



**adidas Investor Day 2017**

**March 14, 2017**

**Q&A session**

**adidas participants:**

**Kasper Rorsted, adidas CEO**

**Robin J. Stalker, adidas CFO**

**Eric Liedtke, adidas Executive Board Member - Global Brands**

**Sebastian Steffen, Vice President Investor Relations**

**Sophie Park – Bank of America Merrill Lynch**

**You've set a clear target for sales within the U.S. Can you give us a bit more color about how you expect that to be made up for volume and price especially in light of how well your higher price point product is doing in the U.S.? And then in terms of margin expansion and given your renewed guidance, how should we think about margin expansion in the U.S. given that it's a drag versus most of the rest of the world?**

**Kasper Rorsted**

North America's margin is clearly dilutive. You know that we have a long-term position in the U.S. and that's why we went out, and also from a guidance standpoint, looked upon it and said the primary KPI is EPS. It is not margin, because we want to build the maximum value that we can in the U.S. and not try to optimize margin in the short term in order to get there. So you will see a consistent expansion of the margin. Whether it'll be dilutive by 2020, we don't want to make a statement around. But what we want to make sure is that we are maximizing the actual value contribution we get out of the U.S. rather than maximizing the margin. So we have a target, but we're not disclosing it. But we expect it to be dilutive for a while. It'll continue to be dilutive at least for the next two to three years.

**Robin Stalker**

I think you all appreciate that the American market is a market for our industry where the price points are the most aggressive. And if you look throughout our industry, the gross margins are 8 to 10 percentage points lower in America than we enjoy outside. And that's throughout the industry, our competitors as well. So it's not that easy just to increase prices in this market. So I think you should assume that the largest part of the growth is definitely volume. But, and I'm sure Eric would confirm this, as we're getting more love for the brand and we are also introducing products at higher price points, we're selling those through because the brand is desirable. Just one quick final point on that is that as part of the success in America, it's also how we're bringing in product at the right price points because we were quite weak in certain of those sweet spot price points in the past. And with some of the technologies, we've come into the 80 to 85 price point which is enabling us to grow there as well. So volume is over price.

**Antoine Belge – HSBC**

**I've got a question on controlled space. I remember two years ago, in the 2020 plan, I think controlled space sales were supposed to be growing double digits. I understand that clearly with the new target in eCom, that's going to be a strong contributor. But I felt that there was less emphasis being put on own retail. And should you expect some closures and maybe fewer store openings compared to your original plan? And which would be the main region mostly affected by that?**

**Eric Liedtke**

So obviously, every time we get together, we have to adjust and reflect and iterate what we said before. So we're not changing the strategy. What we're looking to do from a controlled space standpoint is to invest and make sure we show up as a premium brand. That's the most important thing. But from a controlled space perspective, it means that we show up first, as a top-rated brand. And then if you're in Western Europe or if you're in the U.S. or some different markets, occasionally we don't come up as the top-tier brand that we want to be. So where we show up, we need to show up as the creator sports brand and we need to show up on eye level with our competition. And that's job number one. Once we get that done, then we can look to invest in new space going forward. So I don't think we've deviated from any of our controlled space conversations. We're focusing in on the existing spaces we have and making sure we upgrade those as much as possible. Our ambitions in eCom have gone up dramatically. So obviously, that would be another area that would fit under 'controlled space'. And we need to make sure we have that presentation second to none. It needs to be our best store. It needs to be the most unbelievable brand experience. And from a consumer standpoint it needs to rise to the standard above our industry, and look at the expectations that are being driven from an Amazon to show how we service our consumers and how we interact with our consumers. So those are becoming higher priorities than maybe a robust growth in the quantity of direct-to-consumer brick-and-mortar stores going forward. But it still is all captured within what I would say is controlled space.

