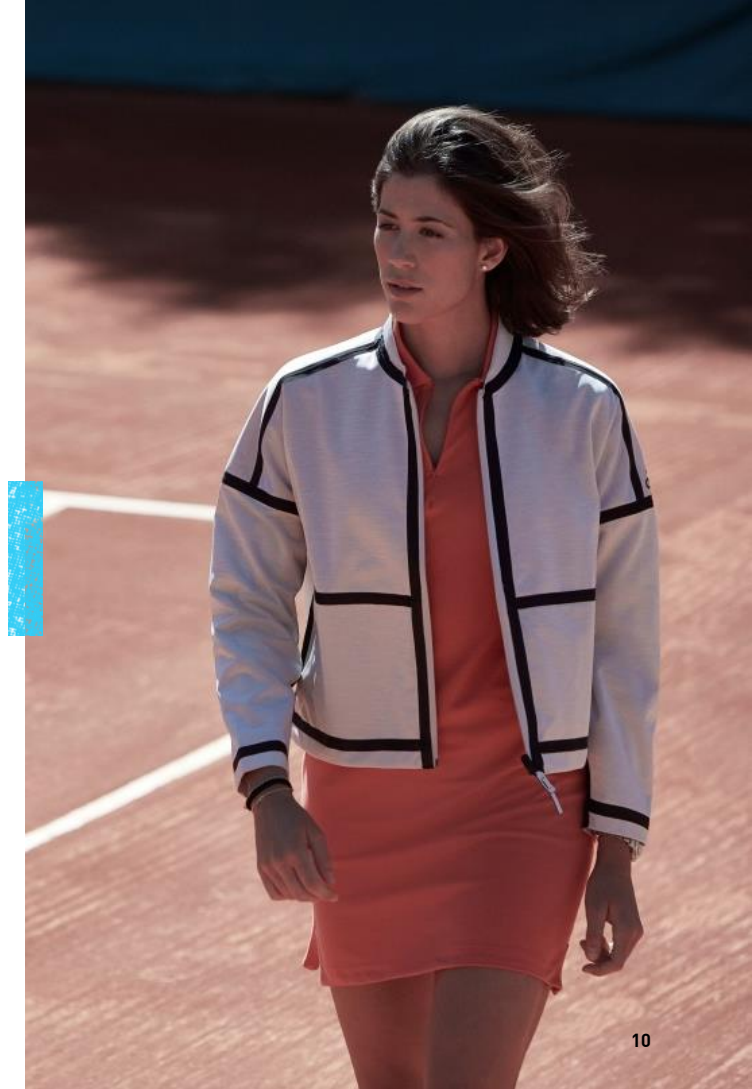
#### NEW SHARE BUYBACK PROGRAM TO LAUNCH IN 2018

Up to **€ 3.0 billion** until **May 2021**

Reflecting around **8%** of current market capitalization

*\* Dividend subject to Annual General Meeting approval.*

*\*\* Payout ratio based on net income from continuing operations; excluding negative one-time tax impact of € 76 million in 2017.*



## FINANCIAL AMBITION

### SHORT- AND LONG-TERM OUTLOOK

#### 2018

##### STRONG TOP- AND BOTTOM-LINE IMPROVEMENTS EXPECTED IN 2018

**Net sales**  
(currency-neutral)

**Increase  
by around 10%**

**Net income from continuing operations\***

**Increase of 13% – 17%  
to € 1.615 billion – € 1.675 billion**

#### 2020

##### LONG-TERM FINANCIAL AMBITION

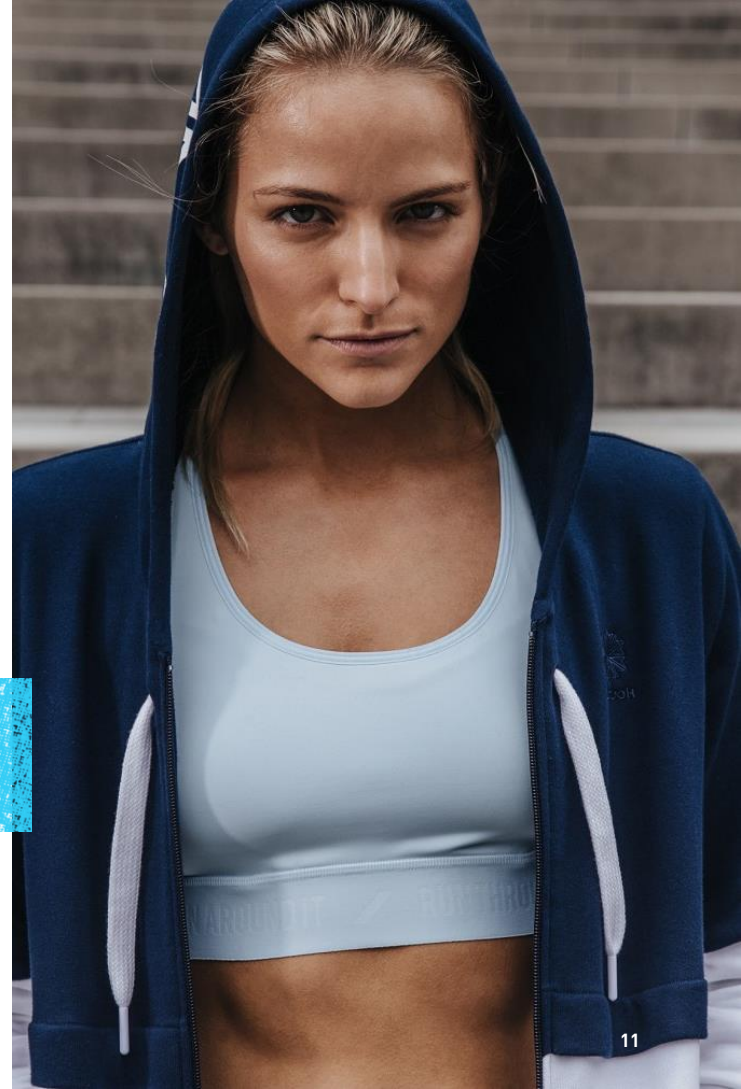
**Net sales**  
CAGR 2015 - 2020 (currency-neutral)

**10% – 12% (confirmed)**

**Net income from continuing operations**  
CAGR 2015 - 2020

**22% – 24% (upgraded)**

\* Excluding negative one-time tax impact of € 76 million in 2017.



