

# Q2 2022 RESULTS

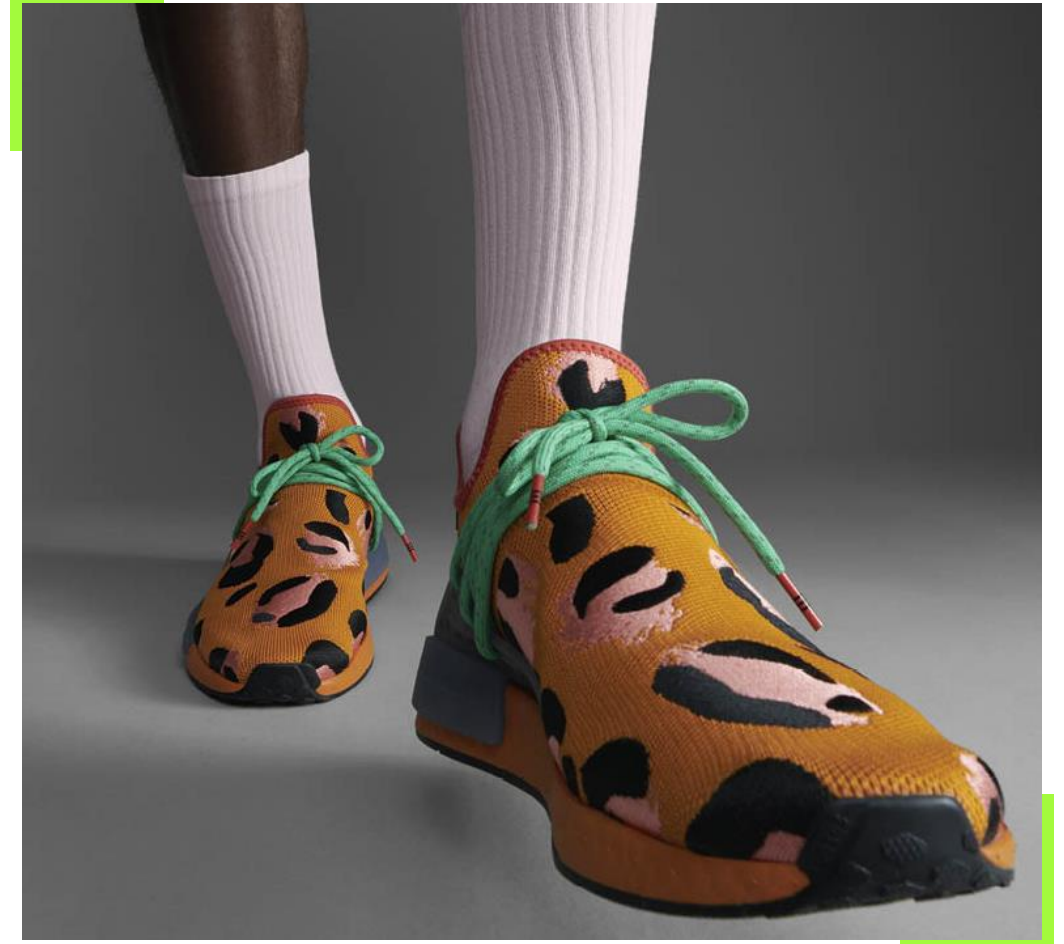
AUGUST 4, 2022

adidas



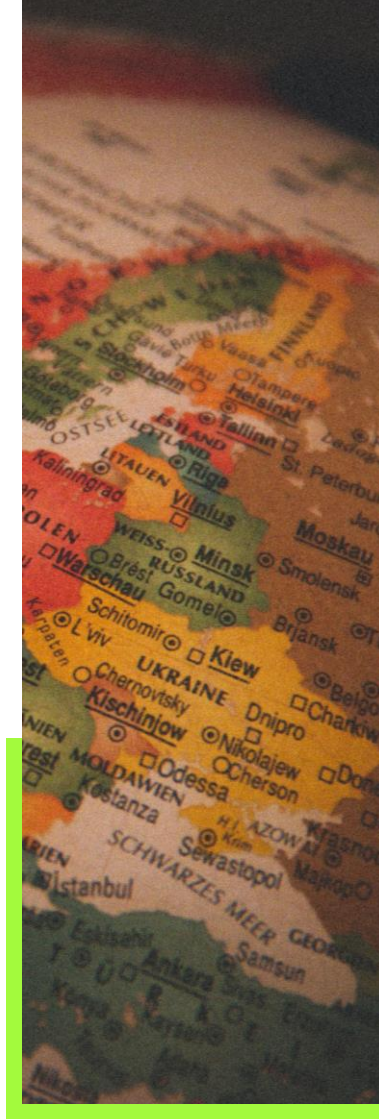
# AGENDA

- 1 BUSINESS UPDATE**
- 2 FINANCIAL UPDATE**
- 3 OUTLOOK**





# FACING CONTINUED UNCERTAINTY



**WAR**



**INFLATIONARY  
PRESSURE**



**CONSUMER  
SPENDING**



**CHINA MARKET  
ENVIRONMENT**



**SUPPLY CHAIN  
CHALLENGES**

# KEY TAKEAWAYS

- 1 **STRONG MOMENTUM IN WESTERN MARKETS  
AND RETURN TO GROWTH IN ASIA-PACIFIC**
- 2 **MORE THAN 85% OF THE BUSINESS GROW DOUBLE-DIGITS  
DRIVEN BY PRODUCT INNOVATION**
- 3 **GROWTH DRIVERS IN PLACE TO ACCELERATE TOP-LINE MOMENTUM  
AND DELIVER ADJUSTED 2022 TARGETS**
- 4 **THOROUGHLY MANAGING INDUSTRY-WIDE CHALLENGES  
WHILE GOING AFTER LONG-TERM OPPORTUNITIES**



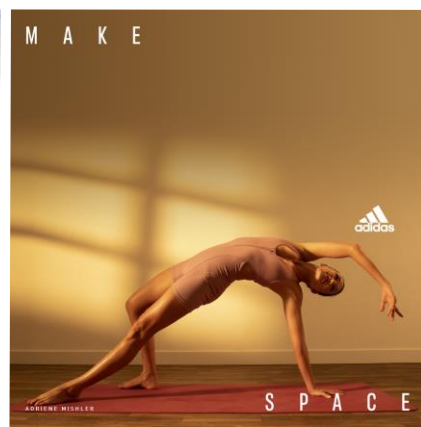
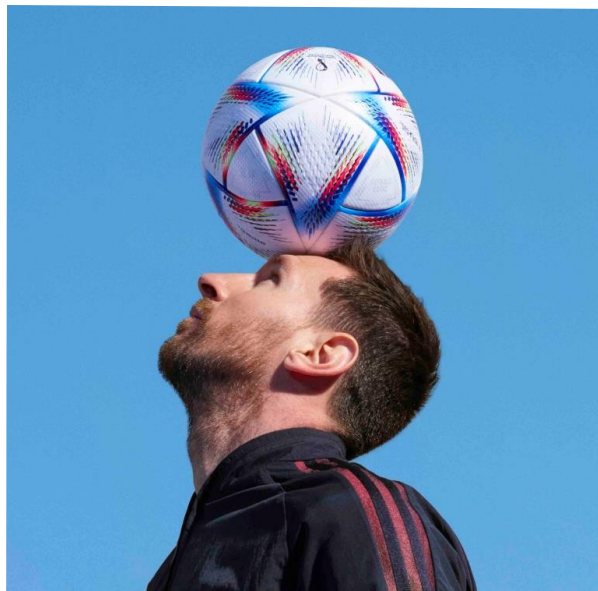


