



# adidas

**Q2 2017**

**ROADSHOW PRESENTATION**

# BUSINESS HIGHLIGHTS



# EXECUTING 'CREATING THE NEW'

ORGANISATIONAL CHANGES TO DRIVE OPERATIONAL IMPROVEMENTS

## **TAYLORMADE AND CCM HOCKEY BUSINESSES SOLD**

DIVESTITURES EXPECTED TO CLOSE IN THE COURSE OF H2/17

## **'ONE ADIDAS' INITIATIVES KICKED OFF**

TO INCREASE OPERATIONAL EFFICIENCY

## **CHANGES TO THE EXECUTIVE BOARD**

KAREN PARKIN AND GIL STEYAERT APPOINTED TO THE BOARD

# STRENGTHS AND WEAKNESSES

IN Q2 2017

## **ONGOING BRAND MOMENTUM**

DOUBLE-DIGIT GROWTH IN ALL KEY REGIONS

## **EXCEPTIONAL GROWTH IN ECOM**

WITH ACCELERATING MOMENTUM

## **HEALTHY INVENTORY POSITION**

REFLECTING STRONG SELL-THROUGH

## **STRONG PROFITABILITY IMPROVEMENTS**

DESPITE FX HEADWINDS AND 2016 ONE-OFFS

## **SALES DECLINE IN RUSSIA/CIS**

REFLECTING MACROECONOMIC CHALLENGES

## **CHALLENGES IN LATIN AMERICA PERSIST**

DESPITE STRONG TOP-LINE GROWTH

## **TOP-LINE GROWTH IN APPAREL**

LAGGING BEHIND FOOTWEAR

## **LIMITED OPERATING OVERHEAD LEVERAGE**

DESPITE STRONG TOP-LINE GROWTH

# MAJOR P&L DEVELOPMENTS

IN Q2 2017

**REVENUES INCREASE 19% CURRENCY-NEUTRAL**

AND 20% IN EURO TERMS TO € 5.0 BILLION

**GROSS MARGIN UP 0.7PP TO 50.1%**

DUE TO A MORE FAVOURABLE PRICING, CHANNEL AND PRODUCT MIX

**UNDERLYING OPERATING MARGIN UP 1.4PP TO 10.0%**

SUPPORTED BY DIFFERENT TIMING OF MARKETING SPEND IN 2017 ACROSS ALL REGIONS

**NET INCOME FROM CONTINUING OPERATIONS INCREASES 16%**

TO € 347 MILLION

**BASIC EPS FROM CONTINUING OPERATIONS UP 14%**

TO € 1.72

# EXCELLENT GROWTH AT ADIDAS BRAND

UNPARALLELED BRAND HEAT CONTINUES

**+21%**

**DOUBLE-DIGIT SALES GROWTH ON TOP  
OF A 25% INCREASE IN THE PRIOR YEAR PERIOD**