## STRENGTHS & WEAKNESSES

IN FY 2017



### **Broad-based top-line momentum**

Double-digit growth across most regions



### **E-com continues to outperform**

Fastest-growing channel in all regions



### **Strong gross margin increase**

Reflecting high quality of sales growth



### **Relentless execution of 'Creating The New'**

'Acceleration Plan' initiated and executed against



### **Sales decline in football and basketball**

Reflecting challenging licensed business



### **Sales increase in apparel business**

Lagging behind footwear



### **Top-line growth challenging existing infrastructure**

Ongoing investments into capacity and scalability



### **Slower comp store sales growth**

Mainly due to Western Europe and Russia/CIS





**ADIDAS BRAND GROWS 18% IN 2017**  
DOUBLE-DIGIT GROWTH IN MOST REGIONS

**+18%**

**Strong double-digit sales growth**

On top of a 22% increase in the prior year

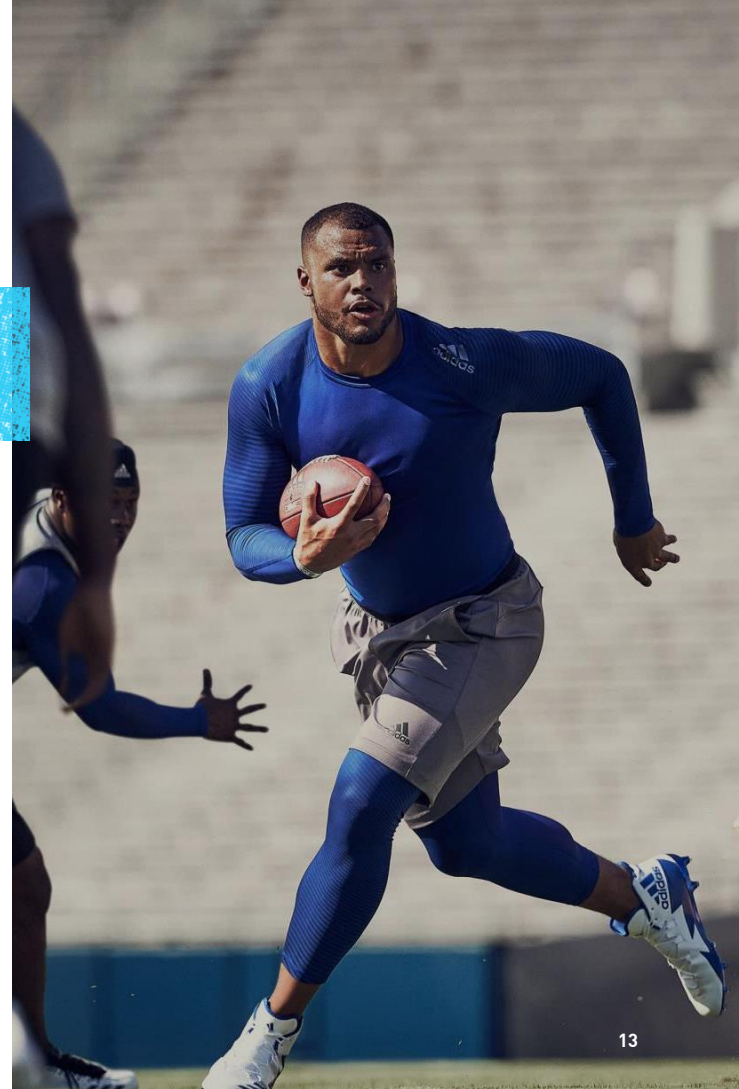
**Significant double-digit growth in footwear**

Ongoing focus on franchise management

**Women's business outperforms in 2017**

Sales increase of more than 20%

*Currency-neutral.*





## SPORT PERFORMANCE INCREASES 8%

STRONG DOUBLE-DIGIT GROWTH IN KEY FOOTWEAR FRANCHISES

+8%

### Running revenues up 23%

Driven by strong growth in footwear

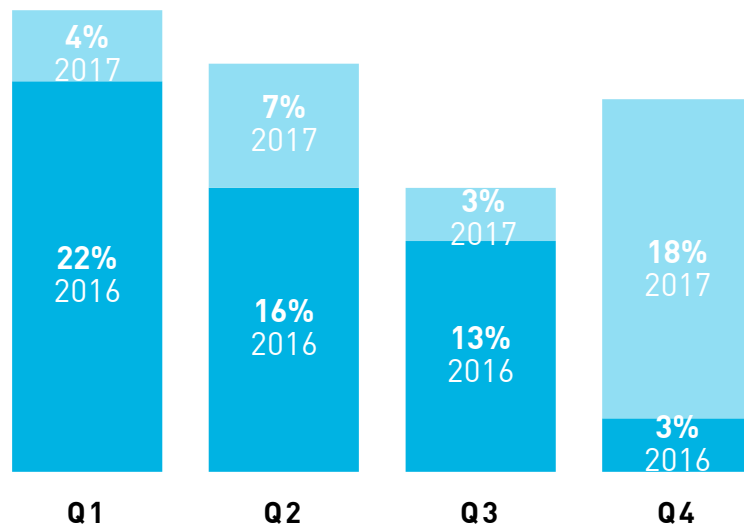
### Training sales grow 7%

Reflecting growth in apparel and footwear

### Football revenues accelerate in Q4

Supported by revenues generated with 2018 World Cup product

SPORT PERFORMANCE  
QUARTERLY REVENUE GROWTH (2-YEAR STACKS)

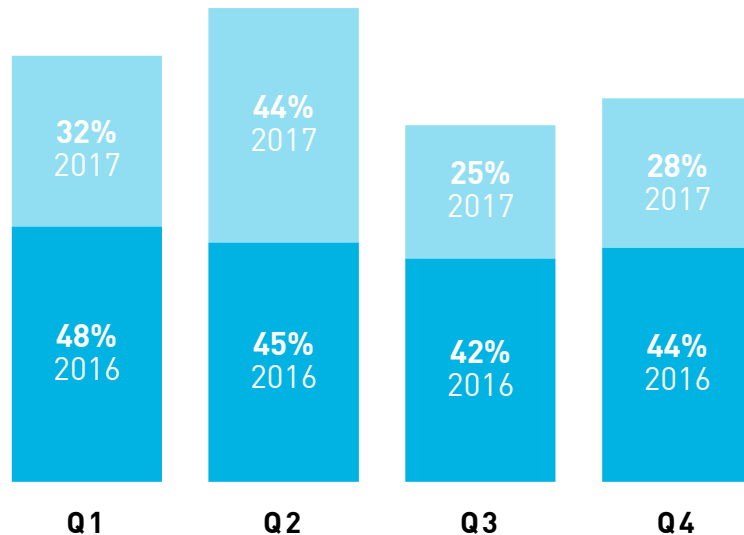


## ORIGINALS AND NEO UP 32%

EXCELLENT DOUBLE-DIGIT GROWTH IN FOOTWEAR AND APPAREL

+32%

ORIGINALS AND NEO  
QUARTERLY REVENUE GROWTH (2-YEAR STACKS)



### Originals up 30%

Driven by North America, Greater China and Western Europe

### Modern franchises grow more than 50%

Now representing more than half of Originals footwear business

### neo business grows 35%

Exceptional improvement in footwear business

## ROBUST PROFITABILITY IMPROVEMENT AT REEBOK

TOP-LINE GROWTH IMPACTED BY STORE CLOSURES IN THE US  
AND RUSSIA/CIS

# +400BPS

### **Sales growth of 4% reflecting improvements in most regions**

Driven by double-digit growth in Classics business

### **Decline in North America**

Due to store closures and the clean-up of lower-margin business in the US market

### **Strong profitability improvements**

Gross margin up 400bps to 40.7% driven by successful execution of Muscle-Up initiatives

*Currency-neutral.*



## REEBOK MUSCLE-UP

FOCUS ON 'MUSCLE-UP' INITIATIVES DELIVERS OPERATIONAL AND FINANCIAL IMPROVEMENTS

### ORGANIZATION

US/Global teams integrated  
Relocation to Boston completed  
Role clarity driven through organization

### DESIGN TO VALUE

Full adoption of DTV principles  
New consumer value framework introduced  
Value-based pricing model rolled out

### MARKETING WORKING BUDGET

Reduction in marketing concepts  
New influencer marketing model created  
Absolute and relative MWB increase in 2017

### NEW BUSINESS MODEL

Prioritize digital  
Increase speed-to-market capabilities  
Detailed franchise management

### US MARKET

Market turnaround ongoing  
Optimization of trade terms  
Optimization of own-retail stores

