



FOR IMMEDIATE RELEASE

Herzogenaurach, November 8, 2023

## **adidas reports revenue increase in the third quarter, underlying business developing better than expected**

### **Major developments:**

- **Currency-neutral revenues up 1% driven by growth in all regions except North America**
- **Top-line development reflects focus on conservative sell-in and full-price business**
- **Gross margin up 0.2pp to 49.3% driven by reduced freight costs, a more favorable business mix, and lower inventory allowances; discounting levels continue to improve**
- **Operating profit of € 409 million includes extraordinary expenses of around € 110 million**
- **Conservative sell-in strategy paying off as inventory position improves substantially versus Q2 level to € 4.8 billion; now down 23% year-over-year**

### **adidas CEO Bjørn Gulden:**

“Q3 was another quarter where we saw progress and where the results were better than expected. The heat around our Terrace range (Samba, Gazelle, Spezial) and other models like Campus is creating new growth in our Lifestyle business again. We have scaled up supply but are far from covering the total current demand. The halo effect of these successful models, together with the new Originals campaign that we launched in September, has increased our brand heat in all parts of the world. We see the interest in our brand and products increasing in all markets and are now experiencing a visibly higher interest from retailers for the sell-in for our Fall/Winter 2024 range.

Our own inventory levels are down 23%, which is even a little more than we planned. Inventory levels in the markets with our retail partners are also improving, although at a slower pace. Especially the inventory levels in the US market will continue to impact our business for a while.

We see good improvement also in our Performance products, especially in football and running, but now also in basketball and US sports. The success of our Adizero Adios Pro Evo 1 shoe with Tigist Assefa's marathon world record in Berlin is an example of our new focus on bringing innovation to the market fast. The launch of the first signature shoe of Anthony Edwards (AE1) and the Fear of God product that is arriving in the US market in Q4 gives us also a more optimistic outlook for our basketball business.



We do of course know that our current performance is not good enough, but we have said from the beginning that we need time to build this fantastic brand and company back to where it belongs: At the top as the best sports brand in the world.

I feel we are improving every day. The teams are showing the right attitude, we are constantly speeding up our decision processes and we are making the progress I expected. We need time to get enough of the right products into the markets and make the good products more visible for our consumers. We feel strong interest and support from our retailers to build this together. Our focus in our DTC business is clearly to give less discounts, increase the full-price share and balance brand building with commercial success. We have also started to see good progress in this area.

In Q4, we will continue to focus on our priorities and lay the foundation for an improving 2024 and a successful 2025 and 2026. This year, we improved our outlook every quarter and are now looking at currency-neutral revenues to be down only low single digits (started the year with down high single digits) and a small operating loss of € 100 million, including a possible € 300 million write-off of the remaining Yeezy inventory and one-off costs of € 200 million related to the strategic review. We started the year with a negative outlook of an operating loss of € 700 million.”

### **Third quarter 2023**

#### **Currency-neutral revenues up 1%**

**Currency-neutral revenues** increased 1% during the third quarter of 2023. The top-line development reflects adidas’ conservative sell-in approach aimed at reducing high inventory levels, improved sell-through as well as the company’s focus on full-price sales across its own channels. adidas third quarter revenues were also impacted by the sale of parts of its remaining Yeezy inventory. The second product drop generated revenues of around € 350 million in Q3, which is somewhat below the Yeezy sales generated in the prior year’s quarter. As a result, excluding the Yeezy revenues in both years, currency-neutral revenues increased 2% during the quarter.

**Footwear** revenues grew 6% during the quarter on a currency-neutral basis, reflecting double-digit growth in adidas Originals as well as in the football and basketball categories. **Apparel** sales declined 6% in the third quarter. Revenues in the company’s outdoor and basketball categories grew at strong double-digit rates. Apparel sales in the football category were down due to last year’s strong sell-in prior to the FIFA World Cup. In addition, the company continued its conservative sell-in strategy as the apparel market faced particularly high inventory levels. **Accessories** revenues were down 3% during the quarter.