**EXCELLENT GROWTH IN  
NORTH AMERICA AND GREATER CHINA**

**WOMEN'S BUSINESS OUTPERFORMING  
WITH GROWTH OF MORE THAN 30%**

# WOMEN'S BUSINESS OUTPERFORMS

FOCUS ON THE FEMALE CONSUMER PAYING OFF

## QUARTERLY REVENUE GROWTH



# SPORT PERFORMANCE INCREASES 7%

DESPITE DIFFICULT PRIOR YEAR COMPARISONS RELATED TO MAJOR SPORTS EVENTS

## QUARTERLY REVENUE GROWTH (2-YEAR STACKS)



**RUNNING REVENUES UP 27%, DRIVEN BY SUCCESS AROUND BOOST FRANCHISES**

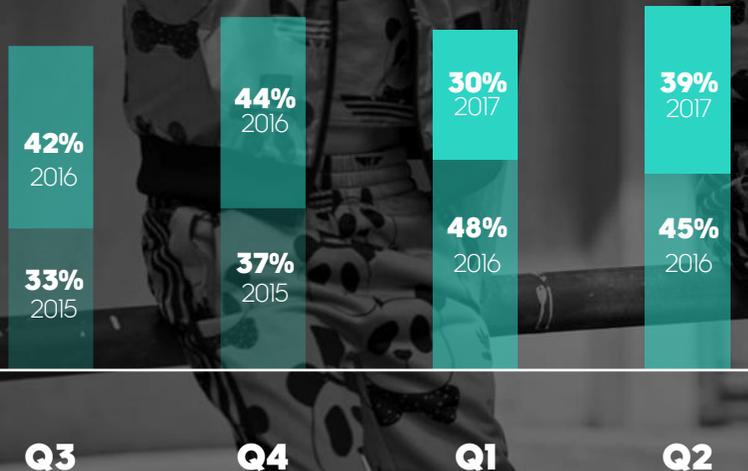
**TRAINING SALES GROW 9%, REFLECTING EXCEPTIONAL GROWTH IN ATHLETICS**

**FOOTBALL AND BASKETBALL SALES DECLINE, DESPITE DOUBLE-DIGIT GROWTH IN FOOTWEAR**

# ORIGINALS & NEO ENJOY BRAND HEAT

EXCEPTIONAL GROWTH AT ADIDAS ORIGINALS AND NEO

## QUARTERLY REVENUE GROWTH (2-YEAR STACKS)



**ORIGINALS UP 36%, DRIVEN BY STRONG DOUBLE-DIGIT GROWTH IN ALL KEY REGIONS**

**MODERN FRANCHISES INCREASE MORE THAN 60%, REPRESENTING AROUND HALF OF ORIGINALS FOOTWEAR BUSINESS**

**NEO BUSINESS GROWS 45%, REFLECTING MORE THAN 50% IMPROVEMENT IN FOOTWEAR**

# GROWTH AT REEBOK CONTINUES

ROBUST TOP- AND BOTTOM-LINE IMPROVEMENTS

**+5%**

**SALES INCREASE DRIVEN BY STRONG  
DOUBLE-DIGIT GROWTH IN CLASSICS**

**SIGNIFICANT REVENUE DECLINE IN NORTH  
AMERICA REFLECTING CLEAN-UP OF LOW-  
MARGIN BUSINESS**

**MUSCLE-UP PROGRESS DELIVERS FIRST  
OPERATIONAL AND FINANCIAL IMPROVEMENTS**

# GROWTH IN ECOM ACCELERATES

DIRECT CONSUMER ENGAGEMENT PROPELS BRAND MOMENTUM



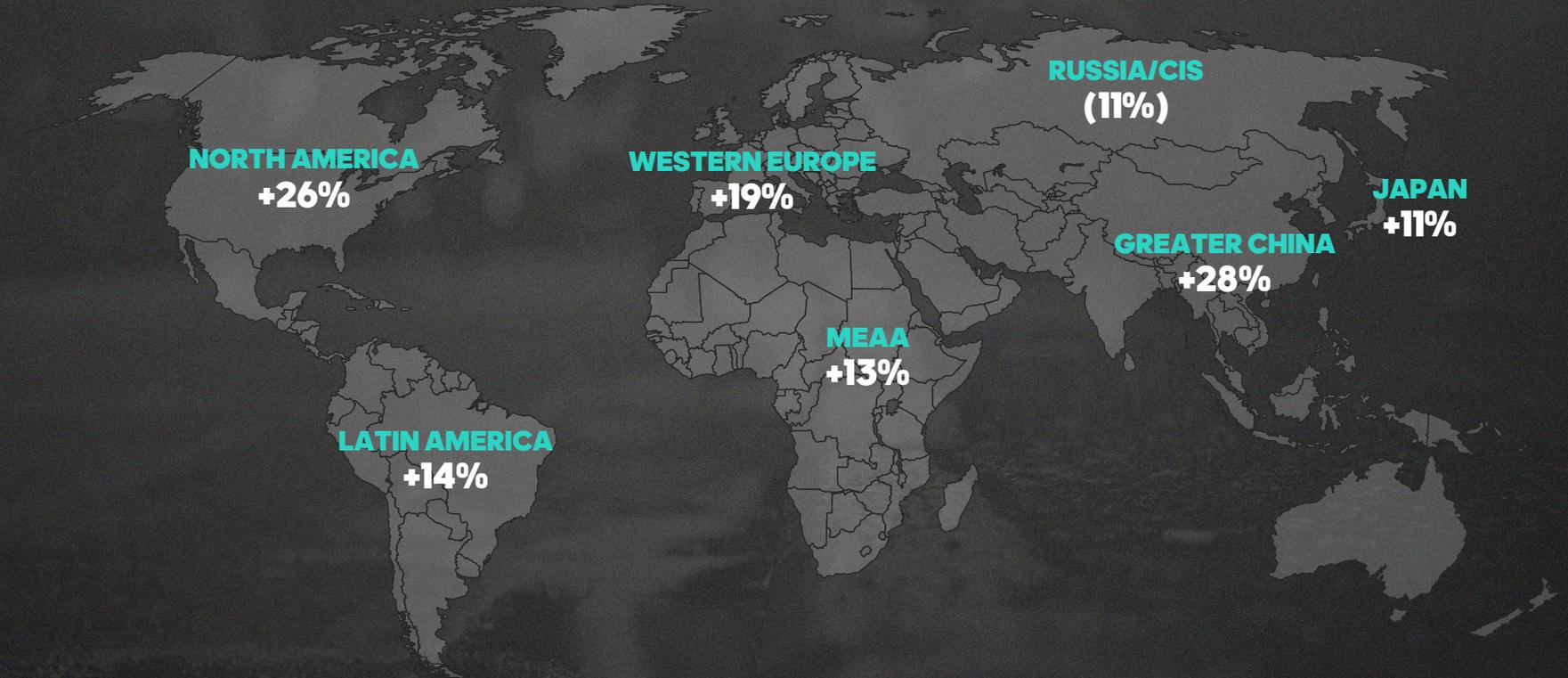
+66%

# FINANCIAL HIGHLIGHTS



# BROAD-BASED TOP-LINE MOMENTUM

DOUBLE-DIGIT SALES GROWTH IN ALL REGIONS EXCEPT RUSSIA/CIS