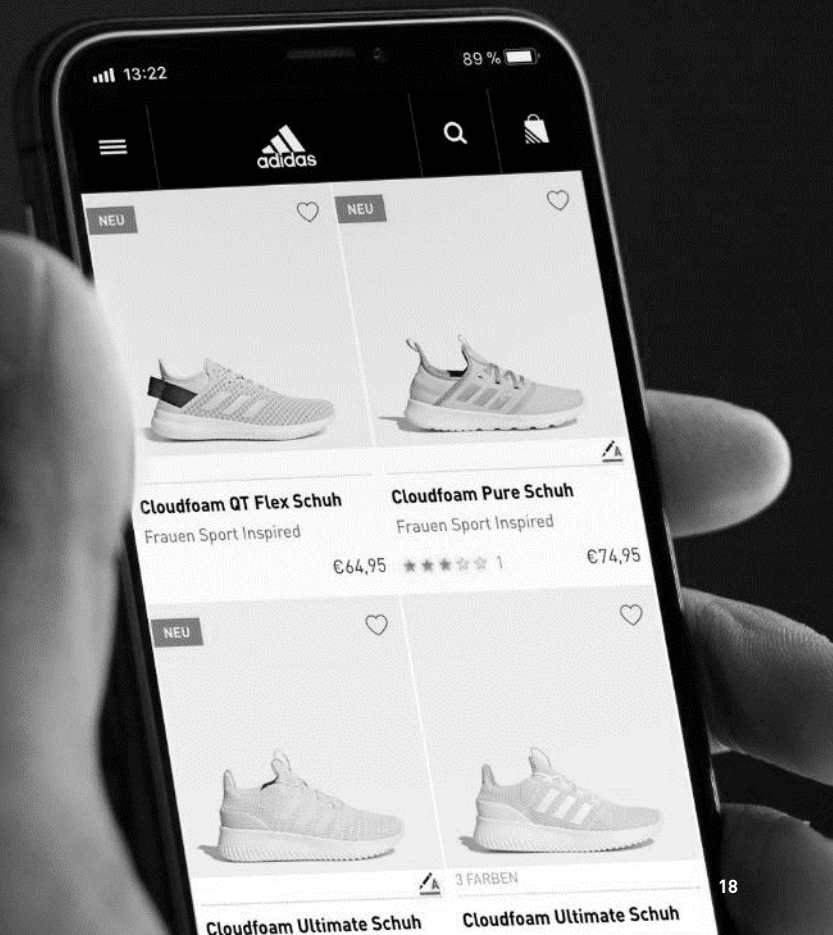
### EFFICIENCY IMPROVEMENTS

Model reductions  
Process simplification  
Operationalization of range overlap

## EXCEPTIONAL GROWTH IN E-COM

DIRECT CONSUMER ENGAGEMENT  
SPURS BRAND HEAT

+57%



Currency-neutral.