Currency-neutral sales in adidas **Lifestyle** categories increased during the quarter as extraordinary demand for the company's Samba, Gazelle, Spezial and Campus franchises led to a return to growth in adidas Originals. The company's **Performance** categories continued to experience strong momentum for many of its new product introductions such as the latest iterations of its Predator, X and Copa football boots as well as the next generation of the Terrex Free Hiker outdoor shoes. In running, the introduction of the Adizero Adios Pro EVO 1 led to record-breaking performances at marathon races. In addition, it continued to generate a lot of attention and strong demand for the entire Adizero product family. This excitement translated into strong double-digit growth for the franchise during the quarter.

**In euro terms**, the company's revenues declined 6% to € 5.999 billion in the third quarter (2022: € 6.408 billion).

#### **Conservative sell-in and focus on full-price business**

As a result of the company's initiatives to reduce high inventory levels, currency-neutral sales in **wholesale** declined 2% despite double-digit growth in Greater China and Latin America. At the same time, **direct-to-consumer (DTC)** revenues grew 5% versus the prior year. This development was driven by strong growth in adidas' **own retail** stores (+10%), reflecting continued strong sell-out trends. The adidas **e-commerce** business also continued to grow in the quarter (+1%). The company successfully focused on reducing discounting activity and improving the overall business mix. As a result, full-price sales generated through the company's own e-commerce platform increased at strong double-digit rates, leading to strong improvements in the full-price share across all markets.

#### **Growth in all markets except North America**

Currency-neutral sales in **North America** declined 9% during the quarter (-10% excluding Yeezy revenues in both years). The region is particularly affected by elevated inventory levels in the market and – in response to this – the company's significantly reduced sell-in. As a result, wholesale revenues were down double digits in the region, whereas DTC sales increased versus the prior-year level. Revenues in **Greater China** grew 6% in Q3 (+10% excluding Yeezy), driven by double-digit growth in wholesale. Sales in **EMEA** increased 2% (+2% excluding Yeezy), reflecting high-single-digit growth across the company's own distribution channels. Revenues in **Asia-Pacific** increased 7% during the quarter (+5% excluding Yeezy). Strong double-digit DTC growth reflects the strong sell-out trend adidas is enjoying in the region. **Latin America** continued to increase at a double-digit rate (+13%, +12% excluding Yeezy), reflecting strong growth in both wholesale and DTC.



### **Gross margin improves to 49.3%**

The company's third quarter **gross margin** increased 0.2 percentage points to 49.3% (2022: 49.1%). This improvement was mainly driven by reduced freight costs, a more favorable business mix, as well as lower inventory allowances. Unfavorable currency movements strongly weighed on the gross margin development during the quarter. Discounting levels improved significantly compared to the first half and second quarter of the year.

### **Operating profit of € 409 million, resulting in an operating margin of 6.8%**

**Other operating expenses** were down 4% to € 2.570 billion (2022: € 2.676 billion). As a percentage of sales, other operating expenses increased 1.1 percentage points to 42.8% (2022: 41.8%). **Marketing and point-of-sale expenses** decreased 7% to € 644 million (2022: € 691 million). As a percentage of sales, marketing and point-of-sale expenses slightly decreased to 10.7% (2022: 10.8%). **Operating overhead expenses** declined 3% to € 1.926 billion (2022: € 1.985 billion). During the quarter, the company recorded one-off costs of around € 80 million related to the strategic review the company is currently conducting as well as donations and accruals for further donations in an amount of around € 30 million. As a percentage of sales, operating overhead expenses increased 1.1 percentage points to 32.1% (2022: 31.0%). The company's **operating profit** amounted to € 409 million (2022: € 564 million) in the quarter. This amount includes the extraordinary expenses of in total around € 110 million reflecting the one-off costs related to the strategic review as well as the donations and accruals for further donations. The sale of the Yeezy product positively impacted adidas' operating profit by an incremental amount of around € 150 million in Q3. The **operating margin** reached 6.8% in the quarter (2022: 8.8%).