# STRONG PERFORMANCE DESPITE TOUGH PRIOR YEAR COMPARISON

## WESTERN EUROPE

**CURRENCY-NEUTRAL SALES INCREASE 19% IN Q2**  
DOUBLE-DIGIT GROWTH IN MOST COUNTRIES

**ADIDAS BRAND REVENUES UP 18%**  
ON TOP OF A 30% INCREASE IN Q2/16

**REEBOK BRAND SALES INCREASE 33%**  
DOUBLE-DIGIT GROWTH IN ALL KEY CATEGORIES

**GROSS MARGIN GROWS (+0.8PP)**  
DESPITE SEVERE FX HEADWINDS

**OPERATING MARGIN UP (+2.8PP)**  
REFLECTING GROSS MARGIN INCREASE AND OPEX LEVERAGE

# BRAND HEAT FOR ADIDAS BRAND CONTINUES

## NORTH AMERICA

**CURRENCY-NEUTRAL SALES INCREASE 26% IN Q2**

**ONGOING MOMENTUM AT ADIDAS BRAND (+33%)**  
ON TOP OF A 32% INCREASE IN Q2/16

**REEBOK BRAND SALES DOWN 16%**  
REFLECTING CLEAN-UP OF LOW-MARGIN BUSINESS

**GROSS MARGIN EXPANDS FURTHER (+2.6PP)**  
REFLECTING IMPROVEMENTS IN BRAND STRENGTH

**OPERATING MARGIN UP (+3.5PP)**  
DRIVEN BY GROSS MARGIN INCREASE AND OPEX LEVERAGE

# EXCELLENT MOMENTUM FOR BOTH ADIDAS AND REEBOK BRANDS

## GREATER CHINA

**CURRENCY-NEUTRAL SALES INCREASE 28% IN Q2**

**SALES AT ADIDAS BRAND UP 28%**  
DOUBLE-DIGIT GROWTH IN KEY CATEGORIES

**REEBOK BRAND REVENUES UP 20%**  
GROWTH IN THE RUNNING AND TRAINING CATEGORIES

**GROSS MARGIN DOWN (-0.7PP)**  
REFLECTING A LESS FAVOURABLE PRICING MIX

**OPERATING MARGIN DECLINES (-1.4PP)**  
DUE TO A DECREASE IN GROSS MARGIN AND HIGHER OPEX

# STRONG GROWTH DESPITE MACROECONOMIC CHALLENGES

## LATIN AMERICA

**CURRENCY-NEUTRAL SALES GROW 14% IN Q2**  
DESPITE DIFFICULT ENVIRONMENT IN ARGENTINA AND BRAZIL

**REVENUES AT ADIDAS BRAND UP 14%**  
DOUBLE-DIGIT GROWTH IN RUNNING, ORIGINALS AND NEO

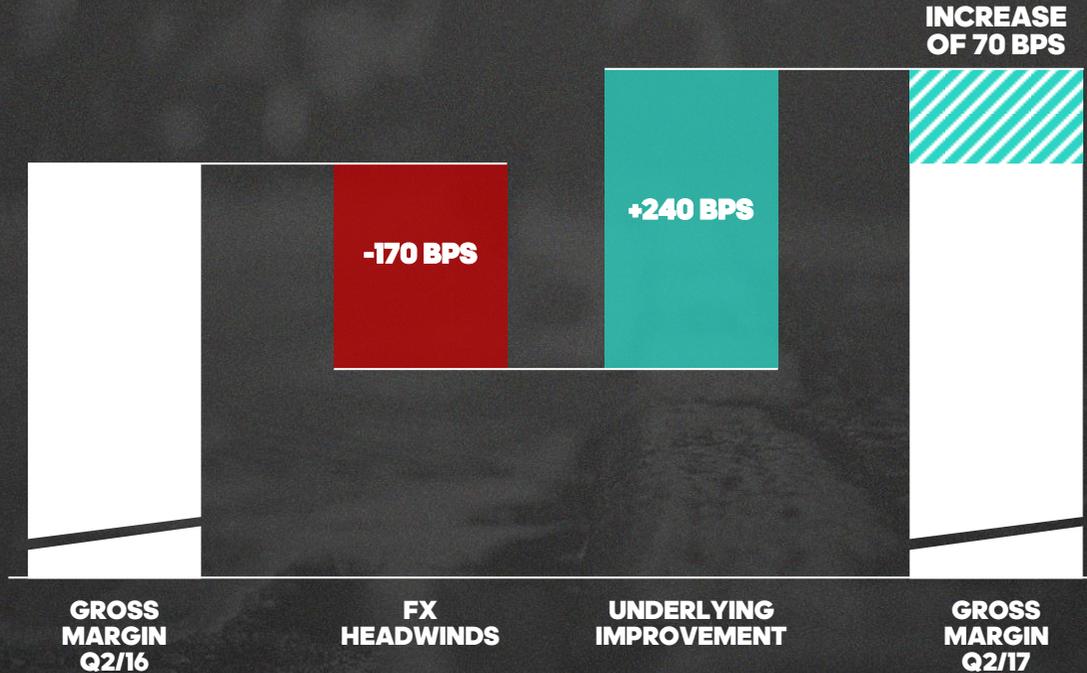
**REEBOK BRAND REVENUES UP 10%**  
DOUBLE-DIGIT GROWTH IN CLASSICS AND  
HIGH-SINGLE-DIGIT INCREASES IN TRAINING