**Erinn Murphy – Piper Jaffray**

**I wanted to focus a little bit more on Boost. Last week, you had talked about supply constraints there. I would like to know more. What would normalized demand look like this year and next year if you could keep up with the demand? And then I guess the concern I have is that if we have like a year or two where the supply is trying to catch up with the demand, what prevents your competition from maybe awakening and trying to dig into that performance space? And how confident are you in the 2017-2018 pipelines to really support growth elsewhere in your business?**

**Kasper Rorsted**

So if you look upon the overall supply situation, it's a moving target we're speaking against because every time we have a quarter, demand is up. So the more we work and the more supply we get, the more the demand goes up. So I think that if you look at the two scenarios, over-demand and lack of supply, or lack of supply and over-demand, it's the better position we're in right now. We'll continue to have approximately 18 to 24 months of supply

constraints. Whether our competition will come up with something new, I'll ask Eric to comment on the uniqueness of our design. I think that of course we have great competitors. They will eventually come up with something. But replacing what we have is not going to be so easy. So we feel quite comfortable with the long-term opportunity we have from a Boost standpoint. BASF has been outstanding in the way they work with us because this has been a moving target every quarter. And we will continue to be in that situation probably for a long period of time. But of course it also depends on the products we bring to market. Maybe, Eric, you want to just speak a bit about Boost within our product range.

### **Eric Liedtke**

I think the world wants more Boost, as do we. And BASF are the ones trying to produce that. So any product we have with Boost, it sells out overnight. The latest version was the EQT launch. It goes away, it evaporates. And that doesn't mean the pairs are staying static. It means that pairs keep coming in. We get more and more and more every season, as Kasper just said. We will continue to allocate Boost by category. And then we allocate it by market based upon our strategic business plan and then we go from there. So we also don't treat everybody equal from a category standpoint, from a franchise standpoint or from a market standpoint and now not even from a channel standpoint. So we have to make sure that we make clearer decisions based upon where we get the best bang for our Boost. So from a competitive standpoint, I would just remind you that Boost took us five years to bring to market. 35 years ago, EVA was invented and that's still the industry standard from a cushioning standpoint. So if it were easy, everyone could do it; it's something where we have a competitive advantage, but we're not resting as I'm sure our competition isn't. So, we continue to look at new opportunities as well that will be coming out in the next months and years. So we don't rest on it, we're glad we have it; we maximize it – the opportunity – but we certainly don't stop there.

### **Kasper Rorsted**

But just one point Eric, if I can comment on – we're not a Boost-only company, just to put it in context.

### **Eric Liedtke**

We're not a Boost-only company. What we like from a Boost standpoint is the position it gives us, which is around energy. Everyone wants more energy in their day, in their run or whatever activity they're doing. So we've taken that and we've looked at different compounds – as take-downs from Boost. We've got Bounce, which we have out in the marketplace right now with AlphaBOUNCE, which is a very successful franchise in running at that below \$100 sweet spot that Robin was just talking about. It was actually designed in the U.S. and really goes after that runner that's training for sport, and then underneath that, even with our Cloudfoam. So we started to make derivatives of Boost through EVA compounds and mixtures that come underneath that. So Boost is not our only trick, it's our lead dog to try to really tell stories to the consumer that are more than just the industry standards.

**Louise Singlehurst – Morgan Stanley**

**Just a quick question for Kasper. We've heard a lot about building a scalable enterprise; we've heard a lot about automation, we've heard earlier from Eric that the industry is very backwards-looking in terms of future orders and how you've got to 'Create the New', as you say. What are the benchmarks and of course you talked about accountability as well. What are the benchmarks in other consumer companies that you're really looking at in terms of industry standards, beyond the sports arena?**