### **Net income from continuing operations of € 270 million**

After taxes, the company's **net income from continuing operations** increased significantly to € 270 million (2022: € 66 million), while **basic EPS from continuing operations** improved to € 1.40 (2022: € 0.34).

### **First nine months 2023**

#### **Currency-neutral revenues on prior-year level in the first nine months of 2023**

In the first nine months of 2023, **currency-neutral revenues** were flat versus the prior-year period. In euro terms, revenues decreased 4% to € 16.616 billion in the first nine months of 2023 (2022: € 17.306 billion). While sell-out trends were positive throughout the period, the company continued to focus on its conservative sell-in strategy in wholesale and on increasing the full-price sell-out in its own channels. The discontinuation of the regular Yeezy business represented a drag of nearly € 450 million on the year-over-year comparison during the first

nine months of the year. The two Yeezy drops in the second and the third quarter positively impacted net sales in the amount of around € 750 million, which was somewhat below the prior year's quarters. In addition, there were no Yeezy revenues in the first quarter of 2023, while the company had generated around € 400 million of Yeezy sales in Q1 2022. As a result, the company's Yeezy revenues reached around € 750 million in the first nine months of 2023 compared to a total of around € 1.2 billion in the prior-year period. As a result, excluding the Yeezy revenues in both years, currency-neutral revenues were up 3% during the first nine months of 2023.

The company's **gross margin** declined 1.4 percentage points to 48.4% (2022: 49.7%) during the first nine months of the year. Negative currency developments strongly weighed on the gross margin development during the period. In addition, while improving as the year progressed, the promotional activity also negatively impacted the gross margin development. These negative effects could only be partly offset by a more favorable business mix. **Other operating expenses** increased 1% to € 7.519 billion (2022: € 7.435 billion) in the first nine months of the year. During this period, the company recorded one-off costs of around € 150 million related to the strategic review the company is currently conducting as well as donations and accruals for further donations in an amount of around € 140 million. As a percentage of sales, other operating expenses were up 2.3 percentage points to 45.3% (2022: 43.0%). adidas generated an **operating profit** of € 646 million (2022: € 1.393 billion) during the first nine months of the year. The two Yeezy drops in Q2 and Q3 positively impacted adidas' operating profit by an incremental amount of around € 300 million during the first nine months of the year. At the same time, the company's operating profit includes extraordinary expenses of in total around € 290 million reflecting the one-off costs related to the strategic review as well as the donations and accruals for further donations. The **operating margin** reached 3.9% (2022: 8.0%). **Net income from continuing operations** was € 343 million (2022: € 736 million). Basic and diluted earnings per share from continuing operations declined to € 1.69 (2022: € 3.83).

## **Inventories improve strongly, operating working capital declines**

adidas' initiatives around inventory management, including significantly reducing buying volumes and tactically repurposing existing inventory, are paying off. Inventories continued to improve strongly during the third quarter. Year-over-year, **inventories** are now down 23% to € 4.849 billion (2022: € 6.315 billion). On a currency-neutral basis, inventories declined 19% compared to the prior year. During the first nine months of the year, the company's inventory level declined by more than € 1.1 billion. **Operating working capital** declined 10% to € 5.557 billion (2022: € 6.201 billion) compared to the prior year. On a currency-neutral basis, operating working capital decreased 4%. In addition to the strong inventory decline, this development reflects a significant decrease of receivables as a result of the company's



conservative sell-in approach as well as a strong double-digit decrease in payables due to lower sourcing volumes in line with the company's activities to reduce elevated inventory levels. Average operating working capital as a percentage of sales increased to 26.9% (2022: 22.2%).

### **Adjusted net borrowings decline to € 5.235 billion**

**Adjusted net borrowings** at September 30, 2023, amounted to € 5.235 billion (September 30, 2022: € 5.510 billion), representing a year-over-year decline of 5%. This development mainly reflects a decline in lease liabilities as well as an increase in cash and cash equivalents. Compared to the 2022 year-end level, adjusted net borrowings declined by more than € 800 million.