# BUSINESS UPDATE

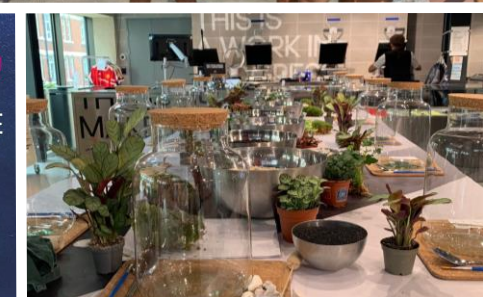
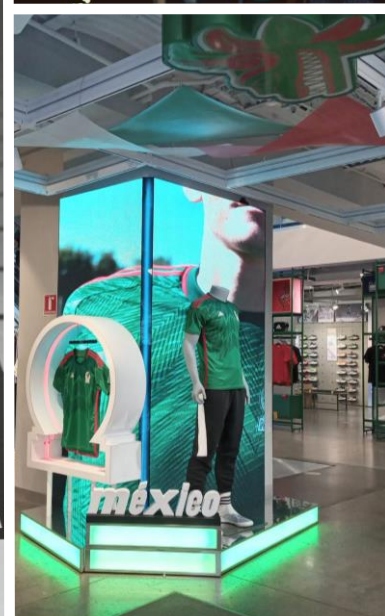
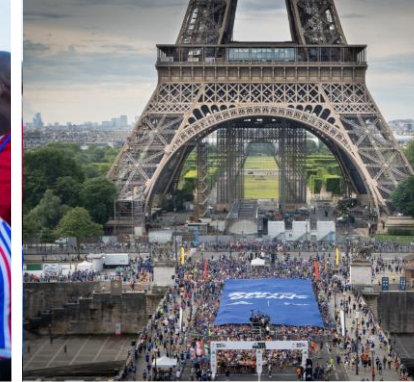




# CONSUMER HIGHLIGHTS









# STRENGTHS & WEAKNESSES

## STRENGTHS

### CONTINUING MOMENTUM IN WESTERN MARKETS

Strong sales growth in NAM (+21%), EMEA (+7%) and LAM (+37%)

### ASIA-PACIFIC BACK ON GROWTH TRAJECTORY

Revenues up 3%

### DOUBLE-DIGIT GROWTH IN E-COM

Reflecting strong sell-through of product

### PRODUCT INNOVATION DRIVES STRONG GROWTH IN PERFORMANCE

Double-digit increases in Football, Running and Outdoor

## WEAKNESSES

### MACROECONOMIC CONSTRAINTS LIMIT TOP-LINE GROWTH

Sales impact of more than € 300 million from supply chain constraints and Russia/CIS

### STRONG SALES DECLINE IN GREATER CHINA

Ongoing covid-19-related restrictions weigh on traffic and revenues

### GROSS MARGIN RECOVERY MUTED

Due to higher supply chain costs and unfavorable market mix

### OPERATING OVERHEAD COSTS WEIGH ON MARGIN

Double-digit increase due to investments into Digital, DTC and China

# P&L AT A GLANCE

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## REVENUES INCREASE 4% CURRENCY-NEUTRAL

Up 10% in Euro terms to € 5,596 million

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## GROSS MARGIN DOWN 1.5PP TO 50.3%

Better pricing mix offset by higher supply chain costs and unfavorable market mix

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## OPERATING PROFIT OF € 392 MILLION

Reflecting operating margin of 7.0%

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## NET INCOME FROM CONTINUING OPERATIONS OF € 360 MILLION

Reflecting gross margin headwinds and increased investments

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# OUR STRATEGIC GROWTH **MARKETS**

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## **GREATER CHINA**

Double-digit growth in e-com

**-35%**

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## **NORTH AMERICA**

More than 20% growth in both  
DTC and wholesale

**+21%**

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## **EMEA**

Underlying growth of +13%  
excl. Russia/CIS

**+7%**

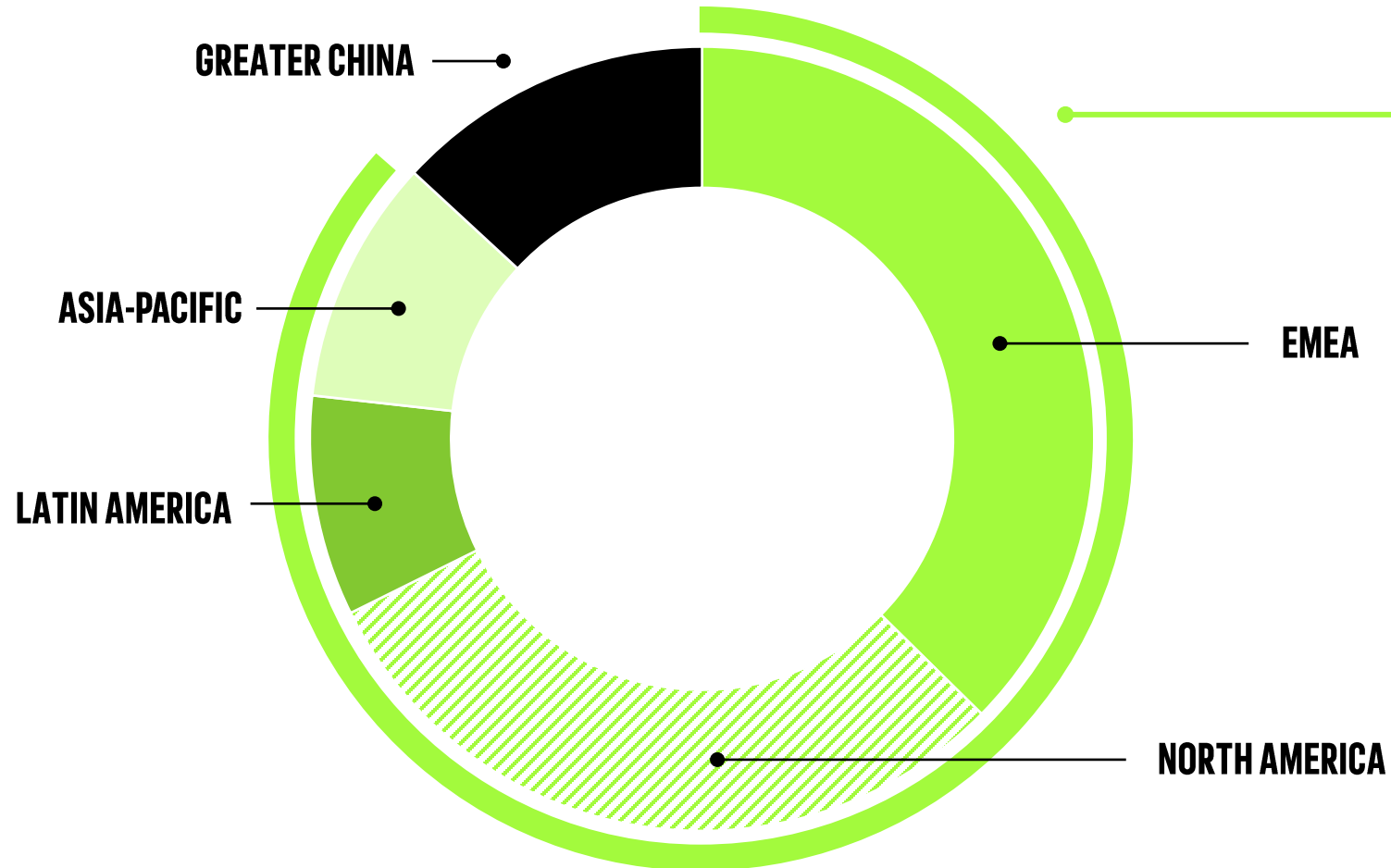
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# STRONG GROWTH MOMENTUM IN >85% OF MARKETS