**GROSS MARGIN DOWN (-1.9PP)**  
DUE TO SEVERE FX HEADWINDS

**OPERATING MARGIN UP (+0.1PP)**  
REFLECTING OPEX LEVERAGE

# GROSS MARGIN INCREASES TO 50.1%

DUE TO STRONG IMPROVEMENTS IN PRICING, PRODUCT AND CHANNEL MIX EFFECTS



# FINANCIAL RESULTS OVERVIEW

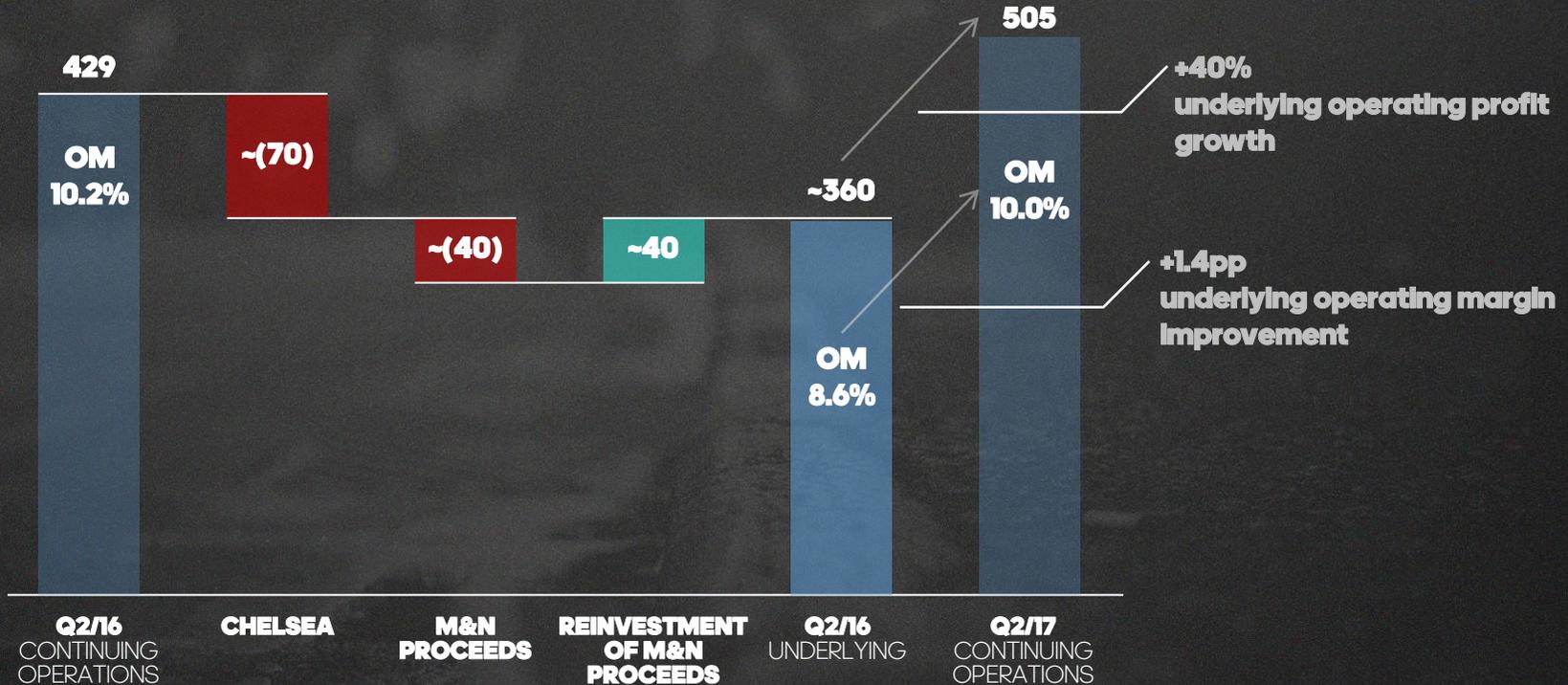
PRIOR YEAR FIGURES ADJUSTED TO REFLECT DIVESTITURE OF TM/CCM

	AS REPORTED IN 2016 INCLUDING TM/CCM	CONTINUING OPERATIONS * REFLECTING DIVESTITURE OF TM/CCM		
	Q2/16	Q2/16	Q2/17	Y-O-Y CHANGE
<b>SALES</b> (€ IN MILLIONS)	4,422	4,199	5,038	+20%
<b>GROSS MARGIN</b>	48.8%	49.4%	50.1%	+0.7PP
<b>OTHER OPERATING INCOME</b> (€ IN MILLIONS)	159	159	24	(85%)
<b>OTHER OPERATING EXPENSES</b> (€ IN MILLIONS)	1,935	1,833	2,072	+13%
<b>OPERATING PROFIT</b> (€ IN MILLIONS)	414	429	505	+18%
<b>OPERATING MARGIN</b>	9.4%	10.2%	10.0%	(0.2PP)
<b>NET INCOME</b> FROM CONTINUING OPERATIONS (€ IN MILLIONS)	291	301	347	+16%