**Kasper Rorsted**

I think when you look upon benchmarks, you look upon benchmarks within each functional area and figure out who is best. So go beyond the industry and say who is best in purchasing, who's best in IT, and who's best in digital. So instead of trying to look for a company, you actually look for one area – and one of the things I learned from my past life was identifying the gap and closing the gap, so you get very specific on different areas and try to see how you can close the gap. But if you look upon the scaling within our model, and I think that it's important to start at what we have under control, we've built a model where we have high correlations between top line and head count. And what we need to do is we need to make sure that we only make one decision once and one solution once and make use of that. So we don't have best practices sharing, we have best practice implementation. That's a cultural difference in our company and something we need to evolve because we came from 'everything is done locally'. adidas is probably the first group that has a true global view, but we have to get down and do that in finance and HR and purchasing just one-by-one-by-one. And that's where you can get the scaling in because it's not that we don't have the solution – too many times we have the same solution. It is about making sure that everybody understands that team play means that we're actually passing the ball, that you're not trying to do everything yourself. And the industry has shown that you're more than capable of building and scaling. Probably the most extreme scaling is through technology and through standardized and automated infrastructures or digital. So one of our partners, Zalando – nobody thought they would make money, now they're making money.

**Cédric Lecasble – Raymond James**

**I have a question on Speed actually and maybe addressed to Kasper, for the organization, and what is a consequence, for Robin. You mentioned this 25% already impacted by Speed. You gave the interesting example of Tubular with the orders increasing so fast. And so what is changing really and what's exactly the target of having 50% of products on Speed by 2020? Could you maybe help us illustrate a little bit what's happening inside the organization to reach that? And as a consequence, maybe for Robin, you mentioned working capital stable going forward as a percentage of sales. How can you be faster and have the same working capital ratios?**

**Eric Liedtke**

So from a Speed standpoint, without going through in great detail, many companies have built a Speed model for apparel; footwear is a different story. It's a much more complex product to create. So you have to change everything from how you design to what you design

to how you build materials up to share between multiple silhouettes and then how you read and react to those products, whether it be Planned Responsiveness or whether it be In-Season Creation or whether it be Never-Out-Of-Stock. There are some similarities, but they're different discrete models based upon the market and the opportunity we have. So, to me, the targeted 50% by 2020 as well as the targeted 25% for 2017 is Speed enabled and that's the keyword. It doesn't mean, we're going to do 50% of products on Speed in the future. It means we have the ability, through how we've created them to enable Speed, whether it be In-Season Creation or Planned Responsiveness or Never-Out-Of-Stock. And that's a key differentiator because not every shoe is going to be required to backfill and not every product right now is going to be brought to the level of the example of Tubular Shadow that we can chase to Planned Responsiveness. But it gives that opportunity to strike. And that's the key difference. Our 50% goal is to enable 50% of the models that we bring out for Speed, which means we can chase 50% or plan for 50% of business that we don't have in backlogs today.

### **Robin Stalker**

In terms of the working capital, I hope you were meaning why aren't we going below the 20% and not going above? I think there is opportunity to go below because this doesn't mean that through Speed we have to commit to more inventory. In fact, the opposite is true. Even if we might be making some commitments with Tier-2 suppliers for some of the materials, which we are trying to avoid obviously, the whole concept of Speed allows us to create products when we think there is the demand for it, so keeping it a shorter period of time in our business. In the old model that Eric referred to earlier, we are buying a lot of product that we then push in through our organization and hope the consumers buy it. So there is opportunity to improve our working capital.

### **Kasper Rorsted**

We are very transparent on what are the key targets we are communicating to you. Of course we look at it across the organization if there are things we can do better and then figure out how we get there. But you have to do it in a sustainable way and we need to make sure that we set priorities here because if you get 15 targets out, you can be sure that you won't get all of them. So, what are the three or four that are really important and how do you plan to hit those. But of course, we look across the organization on how we can become a better company, there's no doubt that this happens.

### **Chiara Battistini - J.P. Morgan**

**You mentioned that it's going to take time to turn around Reebok. How long are you going to give Reebok and could you also give us some more color on the KPIs you are measuring the Reebok team on? On the 2020 targets by division, I remember a couple of years ago, you gave us targets on Running and Originals. Especially on Originals, you have clearly surpassed yourselves. So could you maybe give us updated targets there?**

**Kasper Rorsted**

So, on Reebok, it's a multi-year plan we have in place, but we look upon it very similar with the same KPIs we have for the entire company. It is NPS, it is market share, it is margin, it is growth and we have built a roadmap around that. So it is a multi-year target.