MARKET SEGMENT NET SALES SPLIT Q2 2022 (IN % OF TOTAL NET SALES)



**>85%**  
**OF ALL MARKETS**

**+14% C.N.**  
**NET SALES GROWTH**

# OUR STRATEGIC GROWTH CHANNELS

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## NEW PRODUCT LAUNCHES DRIVE DTC GROWTH

Double-digit growth in North America, Latin America and Asia-Pacific

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## E-COM DRIVEN BY EXCEPTIONAL INCREASES IN NORTH AMERICA

As well as double-digit growth in Greater China and Latin America

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## ADICLUB NOW WITH MORE THAN 270 MILLION MEMBERS GLOBALLY

New value proposition, members week and additional go-lives drive expansion

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E-COM GROWTH

**+13%**

DTC SHARE

**38%** +0.3PP



# OUR STRATEGIC GROWTH CATEGORIES

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## EXCELLENT GROWTH IN FOOTBALL

Leveraging consumer excitement around major events together with our strong portfolio of partners

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## DOUBLE-DIGIT GROWTH IN RUNNING AND OUTDOOR

Technical product innovation driving credibility for professionals and everyday athletes alike

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## SPORTSWEAR COMPLEMENTS LIFESTYLE OFFERING

Launching new Sportswear capsule collection while Basketball drives significant growth in Originals

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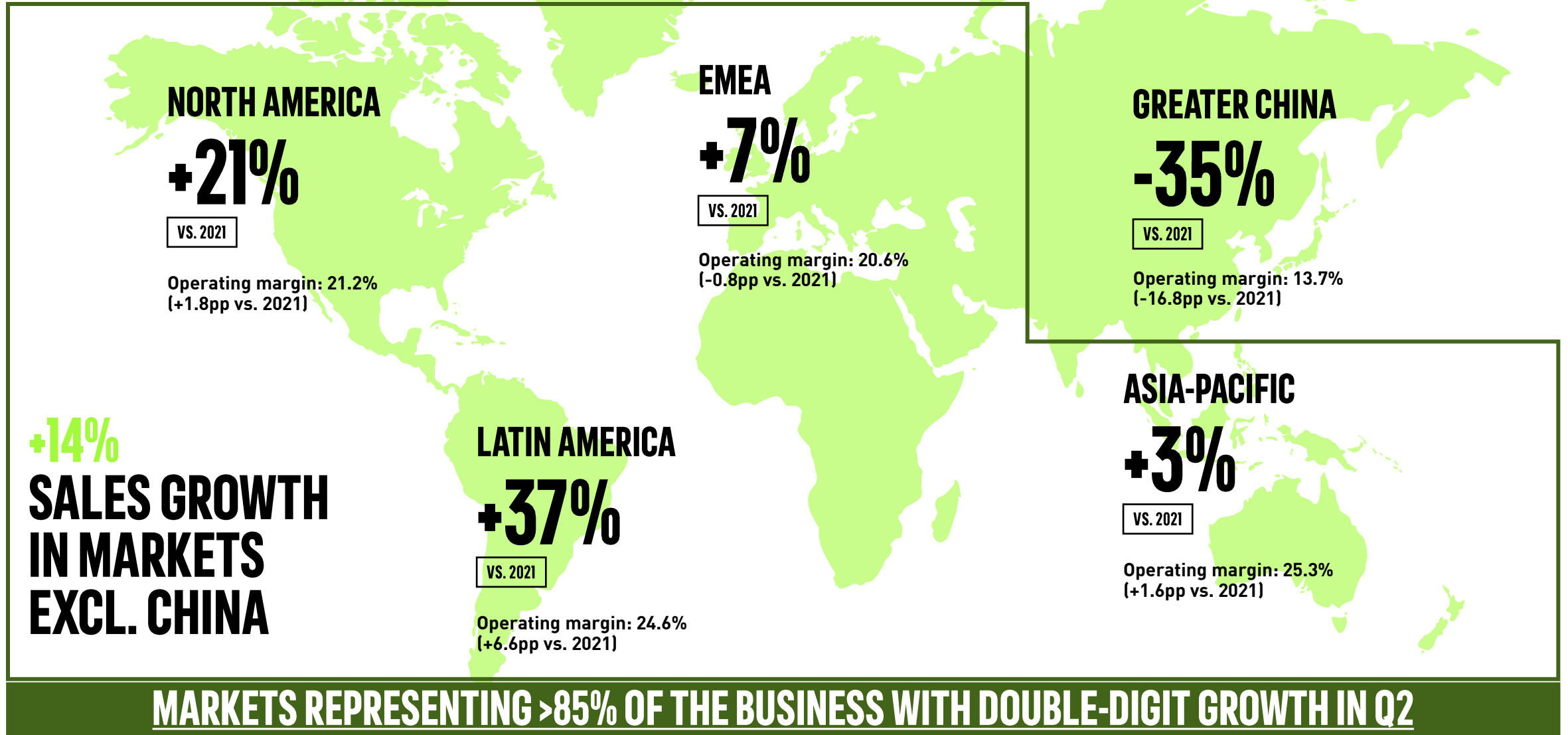