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

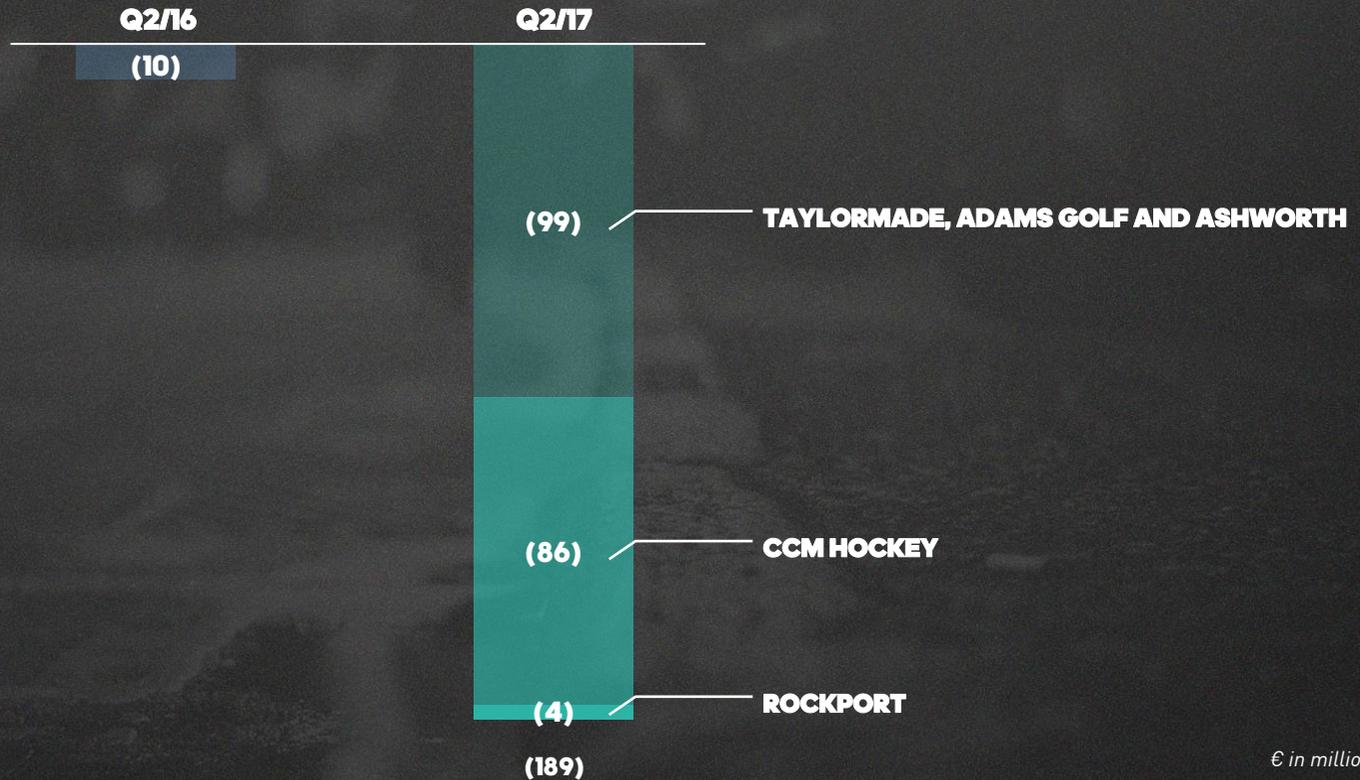
# OPERATING PROFIT GROWS STRONGLY

DESPITE DIFFICULT PRIOR YEAR COMPARISONS



# DISCONTINUED OPERATIONS

REFLECTING P&L IMPACT OF DIVESTED NON-CORE BUSINESSES



# FINANCIAL RESULTS OVERVIEW

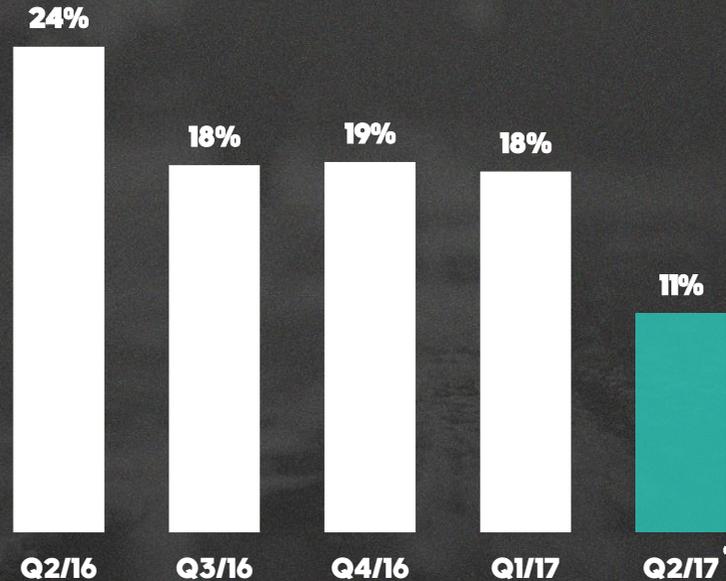
REFLECTING DIVESTITURES

	AS REPORTED IN 2016 INCLUDING TM/CCM	CONTINUING OPERATIONS * REFLECTING DIVESTITURE OF TM/CCM		
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<b>GAINS/(LOSSES)</b> FROM DISCONTINUED OPERATIONS (€ IN MILLIONS)	0	(10)	(189)	n/a
<b>NET INCOME</b> ATTRIBUTABLE TO SHAREHOLDERS (€ IN MILLIONS)	291	291	158	(46%)