We have set ourselves targets as a company on what's an acceptable performance and this applies to the entire organization. What is the kind of contribution we need to get out of the different entities or brands and I spoke about that in my presentation about the portfolio. So, to be very clear on it, it doesn't mean that if something goes below this target, it's on the block. But it means that if something goes below what is acceptable, there is an action plan that will be executed upon and there is accountability on how we execute it. And I think it's extremely important that we do that.

**Robin Stalker**

As far as the targets for the categories go, I think Eric summarized these wonderfully in terms of lead, grow and authenticate. This still is exactly how we see our categories and the growth we are enjoying is through this broad brush. But there is nothing specific that I would call out.

**Fred Speirs - UBS**

**Just a couple of questions on China, please. It seems like there is a pretty big ramp-up in directly controlled distribution. Just interested if this is just to get closer to the consumer or if you are also seeing any changes in the market dynamics there? And then as a follow-up on China, how are you feeling about adidas neo in China at the moment? What do you think about the balance of growth between neo and adidas through to 2020?**

**Kasper Rorsted**

Yes, to the first part, we want to get closer to the consumer. The one big change that is happening in China right now is that the e-com market is predominantly driven by the Alibabas and Tencents of this world and they will of course be 'the big elephant' in the room, but we will need to have a much more direct engagement with the consumer online in the future than we had in the past. But then again we need to make sure that, from a priority standpoint, we do the right things. When Harm took over global e-commerce six years ago, it was zero. And I think that the success has shown that it was right that we focused on few markets, doing them one by one. And the time has now come to China where the predominant e-com engagement with our consumers has been through our partners and now we need to do both.

**Eric Liedtke**

And I think as far as neo is concerned, neo has been a great weapon of ours because in China the brick-and-mortar game is about retail formats and how you can continue to drive your retail formats from a comp growth standpoint, but also from a gross standpoint as you go into multiple cities. neo was a weapon for us to go into lower-tier cities, but also was a differentiating factor in some of the higher-tier cities for our Originals or sports stores, so it gave us a third leverage angle. Nothing has changed. We continue to use it that way. We will

look to do things a little differently and maybe put some more product in the store from the core range, specifically footwear. We continue to make neo apparel for those stores only in China because here we have 3,000 points of sale right now that we need to continue to grow. So from a China standpoint, it still gives us great options and greater leverage to have at landlord negotiations or to get into lower-tier price point conversations with the consumer.

### **Jürgen Kolb – Kepler Cheuvreux**

**Three quick questions. First one is for Eric. I think interestingly you talked about the product lifecycle management. I was wondering if you could go into a little bit more detail, especially how detailed is that lifecycle management? Is it on a regional basis? Is it even on a country basis? And where are we specifically? I think this question on Superstar and Stan Smith has come up in a smaller group meeting. If I remember correctly, it was one time around 15 million pairs you sold of the two franchises. Where are we currently here in this respect? Secondly, a very easy one for Robin. If we go to the 11% margin in 2020, which, gross margin or OpEx, will be the biggest driver you could manage here? And lastly, the design lab, the new one in Brooklyn, is that now fully operational and fully contributing also to your entire product development cycle?**

### **Eric Liedtke**

So from a first standpoint, through the brand leadership model, we've empowered our guys to go through it and that includes our distribution conversation. So they have partners in the markets, go-to-market partners in every one of the nine markets we have, they interact with them on a regular, daily, hourly basis. So yes, the granularity of the franchise plans, through a lifecycle planning when we go in, how we incubate, how we iterate, how we commercialize and how we phase down is done at a franchise level, and that is done by market. Now, obviously, not everyone is equal. We have our big three markets that are really driving a lot of the demand and the volume. As Robin pointed out, China, Western Europe and the U.S. are primarily driving some of those decisions. If we have a trade-off, what month is the best month to intro, that's then usually a negotiation between Western Europe and the U.S. I think that answers your question. So Superstar and Stan Smith, I prefer not to comment on that. It's on a regular lifecycle and it's not in the incubation stage, so I'll let you determine the other two stages it could be in, but I don't want to get into those numbers knowing that this is shared to externals as well.