# FINANCIAL UPDATE



# STRONG MOMENTUM IN WESTERN MARKETS **IN Q2**



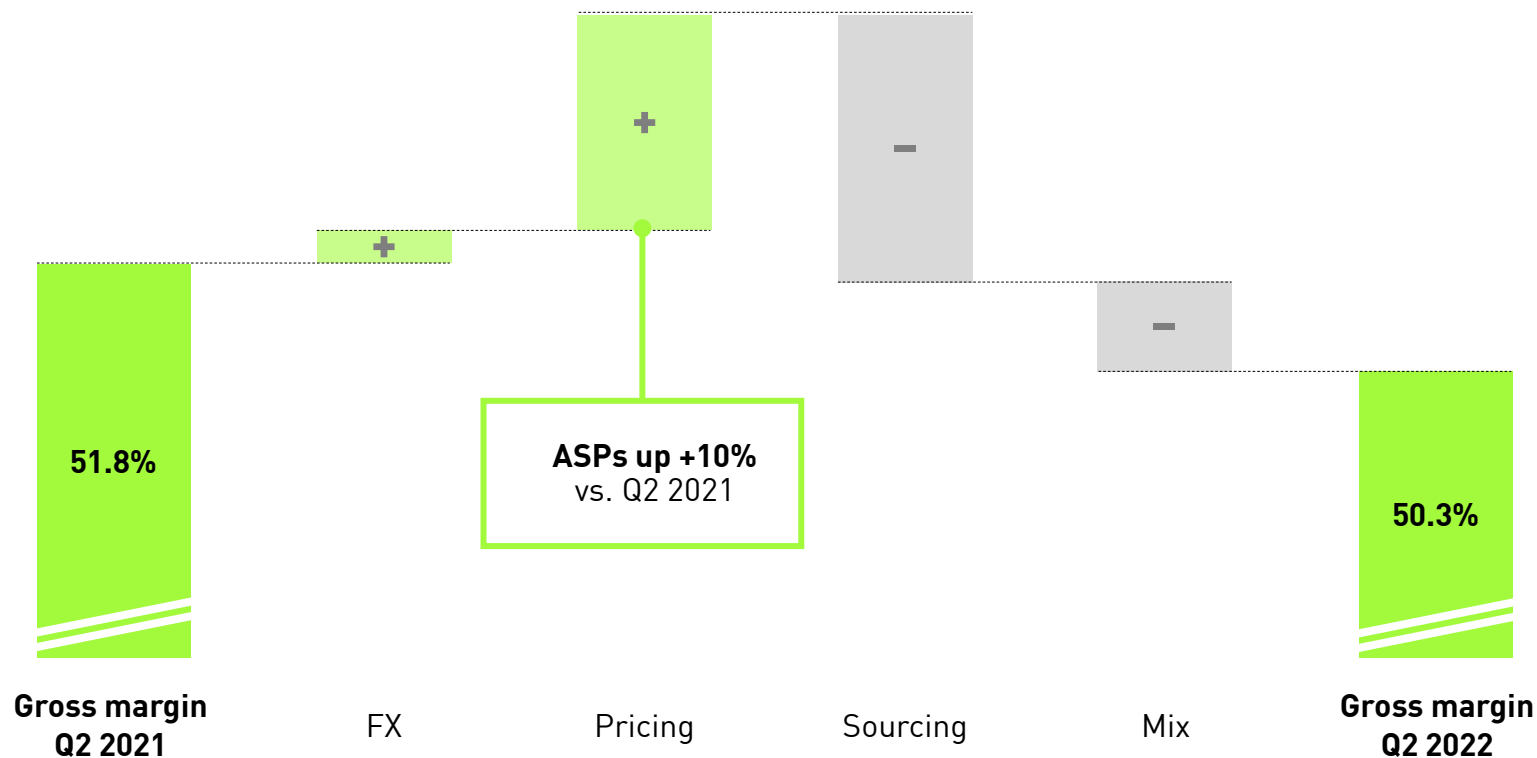
# P&L OVERVIEW

€ IN MILLIONS	Q2 2022	Q2 2021	Y-0-Y	
<b>Net Sales</b>	<b>5,596</b>	<b>5,077</b>	<b>+10%</b>	<b>+4% currency-neutral</b>
<b>Gross Margin</b>	<b>50.3%</b>	<b>51.8%</b>	<b>-1.5pp</b>	
<b>Other Operating Expenses</b> (in % of sales)	<b>2,501</b> 44.7%	<b>2,107</b> 41.5%	<b>+19%</b> +3.2pp	
<b>Marketing and Point-of-Sale Expenses</b> (in % of sales)	<b>663</b> 11.8%	<b>616</b> 12.1%	<b>+8%</b> -0.3pp	
<b>Operating Overhead Expenses</b> (in % of sales)	<b>1,838</b> 32.8%	<b>1,492</b> 29.4%	<b>+23%</b> +3.5pp	
<b>Operating Profit</b>	<b>392</b>	<b>543</b>	<b>-28%</b>	
<b>Operating Margin</b>	<b>7.0%</b>	<b>10.7%</b>	<b>-3.7pp</b>	
<b>Net Income</b> from continuing operations	<b>360</b>	<b>387</b>	<b>-7%</b>	Supported by a one-time tax benefit of <b>more than € 100 million</b> due to the reversal of a prior year provision
<b>Basic EPS</b> from continuing operations	<b>1.88</b>	<b>1.93</b>	<b>-3%</b>	



# GROSS MARGIN DEVELOPMENT Q2 2022



















## MAJOR GROSS MARGIN DRIVERS Q2 2022



- FX impact: Slightly positive impact in Q2
- Pricing: Continued positive impact from lower discounting and selective price increases on DTC exclusives
- Sourcing: Strong increase in sourcing and freight costs not yet fully compensated
- Mix: Negative impact due to sales decline in China and Wholesale restocking