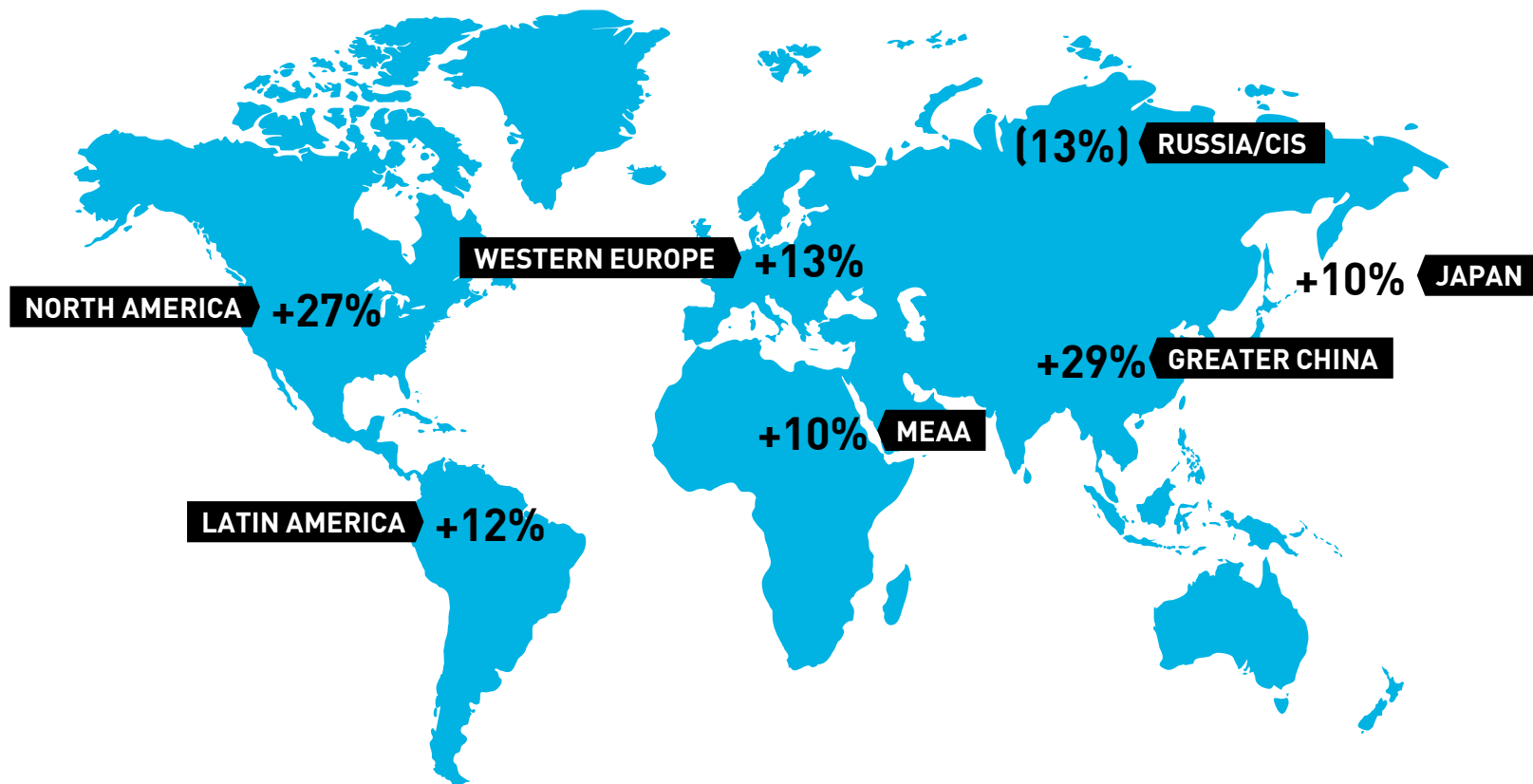


# FINANCIAL UPDATE



## DOUBLE-DIGIT GROWTH IN MOST REGIONS

NORTH AMERICA AND GREATER CHINA WITH EXCELLENT DOUBLE-DIGIT SALES INCREASE



## NORTH AMERICA

ANOTHER YEAR OF EXCELLENT GROWTH

# +27%

**Currency-neutral sales increase 27% in 2017**

**adidas brand revenues up 35%**

Driven by double-digit growth in Running, Training, Originals and neo

**Reebok brand revenues down 15%**

Reflecting the closure of own-retail stores in the US

**Gross margin increases 1.8pp to 39.5%**

Reflecting a more favorable product mix

**Operating margin up 4.7pp to 10.9%**

Reflecting the gross margin improvement and OPEX leverage



## GREATER CHINA

BRAND HEAT SPURS EXCELLENT TOP-LINE IMPROVEMENT

# +29%

**Currency-neutral sales increase 29% in 2017**

**adidas brand sales increase 30%**

Double-digit growth in Running, Training, Basketball, Originals and neo

**Reebok brand revenues up 25%**

Double-digit growth in Training, Running and Classics

**Gross margin down 0.5pp to 57.1%**

Despite positive pricing and category mix

**Operating margin up 0.2pp to 35.4%**

OPEX leverage secures excellent profitability



## WESTERN EUROPE

STRONG GROWTH IN A VERY MATURE MARKET

# +13%

**Currency-neutral sales increase 13% in 2017**

**adidas brand revenues up 12%**

Double-digit growth in Running, Outdoor, Originals and neo

**Reebok brand sales increase 24%**

Driven by Training, Running and Classics

**Gross margin improves 1.1pp to 45.5%**

FX headwind more than offset by a better pricing and channel mix

**Operating margin up 2.1pp to 20.0%**

Reflecting the gross margin improvement and OPEX leverage





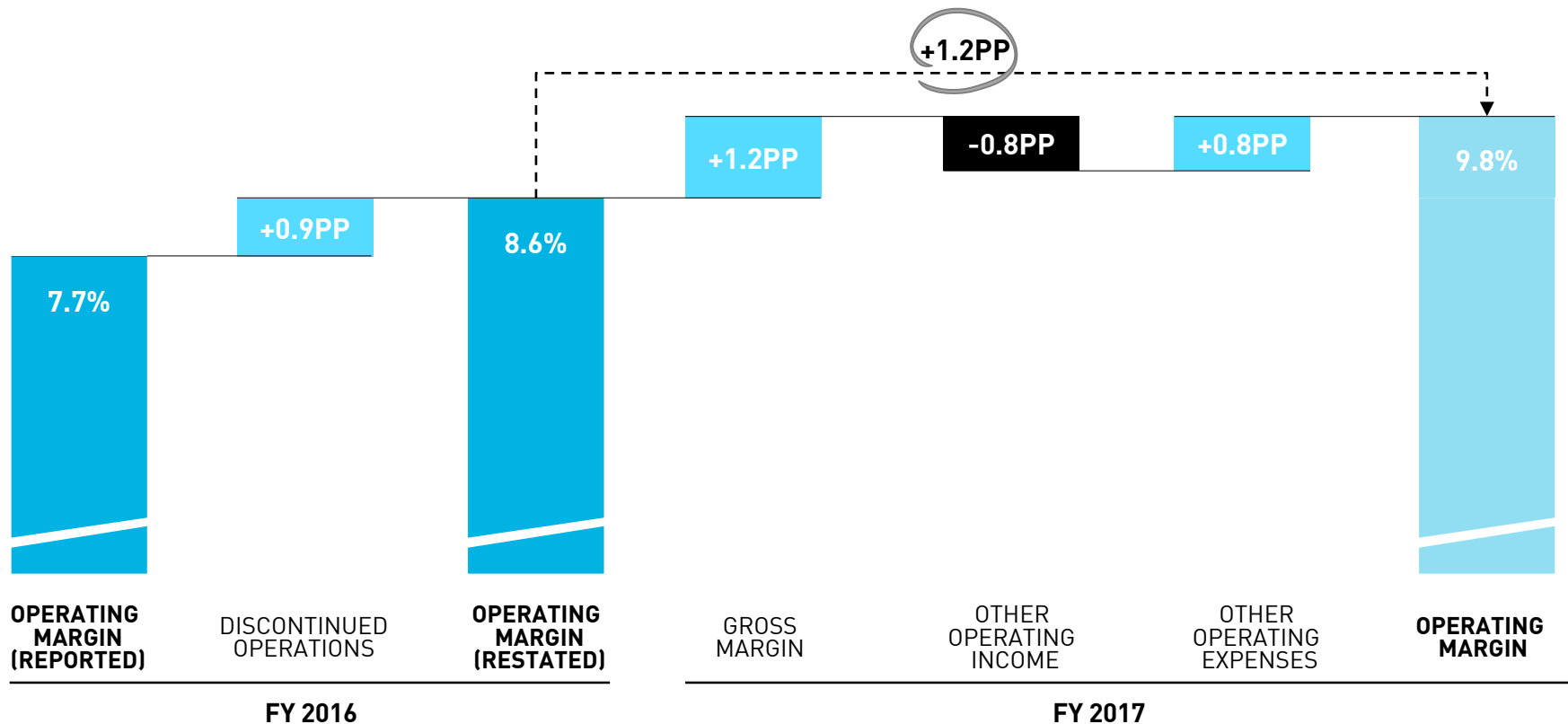
## FINANCIAL RESULTS OVERVIEW

OPERATING MARGIN IMPROVEMENT DRIVEN BY GROSS MARGIN INCREASE AND OPEX LEVERAGE

	FY 2017	FY 2016	Y-O-Y change
<b>NET SALES</b> (€ in millions)	<b>21,218</b>	18,483	<b>+15%</b>
<b>GROSS MARGIN</b>	<b>50.4%</b>	49.2%	<b>+1.2PP</b>
<b>OTHER OPERATING INCOME</b> (€ in millions)	<b>133</b>	262	<b>(49%)</b>
<b>OTHER OPERATING EXPENSES</b> (€ in millions)	<b>8,882</b>	7,885	<b>+13%</b>
<b>OTHER OPERATING EXPENSES</b> (in % of sales)	<b>41.9%</b>	42.7%	<b>(0.8PP)</b>
<b>OPERATING PROFIT</b> (€ in millions)	<b>2,070</b>	1,582	<b>+31%</b>
<b>OPERATING MARGIN</b>	<b>9.8%</b>	8.6%	<b>+1.2PP</b>

## STRONG PROFITABILITY INCREASE

OPERATING MARGIN UP 1.2PP DESPITE DIFFICULT PRIOR YEAR COMPARISONS



Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.

## FINANCIAL RESULTS OVERVIEW

BASIC EPS FROM CONTINUING OPERATIONS IMPROVES 31% TO € 7.05

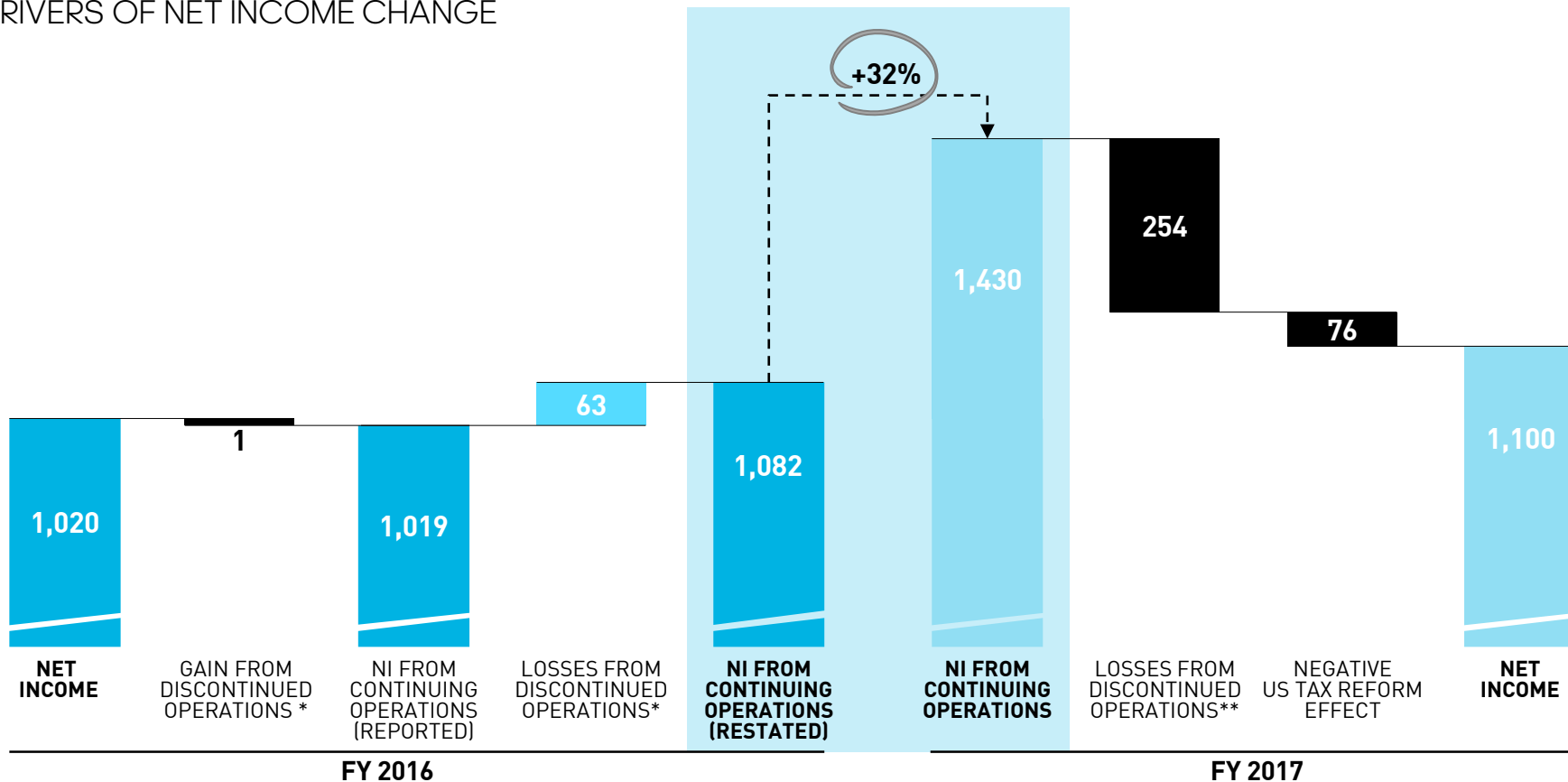
	FY 2017	FY 2016	Y-O-Y change
<b>OPERATING PROFIT</b> (€ in millions)	<b>2,070</b>	1,582	<b>+31%</b>
<b>OPERATING MARGIN</b>	<b>9.8%</b>	8.6%	<b>+1.2PP</b>
<b>NET INCOME</b> from continuing operations* (€ in millions)	<b>1,430</b>	1,082	<b>+32%</b>
<b>BASIC EPS</b> from continuing operations* (€)	<b>7.05</b>	5.39	<b>+31%</b>
<b>DILUTED EPS</b> from continuing operations* (€)	<b>7.00</b>	5.29	<b>+32%</b>

*Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.*

*\* Excluding negative one-time tax impact of € 76 million in 2017.*

## NET INCOME BRIDGE

### DRIVERS OF NET INCOME CHANGE



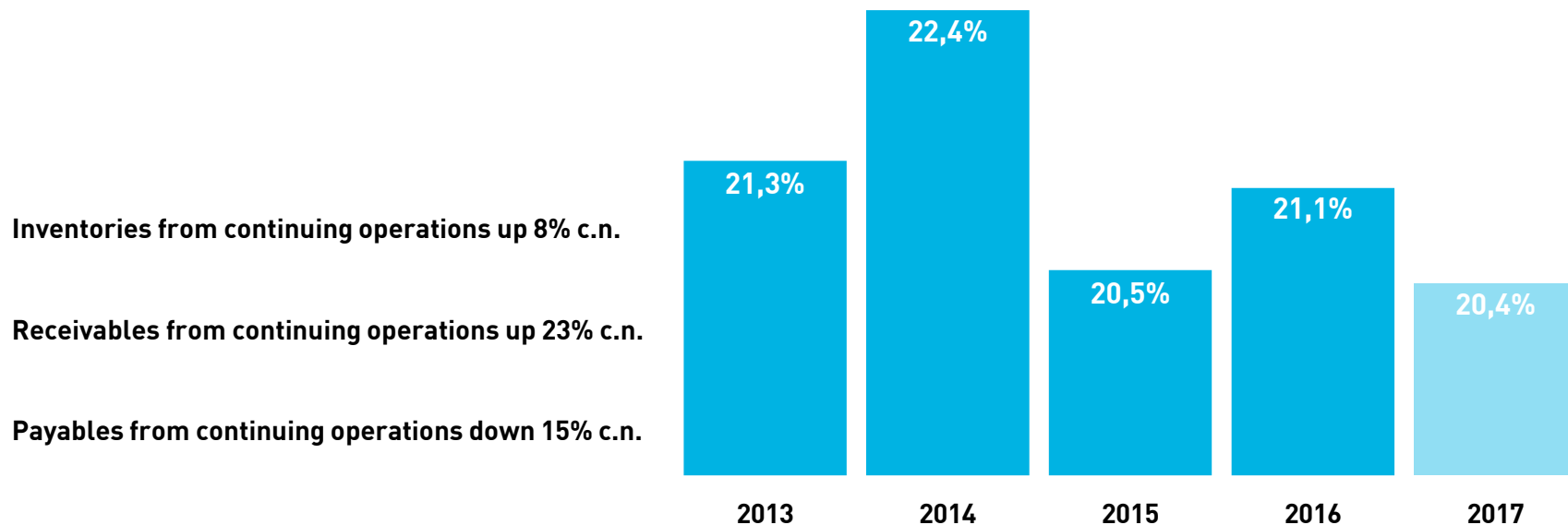
€ in millions.

\* 2016: Gain of € 1 million related to Rockport; losses of € 63 million related to TaylorMade, Adams Golf, Ashworth and CCM Hockey.

\*\* 2017: Losses of € 254 million related to Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey.

## AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 0.7PP TO 20.4%

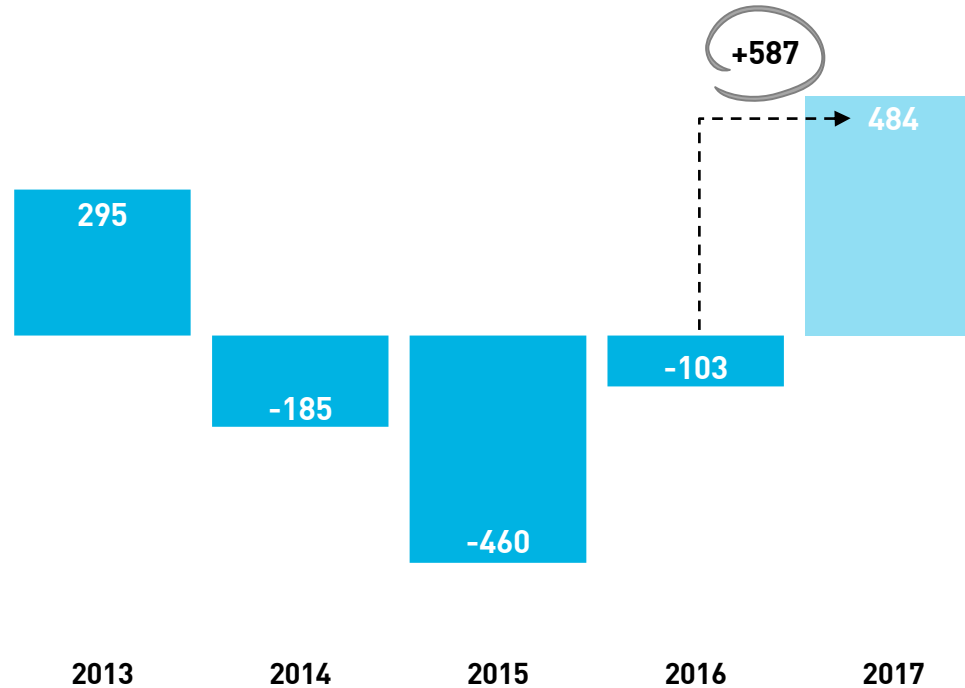


2017 and 2016 figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.  
2015, 2014 and 2013 figures reflect continuing operations as a result of the divestiture of the Rockport business.



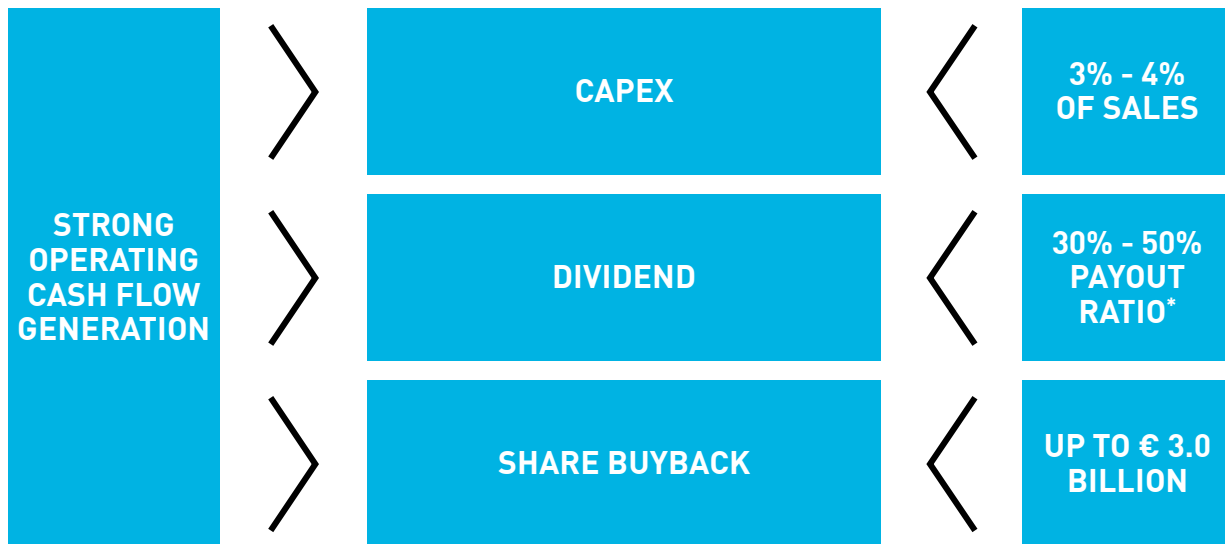
## NET CASH POSITION OF € 484 MILLION

EQUITY RATIO IMPROVES 1.8PP TO 44.4%



## CASH STRATEGY

STRONG FOCUS ON DRIVING OPERATING CASH FLOW GENERATION



\* Based on net income from continuing operations.