### **Kasper Rorsted**

Maybe hold it there; just to put the number into context. You mentioned 15 million pairs. How many pairs of footwear do we sell?

### **Eric Liedtke**

Over 300 million.

### **Kasper Rorsted**

Around 350 million. So it might decline or it might grow, but put 15 million in the context of over 300 million. It is really that context we have to see it in.

**Eric Liedtke**

And we don't see any slowdown in our backlogs on Originals. So we are able to replace those franchises. And again going back to my presentation, I was pretty clear about how we build our franchises in our portfolio within the Trefoil sub-brand. Brooklyn Creator Farm is open for business. The guys have been employed now for close to a year and, while we have been in temporary locations, we are now in a permanent location. It is cranking out and is a big driver of our open source and what comes next. So I'm very bullish on what they are producing and how they are interacting to bring the new to life.

**Robin Stalker**

Very simple, easy answer to the easy question: we are expecting growth in both. We would have an improvement in the gross margin and a reduction or leverage through the operating overheads and you could also work out which is which.

**Simon Irwin – Credit Suisse**

**Two quick questions. Going back to China, do you still stick by the ambition of 12,000 points of distribution and, as you push into lower-tier cities, are you having to change price points to achieve that aim within China? And then just a follow-up on direct distribution. Presumably, click and collect is going to be a reasonably large part of your eCom ambition within that € 4 billion target. How much do you need to invest into the infrastructure of the business to be able to offer click and collect through most of your directly operated stores by 2020?**

**Robin Stalker**

So in terms of China, yes, we are continuing to grow our retail footprint in China – through franchisees, however. We have about 10,000 franchisee shops at the moment. But what's important here to understand is that from those roughly 500 net openings a year there will be more openings in the lower-tier cities. But this is not price point related, it's more mix related. There will be people in those lower-tier cities that also want the high-price products, but you probably won't sell as many of them. So the product mix might be a bit different but we are definitely not taking price points separately in the lower tiers to what we have in the higher-tier cities. And what you're seeing now in the more mature part of the higher-tier cities is the closures and openings of what were previously smaller locations to now bigger locations. So, the square meters is also growing.

**Kasper Rorsted**

So, on the question regarding pick up in the store, out of the € 4 billion, we have not broken that down or we have broken it down but we are not disclosing a target. I think it's fair to say that we'll be investing several hundred million over the coming years in building infrastructure in several areas: it's process standardization end-to-end, it's systems that allow this to take place and of course it's physical infrastructure, so warehousing, because it's a big difference whether you ship in bulk to a wholesaler or you ship a pair of socks to the consumer. So we need to build a parallel infrastructure in order to make sure that we



can supply that demand from the consumer. And while most of it will be probably be done by us, we're looking into which extent. But you will see a several hundred million investment over the coming years and you're already seeing that out, if you were to go to Central Germany, you'll see we're building a huge distribution center to serve our direct accounts or consumers here in Europe.

#### **John Guy - MainFirst**

**So two questions please. The first just around gross margin 2017 targets of up to 50 basis points of growth. Maybe just a flash back to 2016 and the amount of headwinds that you were able to negate. If you're looking at and including commodity costs and wage inflation this year, on my estimate, you're looking at maybe 100 basis points of margin headwind, since the hedging is negligible or rather neutral this year. So when you think about how much margin you need to reinvest in the business in order to drive sustainable top-line growth, it seems to me that you would be investing quite a lot of potential margin opportunity in 2017 if your gross margin guidance is heading up 50 basis points, while also having done a pretty strong margin opportunity in 2016. So could you comment on that to start with?**

