adidas

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AD-HOC: adidas announces preliminary second quarter results and increases 2017 financial outlook

Herzogenaurach – adidas today announced preliminary results for the second quarter of 2017 and increased its financial outlook for the current fiscal year.

Strong top- and bottom-line performance in Q2

Revenues from the company's ***continuing operations*** increased 19% on a currency-neutral basis and 20% in euro terms to € 5.0 billion. The company's operating profit increased 18% to € 505 million in the second quarter of 2017 (2016: € 429 million) despite the one-time gain of around € 70 million related to the early termination of the Chelsea FC sponsorship that was included in the prior year's quarter. The operating profit improvement was driven by a higher gross margin as well as operating expense leverage. Net income from continuing operations increased 16% to € 347 million during the quarter (2016: € 301 million).

As previously announced, due to the existence of signed agreements to divest the TaylorMade, Adams Golf, Ashworth and CCM Hockey brands, the results from these businesses are reported as ***discontinued operations***. In the second quarter, the TaylorMade and CCM Hockey divestitures had a non-operational negative impact on discontinued operations of around € 200 million. At the same time, the company's continuing operations, which now mainly consist of the adidas and the Reebok brand, were not affected.

2017 outlook increased

Due to the strong first half year performance, the company has increased its 2017 financial outlook. Management now projects currency-neutral sales to grow at a rate between 17% and 19% in 2017 (previously: to increase by between 12% and 14% compared to the adjusted 2016 net sales of € 18.483 billion for the company's continuing operations). Furthermore, the company forecasts a year-over-year gross margin improvement during the second half of 2017 and expects to continue to generate operating leverage throughout the remainder of the year. As a result, net income from continuing operations is now forecasted to increase at a rate between 26% and 28% in 2017 to a level between € 1.360 billion and € 1.390 billion. This compares to the original guidance as provided in March of an increase of between 13% and 15% to a level between € 1.200 billion and € 1.225 billion for the company's net income from continuing operations.

More details on the company's second quarter performance as well as on the improved outlook will be given with the publication of the quarterly results on August 3.

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