Gross margin recovery muted due to higher sourcing costs and unfavorable mix

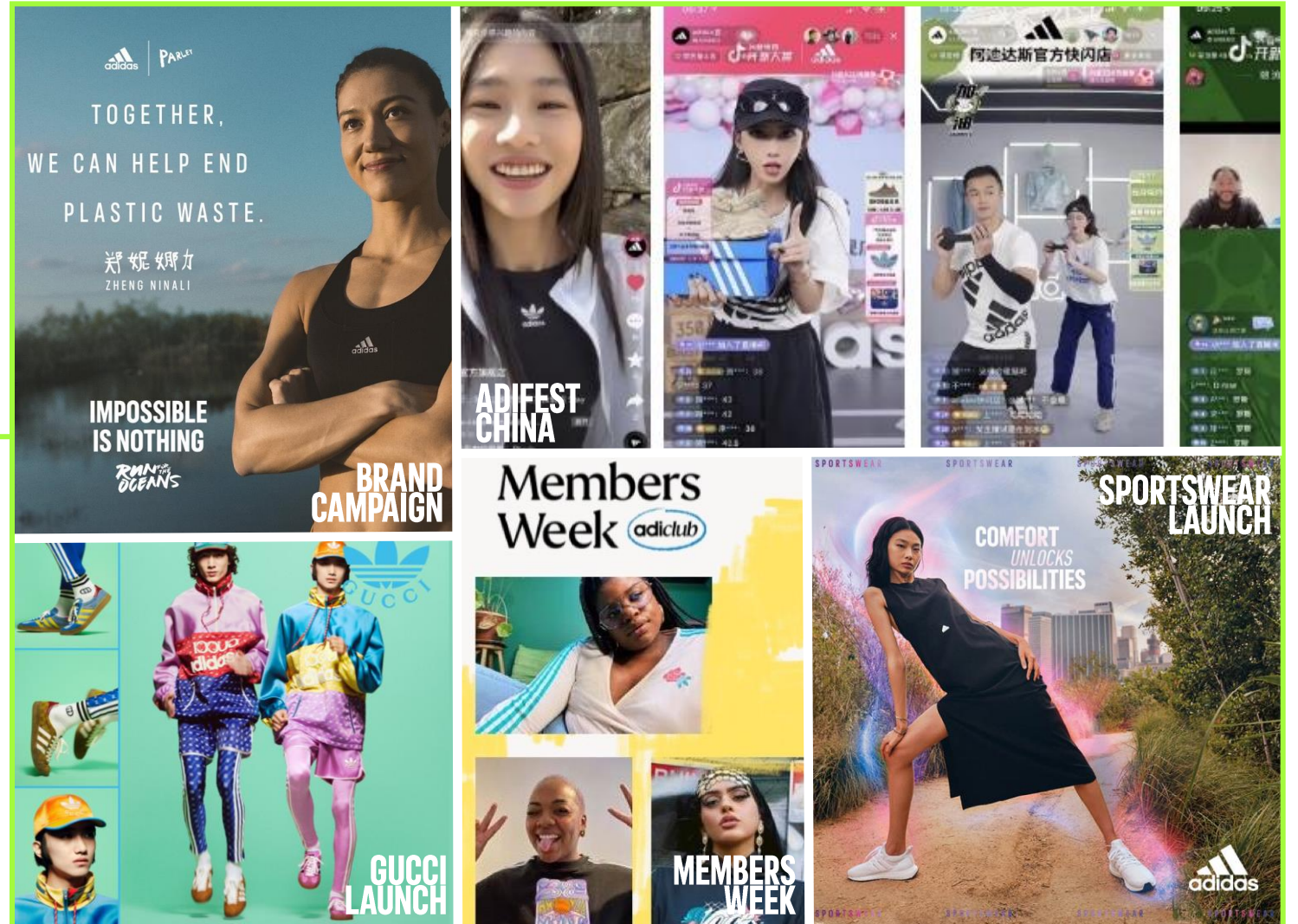
# GROSS MARGIN LEVERS H2 2022

	FY 2022 EXPECTED		H1 2022 REPORTED		H2 2022 EXPECTED	
GROSS MARGIN		~49.0% (-1.7PP)		50.1% (-1.7PP)		~48.0% (-1.6PP)
SOURCING		Supply chain costs to rise strongly		Strong increase in supply chain costs		Supply chain costs to rise strongly
MIX		Significant sales decline in China amid continued focus on DTC		Significant sales decline in China and tough prior year e-com comps		Significant sales decline in China amid continued focus on DTC
FX		Favorable FX		Slightly positive FX		Favorable FX
PRICING		Significant price increases		Only selective price increases on DTC exclusives		Broad-based price increases (mid-to high-single-digit rate)
DISCOUNTING		Increased promotional activity in H2		Lower promotional activity		Increased promotional activity

# INVESTING INTO GROWTH MWB Q2 2022

**ADDITIONAL Q2 2022 MWB SPEND** (VS. Q2 2021)

**+8%**

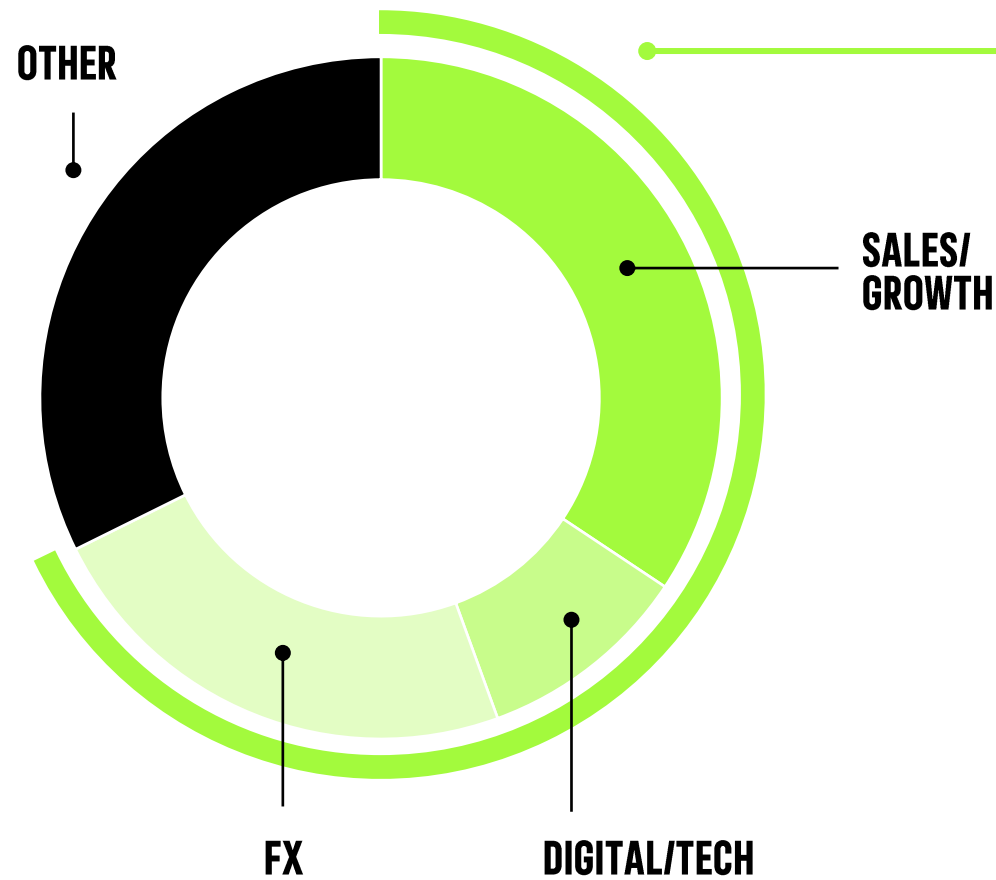




# INVESTING INTO GROWTH 00H Q2 2022

**SPLIT OF ADDITIONAL Q2 2022 00H SPEND** (VS. Q2 2021)

**+23%**



**~70%  
OF ADDITIONAL  
Q2 00H SPEND  
DRIVEN BY  
INVESTMENTS INTO  
SALES/GROWTH,  
DIGITAL  
INFRASTRUCTURE  
AND FX**