#### **Robin Stalker**

Three points on gross margin. Firstly, there are still headwinds in 2017, although they're less than we had in 2016 because the hedge rate in 2017 on 2016 is not as bad as the 2016 on 2015. Second point is that we will still benefit from the mix. We still expect some of the channels to grow faster than others, particularly the eCom channel. And we're getting better, as Eric has also explained, in the price points and sell-through. However, the third point, which I think is relevant here, is that we did a tremendous amount of price increases during the seasons throughout 2016. It is not our intention to do that or we have not done it so far in 2017. There will be certain areas that we can adjust, but don't expect that what we did in 2016 we will do again in 2017. I don't think that's appropriate in this marketplace.

#### **John Guy - MainFirst**

**And then my second question is just around store concepts. You talked about the stadium concept as the new concept in the U.S. When we think about productivity or sales within your direct installed network relative to peers, it is still reasonably low. And so by talking about cleaning up the existing store base, are you going to go smaller? Coming up with new, innovative ways to engage with the consumer within the stores? Are you thinking about lighter working capital and maybe more digital enhancement in the stores rather than ramping product down? Maybe you could talk around how that new store concept will evolve.**

#### **Eric Liedtke**

From a store format standpoint, you are absolutely right. We are getting out of the transactional store brief, if you will. We want to get much more into a storytelling environment. It doesn't mean we won't trade as well. It means we will trade better. It means we'll have more top-line, more bottom-line and more NPS scores than ever before. That's what we're seeing when we pilot things like Fifth Avenue. So to me, it's about cleaning up

our store fleet as quickly as possible, which is why we talk about committing part of the CapEx into the remodels versus the growth of the fleet. So we will be looking to close the ones that we don't think are valuable, but we'll also be looking to keep the ones we have or make them richer or make them a better experience for the consumer. And we use all the tools available, whether they are digital tools or whether it is better service. People make such a big difference. In Fifth Avenue, for example, our NPS score is at 92 right now. Apple is three blocks away at 85. That's a very clear indicator and we've done things with the consumer experience team that sits next to the sales staff. So we've overinvested to experiment with some of these things and I think that's the way people want to interact in a shopping environment and we have to make sure when we show up in a brick-and-mortar environment that it's worth your time coming as a consumer. Otherwise you're just going to click at home and have it delivered to your door. So why do people come out and shop? I think those are all questions that are coming through as we explore that.

**John Guy- MainFirst**

**So, does that mean that your stores in the U.S. are going to get smaller?**

**Eric Liedtke**

Our store footprint in the U.S. is tiny anyway from a number of stores standpoint. So we will evaluate each store in a case-by-case situation and let's say we do need a bigger store in L.A., then we will need to redo the whole Santa Monica experience. But if you talk about New Jersey, we may close a couple of these and double down on some of our wholesale partners. Those are case-by-case decisions that will be made in the market.

**Omar Saad – Evercore ISI**

**The first question is about digital and e-commerce. It seems like the area where you change the 2020 plan the most and there is the biggest kind of increase in your expectation, basically quadrupling from now until 2020. What did you see in that business that gave you the confidence to really make that kind of change in the trajectory, what are your underlying assumptions? And are you allocating product differently to that channel to drive traffic there? What are the changes you've made that allow you to get to that goal? And then my second question is for Kasper. You talked about culture a lot on the conference call today. What are the biggest areas of opportunity? You look at the culture of this company, that you see from the way things used to be operated. Where do you think there is a lot of room for improvement there?**

**Eric Liedtke**

I think, based on our growth projections right now as a company, we see the growth opportunity from an absolute standpoint. What we said to ourselves was why don't we want to make this our best store in the world and why don't we want to start to own that. It also comes down into a channel mix and we start to look at the profitability indexes and how you can be more profitable. It starts to be a pretty easy exercise. I think also, credit to Kasper, where he's brought in a very rigorous, digital agenda that we need to be driving throughout the company. I think we've all embraced that, and we wanted to give ourselves an ambition that matches that. And yes, we'll have to look at everything from how we do business to what

content we create for e-commerce, and how we allocate product. Of course all of those things have to be in line to support the ambitious growth we have.