### **Outlook**

#### **adidas expects revenues to decline at a low-single-digit rate**

On October 17, adidas had adjusted its full year financial guidance to reflect both the positive impact of the second drop of some of its Yeezy inventory and the better-than-expected development of the underlying business. At the same time, macroeconomic challenges and geopolitical tensions persist. Elevated recession risks in North America and Europe as well as uncertainty around the recovery in Greater China continue to exist. In addition, the company's revenue development will continue to be impacted by the initiatives to significantly reduce high inventory levels in North America and the company's focus on full-price sales across its own channels. As a result, adidas now expects **currency-neutral revenues** to decline at a low-single-digit rate in 2023 (previously: decline at a mid-single-digit rate).

#### **Underlying operating profit anticipated to reach a level of around € 100 million**

The company's **underlying operating profit** – excluding any one-offs related to Yeezy and the ongoing strategic review – is now anticipated to reach a level of around € 100 million in 2023 (previously: around break-even level). Including the positive impact from the two Yeezy drops in Q2 and Q3 of around € 300 million (previously: € 150 million), the potential write-off of the remaining Yeezy inventory of now around € 300 million (previously: € 400 million) and one-off costs related to the strategic review of up to € 200 million (unchanged), adidas now expects a **reported operating loss** of around € 100 million in 2023 (previously: loss of € 450 million).

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**Contacts:**

**Media Relations**

[corporate.press@adidas.com](mailto:corporate.press@adidas.com)

Tel.: +49 (0) 9132 84-2352

**Investor Relations**

[investor.relations@adidas.com](mailto:investor.relations@adidas.com)

Tel.: +49 (0) 9132 84-2920

For more information, please visit [adidas-group.com](https://adidas-group.com).

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**adidas AG Condensed Consolidated Income Statement (IFRS) € in millions**

	Quarter ending September 30, 2023	Quarter ending September 30, 2022	Change
Net sales	5,999	6,408	(6.4%)
Cost of sales	3,044	3,262	(6.7%)
<b>Gross profit</b>	<b>2,955</b>	<b>3,146</b>	<b>(6.1%)</b>
[% of net sales]	49.3%	49.1%	0.2pp
Royalty and commission income	20	36	(44.6%)
Other operating income	5	58	(92.1%)
Other operating expenses	2,570	2,676	(4.0%)
[% of net sales]	42.8%	41.8%	1.1pp
Marketing and point-of-sale expenses	644	691	(6.8%)
[% of net sales]	10.7%	10.8%	(0.0pp)
Operating overhead expenses <sup>1</sup>	1,926	1,985	(3.0%)
[% of net sales]	32.1%	31.0%	1.1pp
<b>Operating profit</b>	<b>409</b>	<b>564</b>	<b>(27.5%)</b>
[% of net sales]	6.8%	8.8%	(2.0pp)
Financial income	31	8	279.1%
Financial expenses	115	162	(28.9%)
<b>Income before taxes</b>	<b>326</b>	<b>411</b>	<b>(20.8%)</b>
[% of net sales]	5.4%	6.4%	(1.0pp)
Income taxes	55	345	(84.0%)
[% of income before taxes]	17.0%	84.1%	(67.1pp)
<b>Net income from continuing operations</b>	<b>270</b>	<b>66</b>	<b>312.4%</b>
[% of net sales]	4.5%	1.0%	3.5pp
Gain from discontinued operations, net of tax	10	286	(96.6%)
<b>Net income</b>	<b>280</b>	<b>352</b>	<b>(20.4%)</b>
[% of net sales]	4.7%	5.5%	(0.8pp)
<b>Net income attributable to shareholders</b>	<b>259</b>	<b>347</b>	<b>(25.4%)</b>
[% of net sales]	4.3%	5.4%	(1.1pp)
<b>Net income attributable to non-controlling interests</b>	<b>21</b>	<b>5</b>	<b>363.2%</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>1.40</b>	<b>0.34</b>	<b>315.6%</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>1.40</b>	<b>0.34</b>	<b>315.6%</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>1.45</b>	<b>1.91</b>	<b>(24.1%)</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>1.45</b>	<b>1.91</b>	<b>(24.1%)</b>

<sup>1</sup> Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.  
Rounding differences may arise.