## CAPITAL EXPENDITURE

INVESTMENTS TO DRIVE PROFITABLE GROWTH

**CONTROLLED  
SPACE**

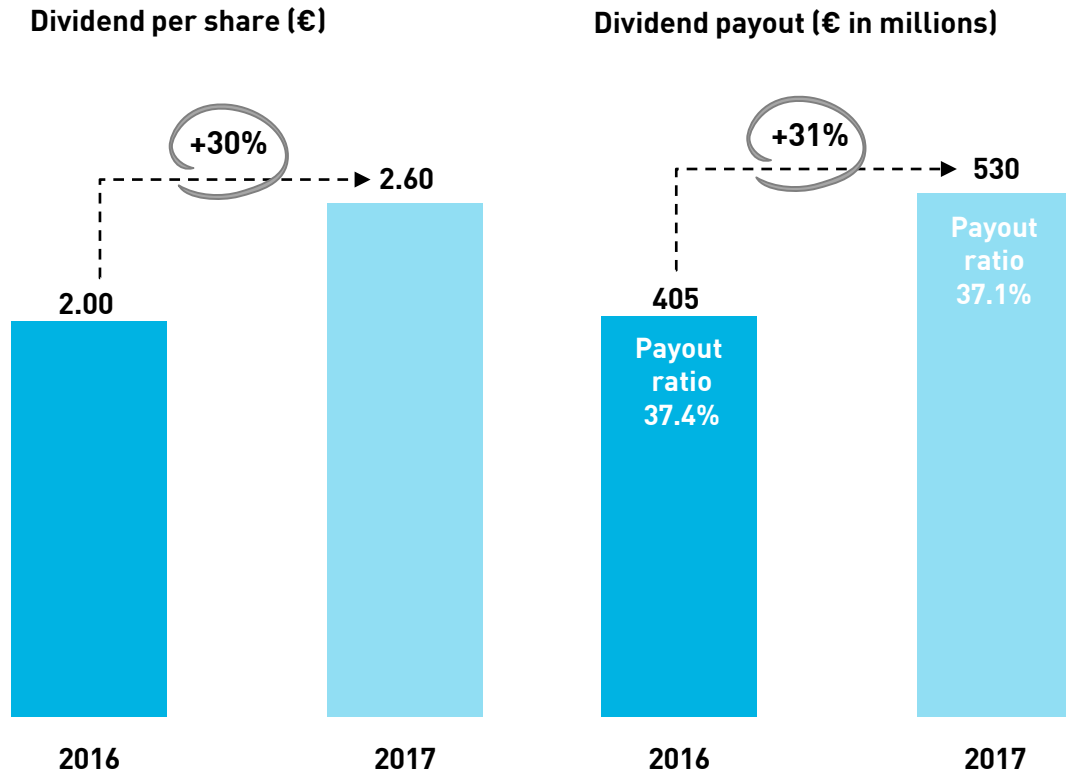
**IT &  
LOGISTICS**

**HQ  
EXPANSION**

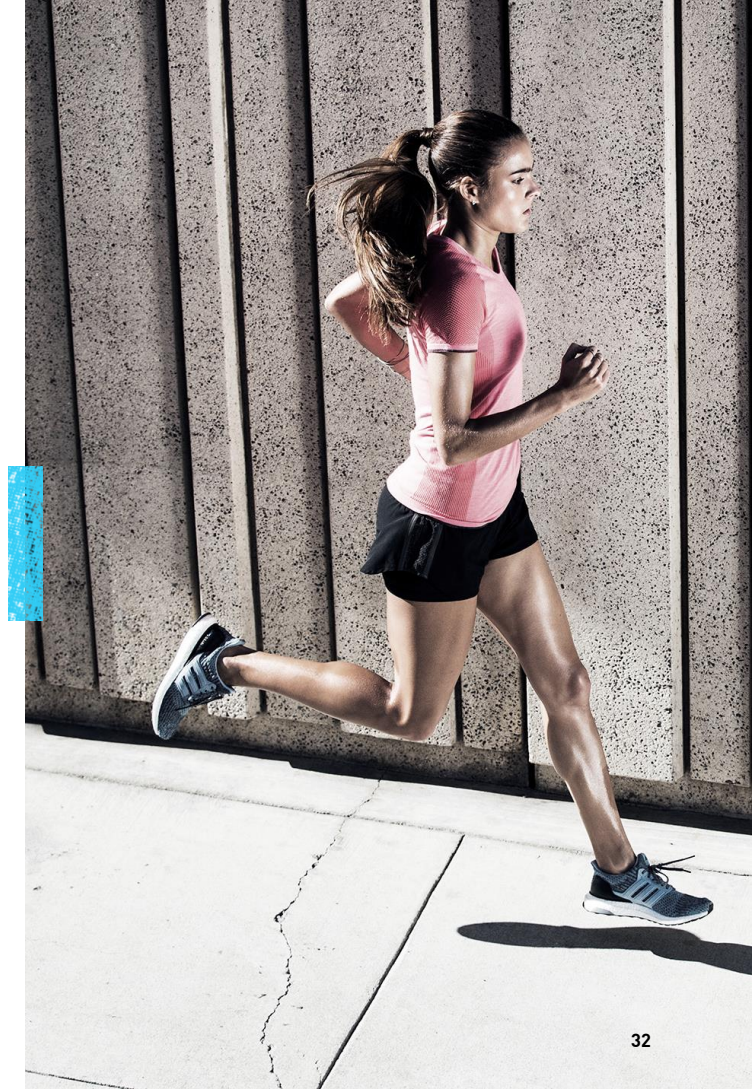


## RELIABLE DIVIDEND POLICY

DIVIDEND PROPOSAL REFLECTS STABLE PAYOUT RATIO



2017: Subject to Annual General Meeting approval. Dividend payout based on number of shares outstanding at year-end. Payout ratio based on net income from continuing operations.