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

# INVENTORY GROWTH SLOWS DOWN

REFLECTING STRONG SELL-THROUGH AT THE POINT OF SALE



*Currency-neutral inventories at quarter-end.*

*\* Figure reflects continuing operations as a result of the divestiture of the Rockport business and the planned divestiture of TaylorMade, Adams Golf, Ashworth and CCM Hockey.*

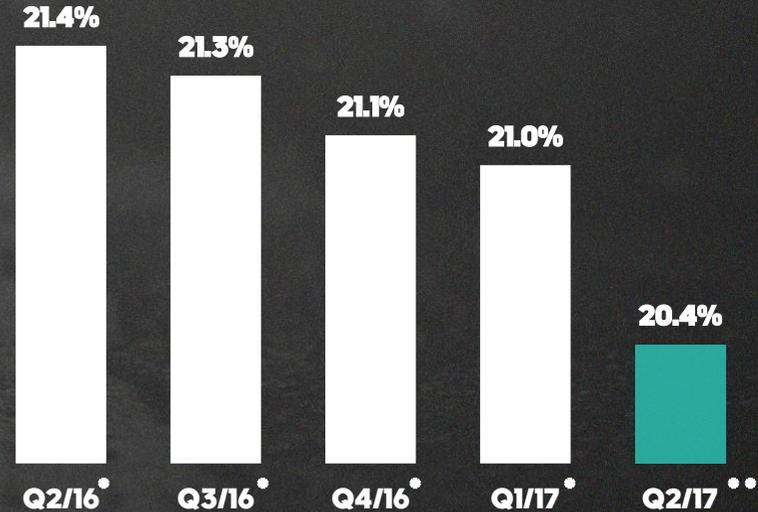
# OPERATING WORKING CAPITAL

CONTINUED FOCUS ON TIGHT WORKING CAPITAL MANAGEMENT

RECEIVABLES FROM CONTINUING OPERATIONS UP 22% (CURRENCY-NEUTRAL), AS A RESULT OF THE STRONG TOP-LINE DEVELOPMENT

PAYABLES FROM CONTINUING OPERATIONS GROW 6% (CURRENCY-NEUTRAL), REFLECTING HIGHER INVENTORIES

AVERAGE OWC IN % OF SALES DOWN 1.0PP TO 20.4%



Average operating working capital in % of sales at quarter-end.

\* Figures reflect net sales from continuing operations as a result of the divestiture of the Rockport business and the planned divestiture of TaylorMade, Adams Golf, Ashworth and CCM Hockey.

\*\* Figures reflect net sales and OWC from continuing operations as a result of the divestiture of the Rockport business and the planned divestiture of TaylorMade, Adams Golf, Ashworth and CCM Hockey.

# OUTLOOK



# STRONG GROWTH TO CONTINUE IN H2

ELEVATED MARKETING SPEND TO SUPPORT MOMENTUM

## **SUSTAIN BRAND HEAT**

THROUGH ACCELERATED BRAND ACTIVATION

## **SUPPORT SELL-THROUGH OF NEW PRODUCT LAUNCHES**

THROUGH HIGHER INVESTMENTS IN POINT-OF-SALE INITIATIVES

## **CAPITALISE ON WORLD CUP 2018 PLATFORM**

THROUGH EVENT-RELATED PRODUCT AND BRAND ACTIVATION

## **LEVERAGE TOP-LINE GROWTH**

THROUGH OPERATING OVERHEAD EFFICIENCY

# OUTLOOK INCREASED



FOR THE FULL YEAR 2017

## SALES

CURRENCY-NEUTRAL

**INCREASE OF 17% – 19%**

## NET INCOME

FROM CONTINUING OPERATIONS

**INCREASE OF 26% – 28%  
TO € 1.360 – € 1.390 BILLION**

# OUTLOOK INCREASED

FOR THE FULL YEAR 2017

	AS REPORTED IN 2016 INCLUDING TM/CCM		CONTINUING OPERATIONS REFLECTING DIVESTITURE OF TM/CCM		
	2016 RESULTS REPORTED	2017 OUTLOOK MARCH 2017	2016 RESULTS ADJUSTED	2017 OUTLOOK MARCH 2017	2017 OUTLOOK AUGUST 2017
<b>SALES</b> (€ in millions)	19,291	increase of 11% - 13%*	18,483	increase of 12% - 14%*	increase of 17% - 19%*
<b>GROSS MARGIN</b>	48.6%	increase up to 0.5pp to up to 49.1%	49.2%	increase up to 0.3pp	increase up to 0.8pp to up to 50.0%
<b>OPERATING PROFIT</b> (€ in millions)	1,491	increase of 18% - 20%	1,582	increase of 13% - 15%	increase of 24% - 26%
<b>OPERATING MARGIN</b>	7.7%	increase of 0.6pp - 0.8pp to 8.3% - 8.5%	8.6%	increase of 0.2pp - 0.4pp	increase up to 0.6pp to up to 9.2%
<b>NET INCOME</b> FROM CONTINUING OPERATIONS (€ in millions)	1,019	increase of 18% - 20% to € 1.200 - € 1.225 billion	1,082	increase of 13% - 15%	increase of 26% - 28% to € 1.360 - € 1.390 billion
<b>BASIC EPS</b> FROM CONTINUING OPERATIONS (in €)	5.08	increase of 18% - 20%	5.39	increase of 13% - 15%	increase of 25% - 27%

\* Currency-neutral.

