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**adidas full-year results exceed latest expectations;
company decides not to write off most of its Yeezy inventory**

adidas today published preliminary results for 2023. Based on preliminary unaudited numbers, adidas **currency-neutral revenues** were flat versus the prior year-level in 2023 (latest guidance: to decline at a low-single-digit rate) despite the drag from the devaluation of the Argentine Peso in the fourth quarter. In **reported terms**, sales were down 5% to € 21,427 million in 2023 (2022: € 22,511 million). Reported revenues include the negative translation impact of more than € 1,000 million from unfavorable currency movements, which are expected to remain a drag on the company's top-line development in 2024.

The sales development in 2023 was impacted by significantly reduced sell-in to the wholesale channel as part of the company's successful initiatives to reduce high inventory levels. In addition, the discontinuation of the Yeezy business had a negative effect on the top-line development during the year. This represented a drag of around € 500 million on the year-over-year comparison. The two Yeezy drops positively impacted net sales in an amount of around € 750 million in 2023. This compares to a total of more than € 1,200 million of Yeezy revenues in 2022. Excluding the Yeezy revenues in both years, currency-neutral revenues were up 2% in 2023.

Negative currency effects have also been significantly weighing on the company's gross margin development throughout the year. Nevertheless, the adidas **gross margin** improved 0.2 percentage points to a level of 47.5% in 2023 (2022: 47.3%).

Despite the severe impact from the devaluation of the Argentine Peso at the end of the year, adidas generated an **operating profit** of € 268 million in 2023 (2022: € 669 million). According to its latest guidance the company was expecting an operating loss of € 100 million. The outperformance was driven by a better-than-expected operational business in Q4 and the company's decision not to write off the vast majority of its existing Yeezy inventory. The latest outlook still included a potential write-off of its remaining Yeezy inventory in an amount of around € 300 million. Following the latest decision, the 2023 operating profit now only includes a low double-digit million amount of Yeezy-related inventory write-offs. Instead, the company plans to sell the remaining Yeezy product at least at cost in 2024.

The company's **underlying operating profit** reached around € 200 million in 2023. This compares to the latest guidance of around € 100 million and reflects the operational outperformance in the fourth quarter. In its underlying operating profit adidas excludes the



Yeezy profits generated in 2023 (around € 300 million) and adjusts its bottom-line for the one-off costs related to the strategic review the company conducted in 2023 (around € 200 million) as well as the Yeezy-related write-offs (low-double-digit million euro amount).

adidas also issued its **financial guidance** for the current year.

In 2024, the company expects **currency-neutral sales** to grow at a mid-single-digit rate. This top-line guidance assumes that adidas will sell the remaining Yeezy inventory at cost, which would result in sales of around € 250 million in 2024. Excluding the Yeezy revenues in both years, the top-line guidance reflects currency-neutral growth at a high-single-digit rate in the underlying adidas business.

As the sale of the remaining Yeezy inventory is currently assumed to occur at cost, the planned sale of the product is currently expected to have no effect on the company's operating profit this year. Unfavorable currency effects are projected to weigh significantly on the company's profitability in 2024 as they are expected to continue to impact both reported revenues and the gross margin development in 2024.

Taking all of this into account – the expected translational and transactional FX headwind as well as the current Yeezy assumptions – adidas expects to generate an **operating profit** of around € 500 million in 2024.

adidas CEO Bjørn Gulden:

"Our fourth quarter developed a little better than expected and we have decided to release preliminary numbers. For the full year our currency-neutral revenues were flat, and we reached an operating profit of € 268 million. This is € 368 million better than what we guided for. The improvement is due to the better operating business of around € 100 million and the decision to not write off € 268 million of Yeezy inventory. Our consumer, retail and trade research has shown that we can sell this remaining inventory in 2024 for at least the cost price. This is why we have only written off inventory that was either damaged or very broken in sizes.

We continue to feel we have improved our presence in front of the consumer, we have better products in the market with improved sell-throughs, we have increased our visibility by investing again in more teams and athletes, we have successfully launched our new Originals campaign, we feel we have improved our relationship with our retail partners and we have reduced our inventories substantially.

We do of course know that our financial performance is not good. But we are on the way of making adidas a good company again. As we said from the beginning, we just need the time



to solidly build it up again. I feel that the attitude and agility in our teams are back and that we are showing the old adidas DNA again.

For 2024, we expect sales to start flattish, but to then improve every quarter. We expect the underlying adidas business (excluding Yeezy) to grow in the high-single-digits for the full year and to be up at least 10% in H2.

Despite no assumed profit contribution from Yeezy, the strong unfavorable currency effects, the ongoing challenges in North America, our continued investment in both marketing and sales and a world full of uncertainties, we expect an operating profit of around € 500 million in 2024.

This year is the next building block needed to bring adidas back to be a company with double-digit growth and 10% operating margin.”

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