# Net Sales<sup>1</sup> € in millions

	Quarter ending September 30, 2023	Quarter ending September 30, 2022	Change	Change (currency-neutral)
EMEA	2,396	2,463	(2.7%)	1.9%
North America	1,484	1,752	(15.2%)	(8.8%)
Greater China	870	937	(7.1%)	5.7%
Asia-Pacific	567	579	(2.1%)	6.8%
Latin America	621	632	(1.8%)	12.8%
Other Businesses	39	46	(14.9%)	(13.9%)

<sup>1</sup> 2022 figures adjusted due to a shift between the Latin and North America segments.  
Rounding differences may arise.



**adidas AG Condensed Consolidated Income Statement (IFRS) € in millions**

	Nine months ending September 30, 2023	Nine months ending September 30, 2022	Change
Net sales	16,616	17,306	(4.0%)
Cost of sales	8,579	8,697	(1.4%)
<b>Gross profit</b>	<b>8,036</b>	<b>8,609</b>	<b>(6.6%)</b>
[% of net sales]	48.4%	49.7%	(1.4pp)
Royalty and commission income	66	86	(23.2%)
Other operating income	62	133	(53.5%)
Other operating expenses	7,519	7,435	1.1%
[% of net sales]	45.3%	43.0%	2.3pp
Marketing and point-of-sale expenses	1,862	1,995	(6.7%)
[% of net sales]	11.2%	11.5%	(0.3pp)
Operating overhead expenses <sup>1</sup>	5,657	5,440	4.0%
[% of net sales]	34.0%	31.4%	2.6pp
<b>Operating profit</b>	<b>646</b>	<b>1,393</b>	<b>(53.6%)</b>
[% of net sales]	3.9%	8.0%	(4.2pp)
Financial income	61	32	90.3%
Financial expenses	226	302	(25.3%)
<b>Income before taxes</b>	<b>480</b>	<b>1,122</b>	<b>(57.2%)</b>
[% of net sales]	2.9%	6.5%	(3.6pp)
Income taxes	138	386	(64.4%)
[% of income before taxes]	28.6%	34.4%	(5.8pp)
<b>Net income from continuing operations</b>	<b>343</b>	<b>736</b>	<b>(53.4%)</b>
[% of net sales]	2.1%	4.3%	(2.2pp)
Gain from discontinued operations, net of tax	2	415	(99.4%)
<b>Net income</b>	<b>345</b>	<b>1,151</b>	<b>(70.0%)</b>
[% of net sales]	2.1%	6.7%	(4.6pp)
<b>Net income attributable to shareholders</b>	<b>304</b>	<b>1,124</b>	<b>(72.9%)</b>
[% of net sales]	1.8%	6.5%	(4.7pp)
<b>Net income attributable to non-controlling interests</b>	<b>41</b>	<b>27</b>	<b>50.8%</b>
<b>Basic earnings per share from continuing operations (in €)</b>	<b>1.69</b>	<b>3.83</b>	<b>(55.9%)</b>
<b>Diluted earnings per share from continuing operations (in €)</b>	<b>1.69</b>	<b>3.83</b>	<b>(55.9%)</b>
<b>Basic earnings per share from continuing and discontinued operations (in €)</b>	<b>1.70</b>	<b>6.08</b>	<b>(72.0%)</b>
<b>Diluted earnings per share from continuing and discontinued operations (in €)</b>	<b>1.70</b>	<b>6.08</b>	<b>(72.0%)</b>

<sup>1</sup> Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.  
Rounding differences may arise.