## SHAREHOLDER RETURN

### SIGNIFICANT SHARE BUYBACK PROGRAM ANNOUNCED

1

#### TOTAL SIZE

Up to € 3.0 billion

2

#### TIMEFRAME

Starting March 22, 2018 and ending latest on May 11, 2021

3

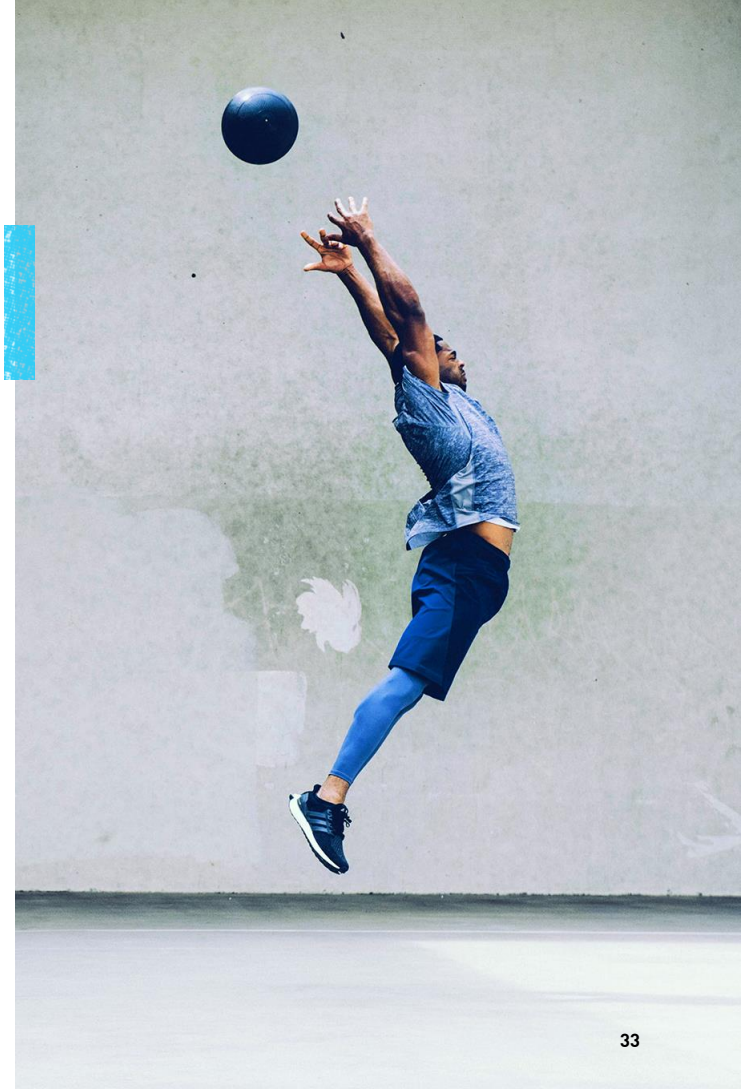
#### 2018

Up to € 1 billion until year-end

4

#### FUNDING

Through net cash position, operating cash flow generation and debt funding





# OUTLOOK



## FOCUS AREAS 2018

IMPORTANT MILESTONE TOWARD OUR 2020 TARGETS

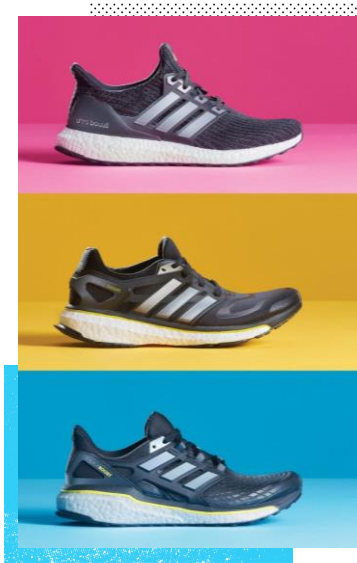
- 1 **High-quality top-line growth**
- 2 **Overproportionate investments in brands and products**
- 3 **Start leveraging scalable business model**
- 4 **Drive margin expansion and overproportionate net income growth**



## STRONG PRODUCT PIPELINE

TO FUEL TOP-LINE GROWTH IN 2018

### ITERATING EXISTING PRODUCT SUCCESSSES



### LAUNCHING NEW PRODUCTS AND FRANCHISES



### LEVERAGING INNOVATION AND NEW TECHNOLOGIES

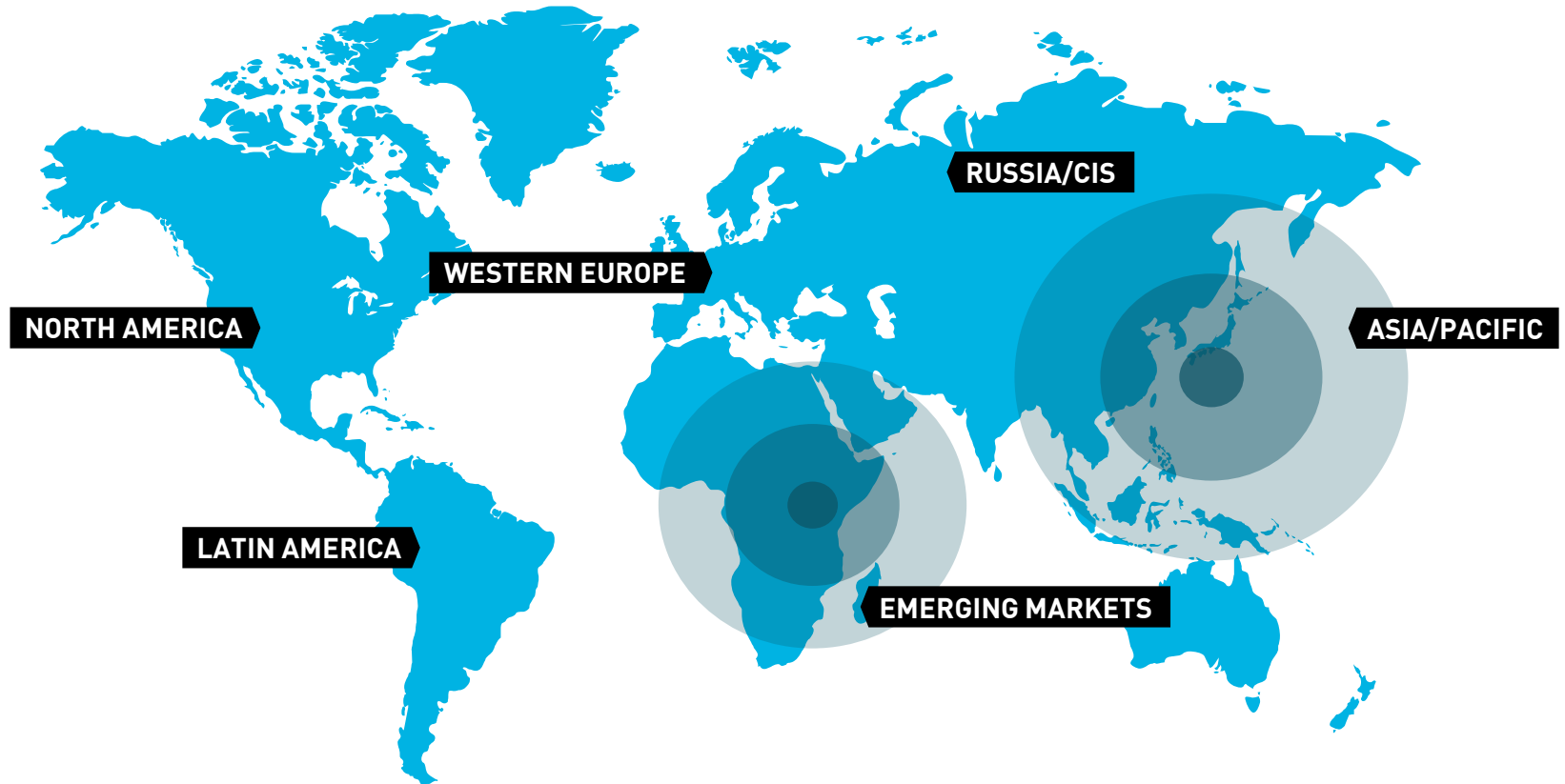


### LEVERAGING MAJOR SPORTS EVENTS



## ENSURE CONSISTENT EXECUTION

IMPLEMENTING ONE CONSOLIDATED BUSINESS MODEL ACROSS ASIA/PACIFIC



## KEY GROWTH DRIVERS

TOP-LINE EXPANSION DRIVEN BY NORTH AMERICA, ASIA/PACIFIC AND E-COM

1

### NORTH AMERICA

**Double-digit growth** on top of a 27% increase in 2017

**Margin improvement** to continue

2

### ASIA/PACIFIC

**Double-digit growth** on top of a 22% increase in 2017

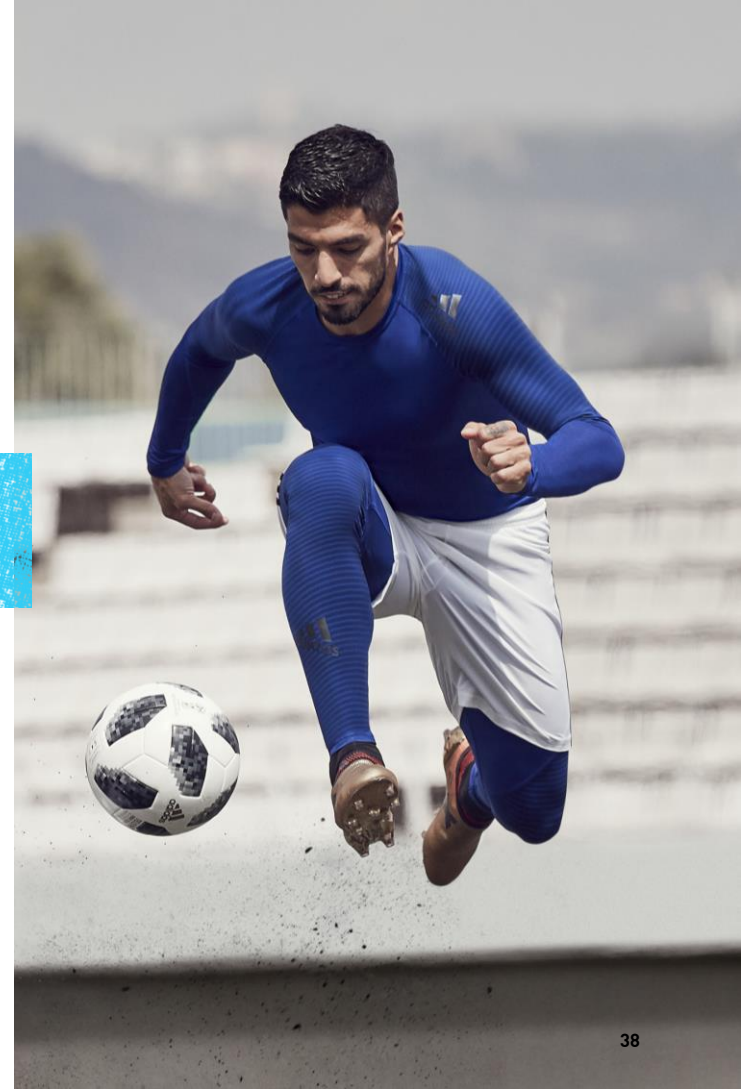
**Limited margin opportunity** due to already high profitability levels