# AVERAGE OPERATING WORKING CAPITAL

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## INVENTORIES UP 28% C.N. YEAR-ON-YEAR

Still reflecting higher goods in transit

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## RECEIVABLES UP 22% C.N. YEAR-ON-YEAR

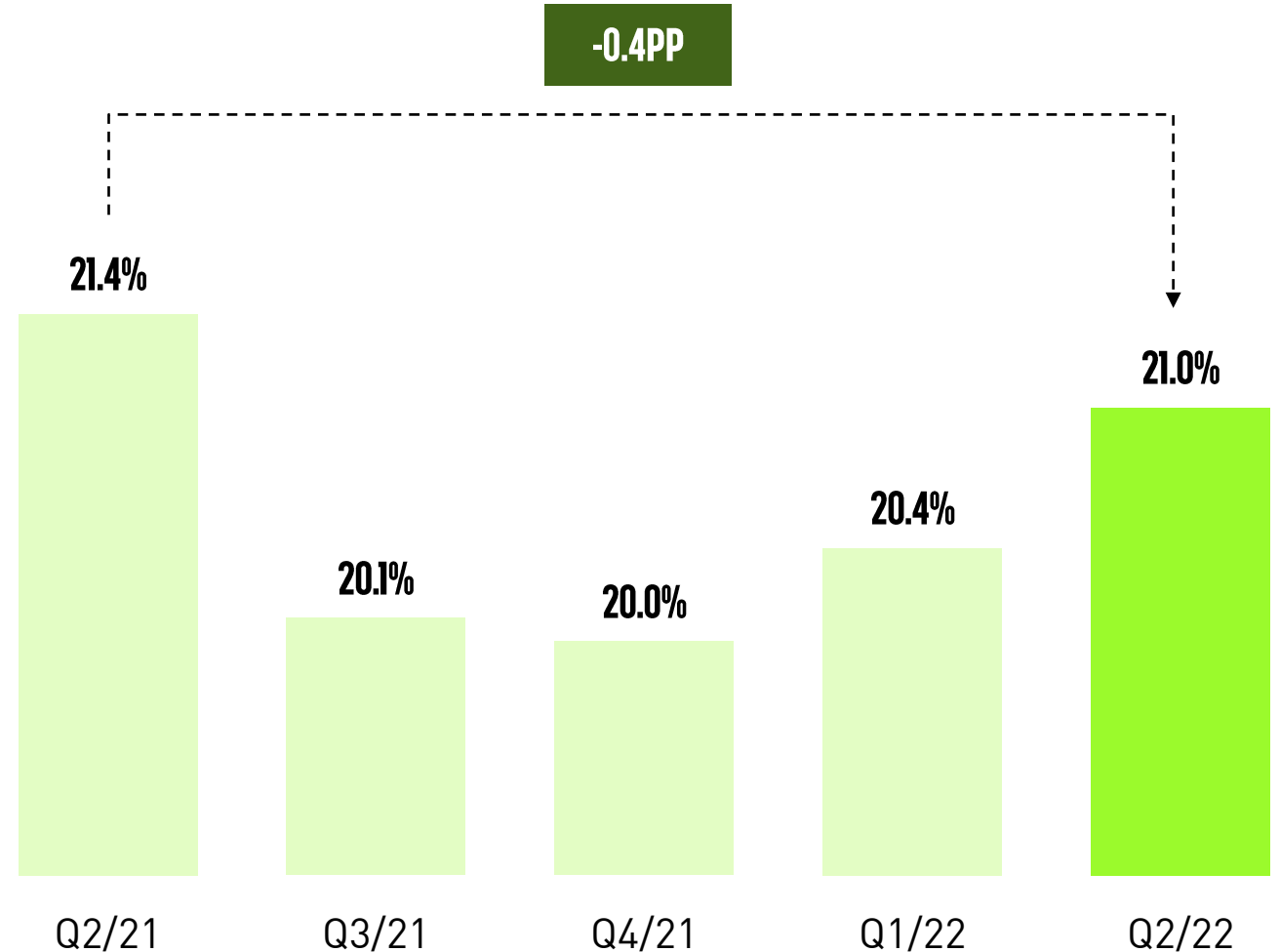
Due to continued strong net sales in Western markets

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## PAYABLES UP 50% C.N. YEAR-ON-YEAR