# Net Sales<sup>1</sup> € in millions

	Nine months ending September 30, 2023	Nine months ending September 30, 2022	Change	Change (currency-neutral)
EMEA	6,371	6,477	(1.6%)	1.7%
North America	4,060	4,862	(16.5%)	(14.8%)
Greater China	2,520	2,659	(5.2%)	2.5%
Asia-Pacific	1,684	1,635	3.0%	9.7%
Latin America	1,812	1,561	16.1%	28.5%
Other Businesses	120	111	8.6%	9.7%

<sup>1</sup> 2022 figures adjusted due to a shift between the Latin and North America segments.  
Rounding differences may arise.



**adidas AG Consolidated Statement of Financial Position (IFRS) € in millions**

	September 30, 2023	September 30, 2022	Change
Cash and cash equivalents	954	806	18.3%
Short-term financial assets	32	–	n.a.
Accounts receivable	2,721	3,240	(16.0%)
Other current financial assets	809	1,454	(44.4%)
Inventories	4,849	6,315	(23.2%)
Income tax receivables	117	112	4.7%
Other current assets	1,039	1,289	(19.4%)
<b>Total current assets</b>	<b>10,520</b>	<b>13,217</b>	<b>(20.4%)</b>
Property, plant and equipment	2,139	2,347	(8.9%)
Right-of-use assets	2,354	2,575	(8.6%)
Goodwill	1,263	1,318	(4.2%)
Other intangible assets	435	450	(3.3%)
Long-term financial assets	311	302	3.0%
Other non-current financial assets	361	369	(2.1%)
Deferred tax assets	1,272	1,055	20.6%
Other non-current assets	65	117	(44.6%)
<b>Total non-current assets</b>	<b>8,200</b>	<b>8,533</b>	<b>(3.9%)</b>
<b>Total assets</b>	<b>18,720</b>	<b>21,750</b>	<b>(13.9%)</b>
Short-term borrowings	612	1,036	(40.9%)
Accounts payable	2,013	3,354	(40.0%)
Current lease liabilities	559	605	(7.6%)
Other current financial liabilities	217	552	(60.8%)
Income taxes	315	622	(49.3%)
Other current provisions	1,308	1,377	(5.1%)
Current accrued liabilities	2,518	2,487	1.2%
Other current liabilities	637	571	11.6%
<b>Total current liabilities</b>	<b>8,178</b>	<b>10,605</b>	<b>(22.9%)</b>
Long-term borrowings	2,434	1,958	24.3%
Non-current lease liabilities	2,141	2,341	(8.5%)
Other non-current financial liabilities	23	44	(48.0%)
Pensions and similar obligations	90	81	11.0%
Deferred tax liabilities	132	84	57.5%
Other non-current provisions	103	100	3.0%
Non-current accrued liabilities	4	7	(48.4%)
Other non-current liabilities	8	9	(13.9%)
<b>Total non-current liabilities</b>	<b>4,936</b>	<b>4,625</b>	<b>6.7%</b>
Share capital	179	179	(0.4%)
Reserves	501	936	(46.5%)
Retained earnings	4,524	4,988	(9.3%)
<b>Shareholders' equity</b>	<b>5,204</b>	<b>6,103</b>	<b>(14.7%)</b>
Non-controlling interests	403	418	(3.6%)
<b>Total equity</b>	<b>5,606</b>	<b>6,520</b>	<b>(14.0%)</b>
<b>Total liabilities and equity</b>	<b>18,720</b>	<b>21,750</b>	<b>(13.9%)</b>

Rounding differences may arise.



#### Additional Balance Sheet Information € in millions

	September 30, 2023	September 30, 2022	Change
Operating working capital	5,557	6,201	(10.4%)
Working capital	2,342	2,612	(10.3%)
Adjusted net borrowings <sup>1</sup>	5,235	5,510	(5.0%)
Financial leverage <sup>2</sup>	100.6%	90.3%	10.3pp

<sup>1</sup> Adjusted net borrowings = short-term borrowings + long-term borrowings + current and non-current lease liabilities + pensions and similar obligations + factoring – accessible cash and cash equivalents.

<sup>2</sup> Based on shareholders' equity.

Rounding differences may arise.