# Q2 2017 KEY TAKEAWAYS

**ONGOING MOMENTUM IN KEY GROWTH AREAS**

**PROFITABILITY GAINS DESPITE FX HEADWINDS AND DIFFICULT COMPS**

**FULL YEAR OUTLOOK INCREASED**

**FURTHER PROGRESS ON PORTFOLIO INITIATIVES**

**RELENTLESS FOCUS ON SHORT- AND LONG-TERM GOALS**

# STRATEGY ACCELERATION



# CREATING THE NEW

FOCUS ON DRIVING BRAND DESIRABILITY



# CULTURE

BUILDING ON OUR PEOPLE'S UNIQUE PASSION FOR SPORTS AND FOR OUR BRANDS

**DRIVE DIVERSITY WITHIN THE  
COMPANY**

**IMPROVE TALENT MANAGEMENT**

**FOSTER PERFORMANCE CULTURE**

**IMPLEMENT EQUITY-BASED  
COMPENSATION**

**REFINE LEADERSHIP STRUCTURE**

# ACCELERATION PLAN

4 TOPICS TO DRIVE FASTER GROWTH OF TOP AND BOTTOM LINE

1

**PORTFOLIO**

2

**NORTH  
AMERICA**

3

**ONE ADIDAS**

4

**DIGITAL**

# STREAMLINE THE PORTFOLIO



EXIT



EXIT



INTEGRATION



REINTEGRATION



TURNAROUND

# FOCUS AREAS TO DRIVE PROFITABILITY

REEBOK MUSCLE-UP STILL IN EARLY STAGES

## NEW BUSINESS MODEL

- US/GLOBAL INTEGRATION
- RELOCATION TO BOSTON (EXIT CANTON)
- NEW GOVERNANCE

## DESIGN TO VALUE

- IMPLEMENT CREATION GUIDELINES
- NEW CONSUMER TOUCHPOINTS IN CREATION PROCESS

## MWB

- FOCUS PARTNERSHIPS
- PRIORITISE POS
- GLOBAL CONCEPTS

## US WHOLESALE

- PRIORITISE ACCOUNTS
- JOINT BUSINESS PLANNING

## US RETAIL

- CLOSE >50 DOORS
- INCREASE PRODUCTIVITY

## EFFICIENCY IMPROVEMENTS

- MODEL REDUCTIONS
- PROCESS SIMPLIFICATION

# ACTIVELY MANAGE

BRANDS, CHANNELS AND MARKETS

**A** BRANDS

**B** CHANNELS

**C** MARKETS

**EVERY ENTITY HAS  
TO CONTRIBUTE  
TO THE SUCCESS  
OF THE COMPANY**

# FOCUS ON NORTH AMERICA

IS PAYING OFF

## FASTEST-GROWING BRAND IN THE US



OUTPACING  
US MARKET GROWTH

**FTW MARKET  
SHARE DOUBLED**

NPS

**STRONG  
GROWTH**



2016  
REVENUE GROWTH

**24%**

FUELED  
BY ADIDAS BRAND

**30%**



CATEGORY GROWTH

ORIGINALS  
**>80%**

RUNNING  
**>40%**

US SPORTS  
**>25%**

**WE HAVE A LONG WAY TO GO**

# 2020 AMBITION

FOR THE ADIDAS BRAND IN NORTH AMERICA

> 5 BN



**ACCELERATE DIGITAL**

**ROLE OF  
DIGITAL**

THROUGH SPORT, WE HAVE THE  
POWER TO CHANGE LIVES

TO CHANGE LIVES WE HAVE TO  
CREATE DIRECT RELATIONSHIPS WITH  
CONSUMERS

THE BEST WAY TO ACCELERATE  
BUILDING DIRECT RELATIONSHIPS IS  
**THROUGH DIGITAL**

# OUR FOCUS

TO WIN THE CONSUMER



## PREMIUM

INSPIRING LOVE FOR  
OUR BRAND AND DESIRE  
FOR OUR PRODUCT



## CONNECTED

OFFERING A SEAMLESS  
EXPERIENCE ACROSS ALL  
CONSUMER TOUCHPOINTS



## PERSONALIZED

DELIVERING THE  
RIGHT MESSAGE TO  
THE RIGHT AUDIENCE

# UPDATED ECOMMERCE AMBITION

**0**  
2010

**0.6**  
2015

**2.0**  
INITIAL  
2020  
AMBITION

**4.0**  
UPDATED  
2020  
AMBITION

# ONE ADIDAS

THREE PILLARS TO DRIVE REVENUES AND PROFITABILITY

## ONE ADIDAS

### BRAND LEADERSHIP

GLOBAL / LOCAL  
BRANDS

RANGE EFFICIENCY

FOB MITIGATION

PRODUCT MARGIN

### MARKETING EFFECTIVENESS

RETURN ON MARKETING  
INVESTMENTS (ROMI)