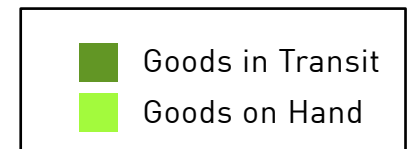
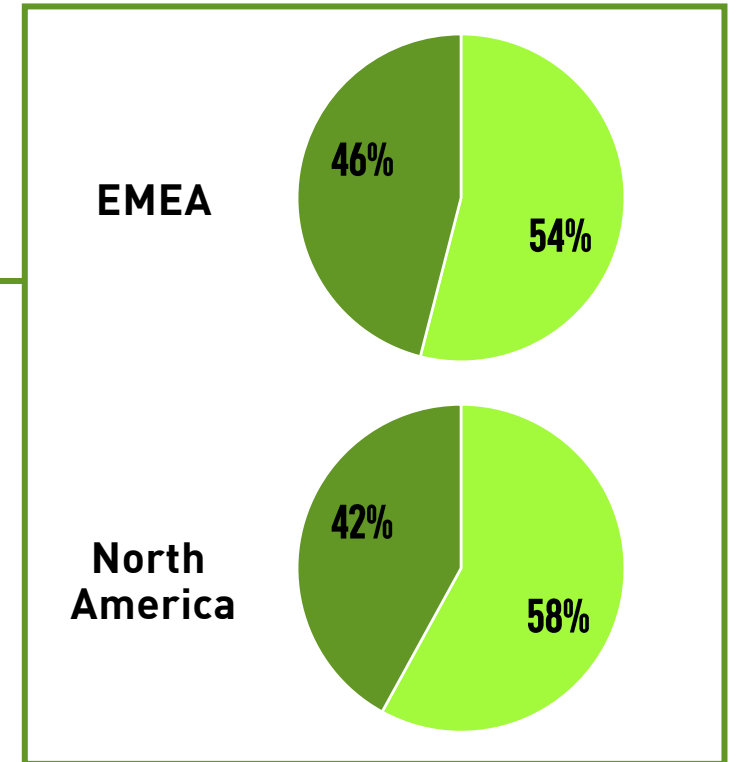
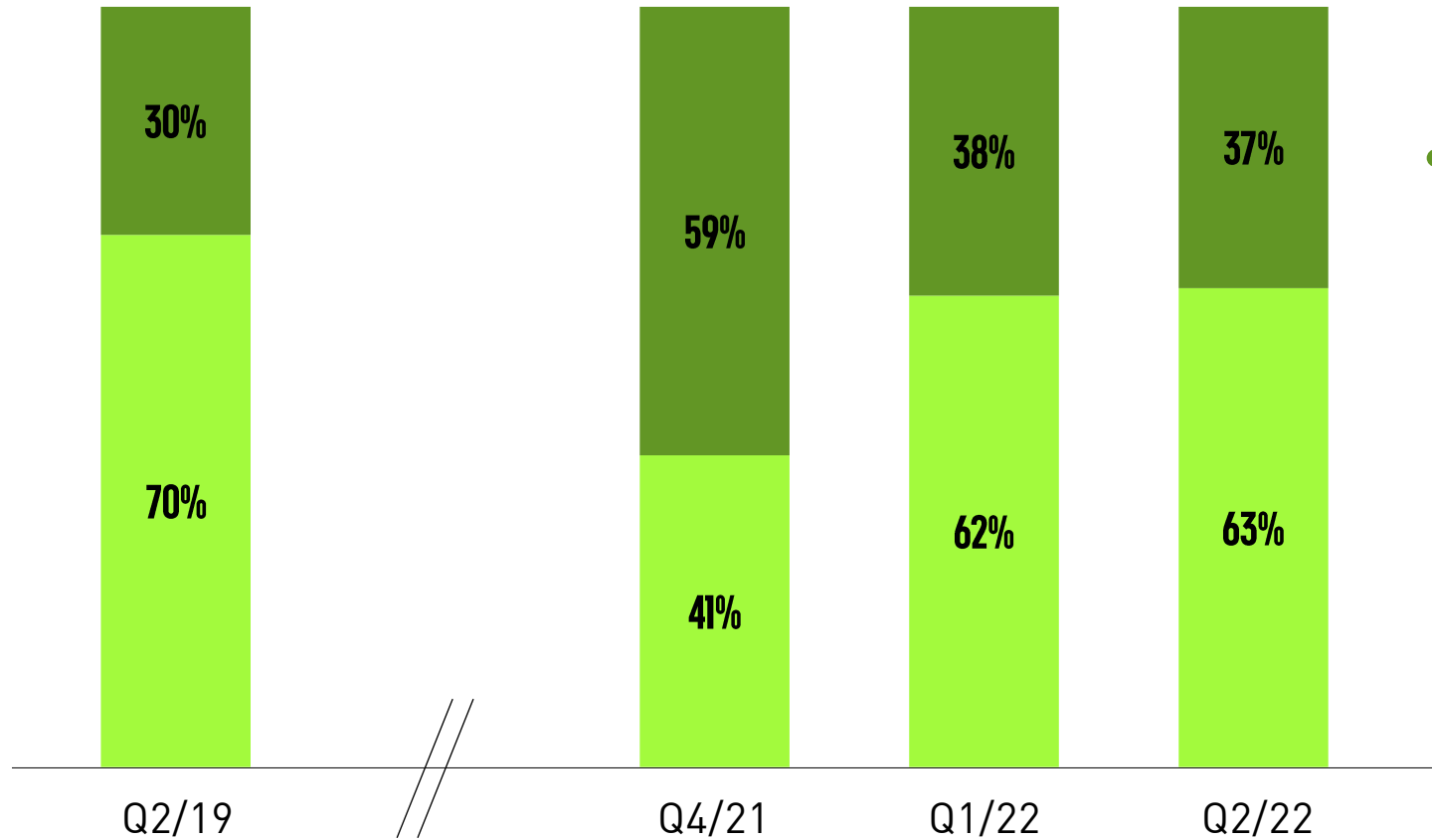
Driven by significantly higher sourcing volume and increased product costs

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# LEAD TIMES STILL ELEVATED FOR KEY MARKETS

GOODS IN TRANSIT VS. GOODS ON HAND | TOTAL COMPANY



# ATTRACTIVE SHAREHOLDER RETURNS

	CASH RETURN 2022		CASH RETURN 2023-2025
	ANNOUNCED	COMPLETED	REMAINING
DIVIDEND PAYMENT	€0.6BN	€0.6BN 	DIVIDENDS
REGULAR SHARE BUYBACK	€1.0BN	€1.0BN 	UP TO €3.0BN
ADDITIONAL SHARE BUYBACK REEBOK PROCEEDS	UP TO €1.5BN	€1.0BN 	
TOTAL CASH RETURN	UP TO €3.1BN	€2.6BN <sup>1</sup>	BETWEEN €4.8BN AND €5.8BN



# OUTLOOK





# OUR FOCUS

- 1 **LEVERAGE NEW PRODUCTS, STRATEGIC PARTNERS AND KEY EVENTS TO DRIVE BRAND HEAT AND TOP-LINE GROWTH**
- 2 **MAINTAIN STRONG MOMENTUM IN WESTERN MARKETS AND ACCELERATE GROWTH IN APAC**
- 3 **FOCUS ON DECISIVELY ADDRESSING CHALLENGES IN GREATER CHINA**
- 4 **CONTINUE TO INVEST WHILE THOROUGHLY MANAGING COSTS**