### **Kasper Rorsted**

So on the cultural element, I'll probably comment less on the past and more on the future because I think that's the more appropriate way of doing it. First of all, I want to say very clearly that we have a fantastic employee base. We have great talent. So the foundation we have is unbelievable. Eric just spoke about digital. There is no other company with an average age of 30. There is no other company that has a better starting point than we have. But culture also means that you pass the ball and you trust your colleagues. Eric is here to do his job, Robin is here to do his, and I'm here to do mine. We can't try to do each other's jobs. We have got to trust that each person is doing his or her job. It is very clear that this is a team sport and everybody has his or her role to play. I think it's an extremely important part. Two is being very clear on what's good and what is not good. If we can articulate what's not good to you, we can also articulate what the upside is because for example Reebok is the upside, the U.S. is the upside in the context of not good. So being very clear on what is not good. And then thirdly be very disciplined around execution. So if we say something, we do it. If not, we don't do it. So right now we have had, and I mean this with great respect, we have had enough strategy. We have a great strategy with 'Creating the New'. It's execution time. And I think getting those things right is immensely important to create what I call a winning culture. And then lastly, if people do a good job, you got to pay them. You got to pay people to do a good job. And if they don't, you don't and it goes for everybody. Everybody is in the same boat. That's why the link to equity for key performance is essential. I will do it the other way around. It's not good for a company if the stock price goes from € 70 to € 170, and hardly anybody of the key leaders benefit from that value creation. Because for you as an investor, there is no tie-in, and your interest is to make certain that we have the right people at the right place, with the right mind-set and that they will be there in four years' time, because in four years' time we have the next plan. And I don't think we have been good enough in tying the success of our company to the success of our people and also monetary. If somebody does an outstanding job over four years' time, this has to have a fundamental impact on that person's financial situation. And then we need to understand it's not Eric's people or Robin's people or my people, these 150 people I talked about earlier are our people. If we get the right people they will make the difference to our company, there's no doubt. If we don't, they will not, and you will be angry at all the three.

### **Piral Dadhania – RBC Capital Markets**

**If I could just focus on North America, and that € 5 billion sales target you have, could you just help us understand what the contribution from each of the verticals would be, because obviously Originals has been a key driving force in the last year or two, but going forward, could you just help us understand how Basketball or some of the other franchises play into that target. And then secondly, just on the controlled space in North America as well. We were here two years ago, when you guys were highlighting a lot of work needed to be done in terms of your point-of-sale investment and working with your wholesale partners in North America. I think some of the strength in the last few years**

**has stemmed from that investment. Could you just help us understand how much has been done and how much still needs to be done in terms of investment in your point of sale?**

**Kasper Rorsted**

On the € 5 billion, we don't break it down. Of course, we do expect a contribution from all parts. But we simply don't break it down, that's for competitive reasons. But also where we are, you can expect that we're not satisfied with the situation that we are in, so we expect growth and contribution from everything in there, probably with a different profile, which we won't disclose to you.

**Eric Liedtke**

From a controlled space standpoint, we have absolutely committed resource for the past couple of years in the U.S. You'll see that when you go in the 34th Street Foot Locker or you see that in the Fifth Avenue or you see that in the whole Foot Locker fleet. We've got a different shop-in-shop build up. We have committed to, I think, around 200 doors and around 400 pads at Dick's Sporting Goods that have been redone. So we are committing more and more funds into making our wholesale presentation rise to the eye-to-eye level I talked about earlier. And where we can't be eye-to-eye level, we'll have a different conversation, if we either can get there or we won't be in a store and that's a clear decision. So we're going to continue the commitment to the partners that want us to commit, and the good news is, all the key ones are lining up to really offer us the space and the partnerships that we require to build our brand to be more premium in the U.S.