3

### E-COM

**Double-digit growth** on top of a 57% increase in 2017

Channel to benefit from **ongoing investments in infrastructure**





## MARKETING INVESTMENTS

DRIVING CONSUMER ADVOCACY AND BUILDING BRAND EQUITY

### REASON TO BELIEVE

Global brand campaigns to take center stage in 2018

### REASON TO BUY

Consistent and impactful communication around key franchises

### SPORTS COMMUNITIES

Step up grassroots and local activation efforts

**MARKETING INVESTMENTS TO INCREASE  
IN ABSOLUTE AND RELATIVE TERMS IN 2018**





## OPERATIONAL EXCELLENCE THROUGH ONE ADIDAS

BENEFITING FROM A MORE SCALABLE BUSINESS MODEL

LEVERAGE  
**BRAND  
LEADERSHIP**

DRIVE  
**MARKETING  
EFFECTIVENESS**

IMPROVE  
**OPERATING  
EFFICIENCY**



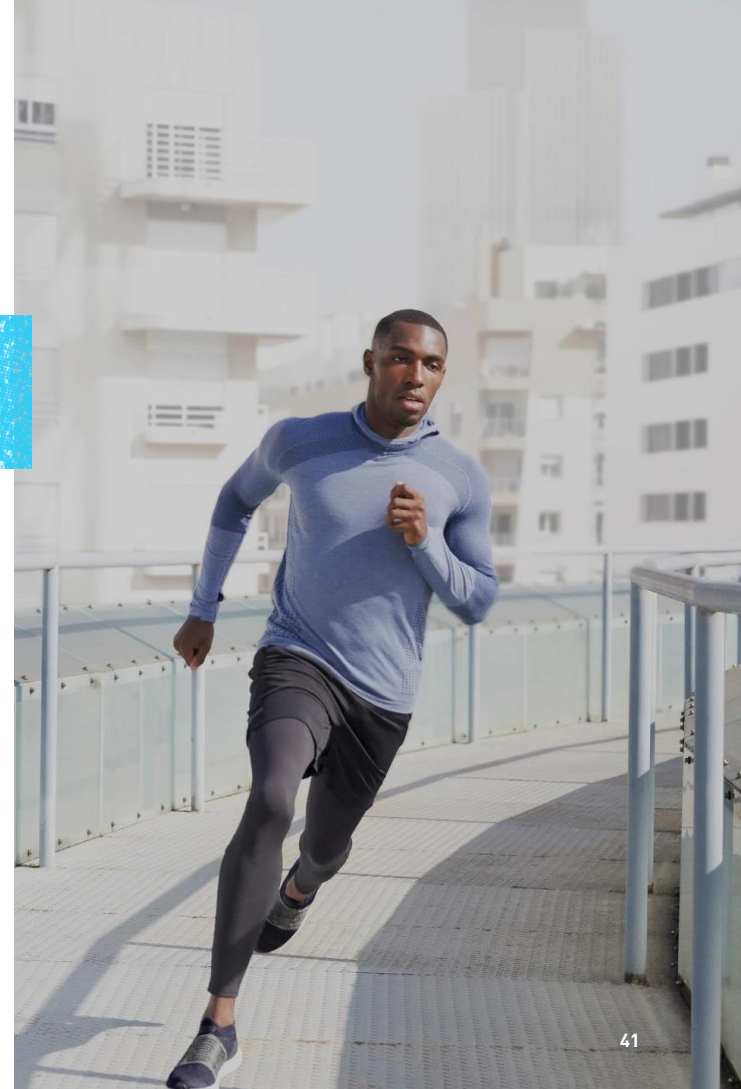
## OUTLOOK 2018

### STRONG TOP- AND BOTTOM-LINE IMPROVEMENTS EXPECTED

Net sales*	Increase by around 10%
Gross margin	Increase up to 0.3pp to up to 50.7%
Operating profit	Increase between 9% and 13%
Operating margin	Increase between 0.5pp and 0.7pp to between 10.3% and 10.5%
Net income from continuing operations**	Increase of 13% – 17% to € 1.615 – € 1.675 billion
Basic EPS from continuing operations**	Increase between 12% and 16%

\* Currency-neutral.

\*\* Excluding negative one-time tax impact of € 76 million in 2017.

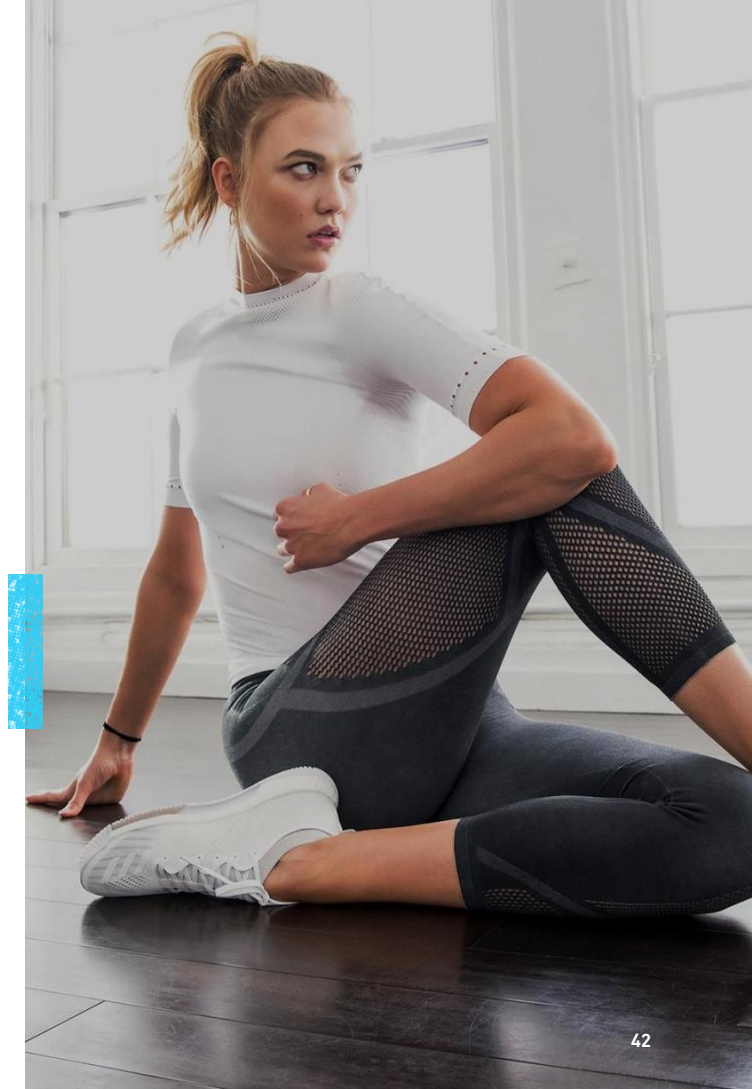


## FINANCIAL AMBITION 2020

RECONFIRMED WITH AN UPTICK ON PROFITABILITY

Target KPIs 2020	March 2018	March 2017	March 2015
<b>Net sales growth</b> CAGR 2015-2020 c.n.	10% – 12%	10% – 12%	High-single-digit
<b>Net income*</b> CAGR 2015-2020	22% – 24%	20% – 22%	~15%
<b>Net sales</b> (€ in billions)	25 - 27	25 - 27	~22
<b>E-commerce</b> (€ in billions)	4	4	2
<b>Operating margin</b>	up to 11.5%	11%	~9.9%

\* Figures reflect continuing operations.



## SUMMARY

- 1 Strong operational and financial performance in 2017
- 2 2018 will be another year of high-quality growth
- 3 2020 financial ambition updated and profitability targets increased
- 4 Continuously invest in people, infrastructure and our brands
- 5 Focus on execution of 'Creating The New' and 'Acceleration Plan'