CONCEPT FOCUS

MARKETING PROCUREMENT

### OPERATING EFFICIENCY

GLOBAL BUSINESS  
SERVICES

NON-TRADE  
PROCUREMENT

SCM EFFICIENCIES

STRATEGIC WORKFORCE  
PLANNING

GLOBAL REAL ESTATE

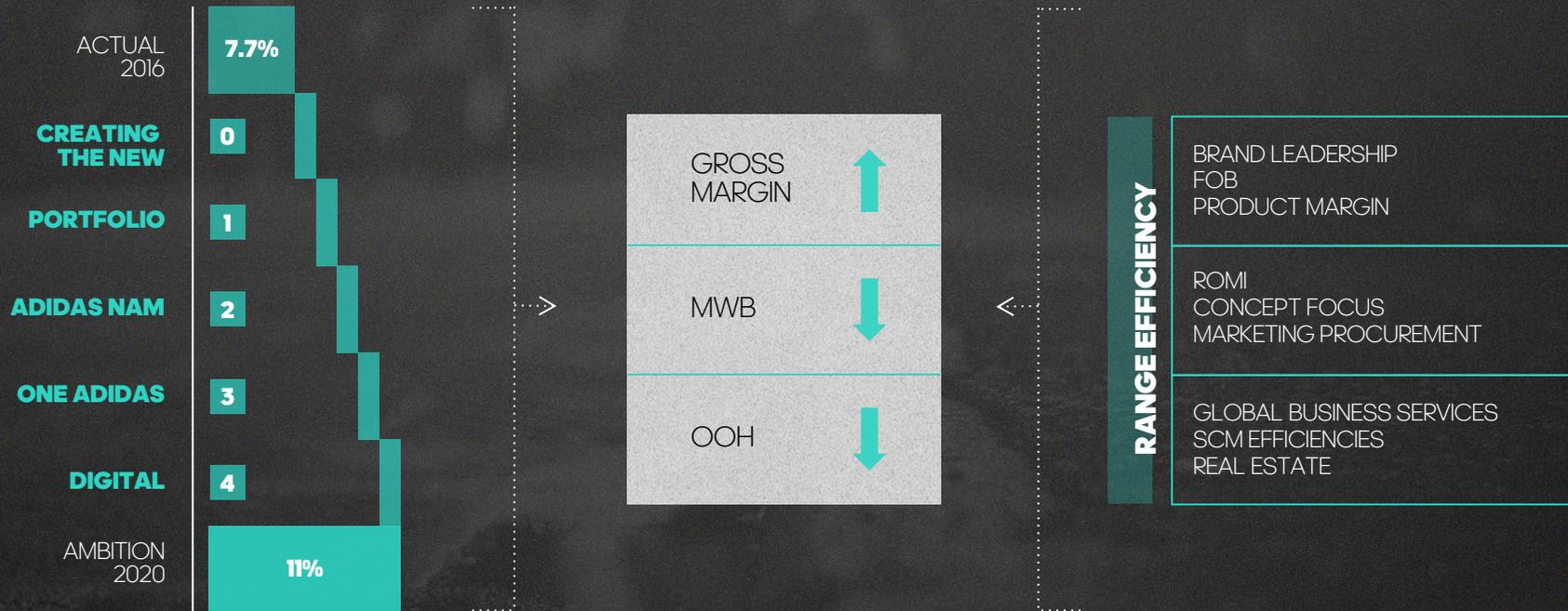
# UPDATED FINANCIAL AMBITION 2020

REFLECTING ACCELERATION PLAN

	2020 AMBITION (MARCH 2015)	UPDATED 2020 AMBITION
<b>SALES GROWTH</b> CAGR 2015-2020; CURRENCY-NEUTRAL	<b>HIGH-SINGLE-DIGIT</b>	<b>10-12%</b>
<b>NET INCOME GROWTH</b> CAGR 2015-2020	<b>~15%</b>	<b>20-22%</b>
<b>NET SALES</b> EUR BN	<b>~22</b>	<b>25-27</b>
<b>ECOMMERCE</b> EUR BN	<b>2</b>	<b>4</b>
<b>OPERATING MARGIN</b> % OF NET SALES	<b>~9.9%</b>	<b>11%</b>

# MULTIPLE LEVERS SUPPORTING 'CTN'

ALL P&L ITEMS TO CONTRIBUTE TO THE IMPROVEMENT IN PROFITABILITY



# 'CTN' OFF TO A STRONG START

AT THE SAME TIME THERE IS STILL A LONG WAY TO GO

	2015	2016	AMBITION 2020	REMAINING 2017-2020
<b>NET SALES</b> EUR BN	16.9	18.5	25.0-27.0	6.5-8.5
<b>OPERATING MARGIN</b> % OF NET SALES	6.5	8.6	11.0	2.4PP
<b>ECOMMERCE</b> EUR BN	0.6	1.0	4.0	3.0

# SUMMARY

**WE ARE IN A HIGHLY ATTRACTIVE GROWTH INDUSTRY**

**'CREATING THE NEW' IS THE RIGHT STRATEGY**

**EXCEPTIONAL RESULTS ACHIEVED IN 2016**

**STRONG TOP- AND BOTTOM-LINE GROWTH EXPECTED IN 2017**

**ACCELERATION PLAN TO GROW REVENUES AND PROFITS EVEN  
FASTER THAN INITIALLY PROJECTED BY 2020**