# ACCELERATING BRAND MOMENTUM



EVENTS

MARKETING

PRODUCTS

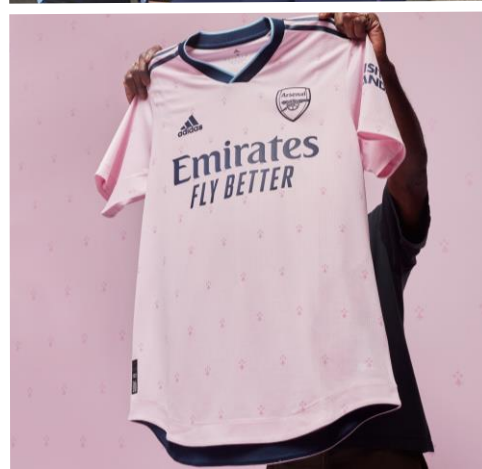


# UEFA WOMEN'S EURO



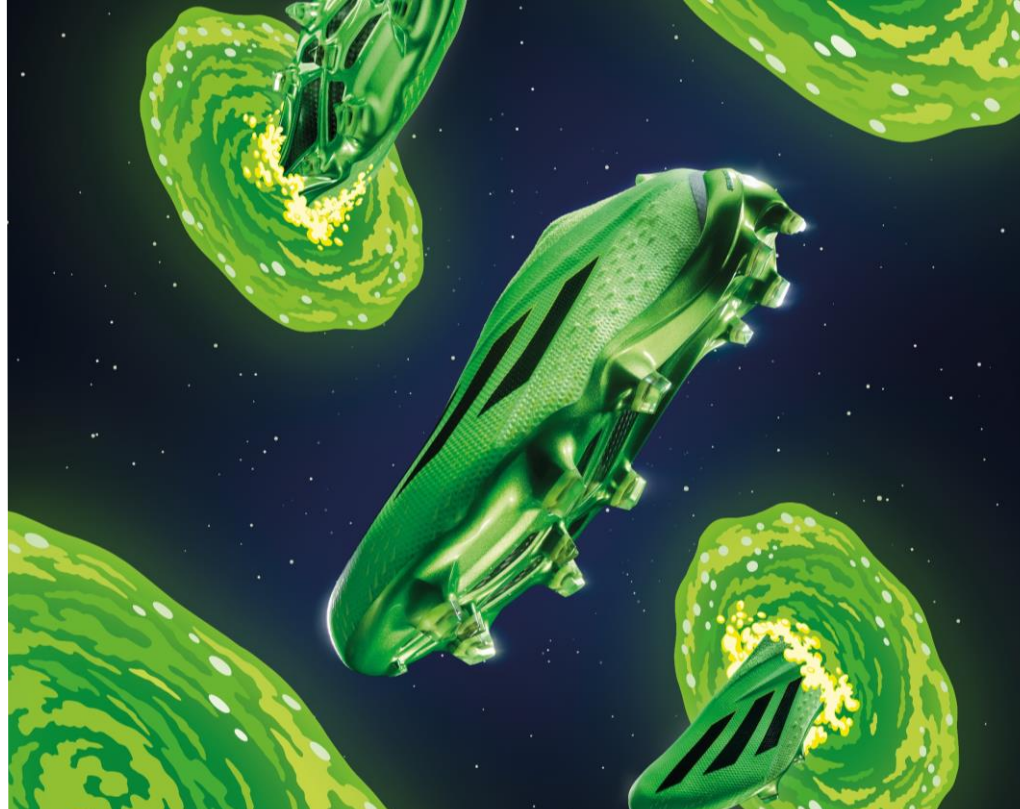


# FOOTBALL EXCITEMENT





# SPEEDPORTAL



MESSI IS  
***faster in all  
dimensions***

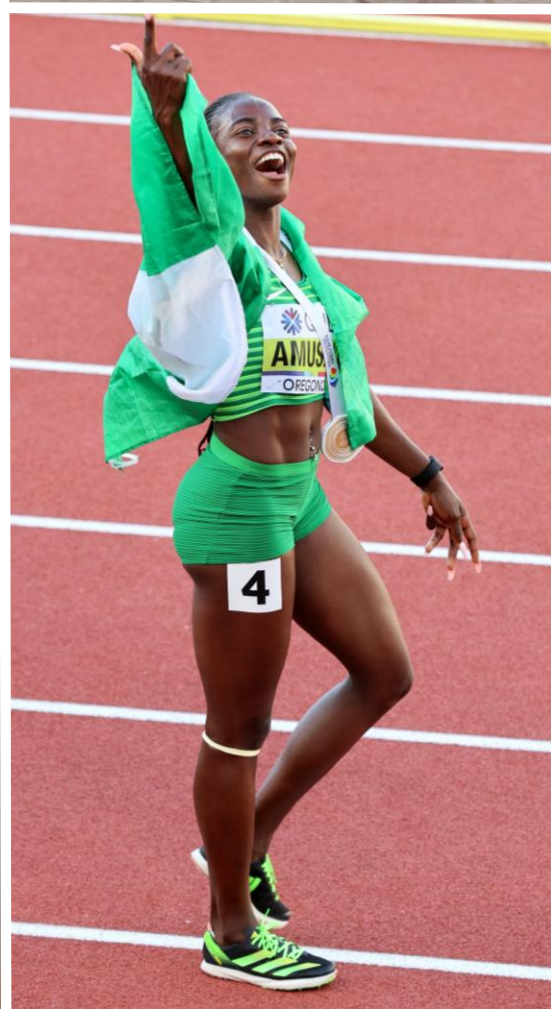


SPEEDPORTAL





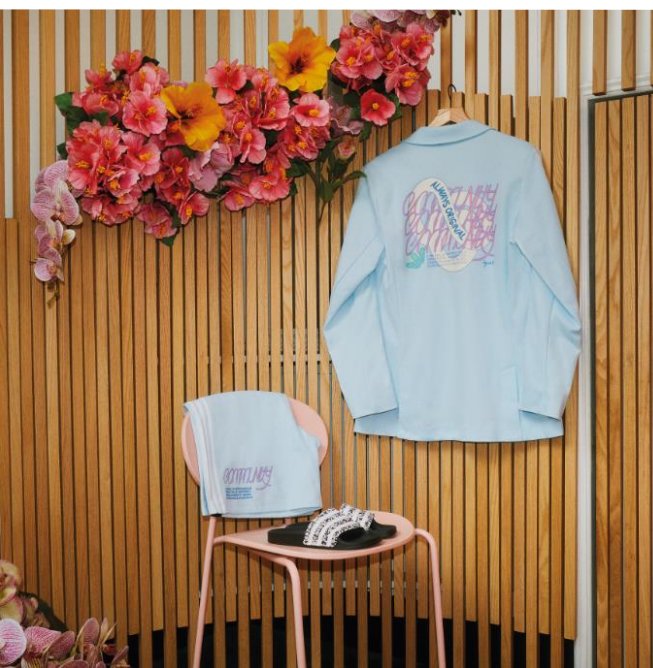
# PROFESSIONAL RUNNING













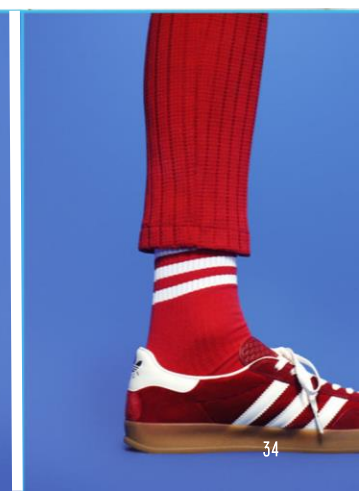
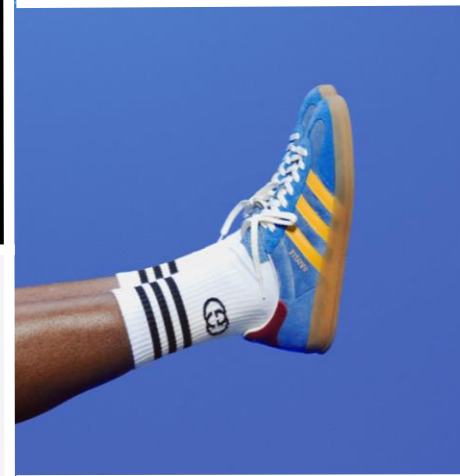
**YEEZY DAY**



**YEEZY DAY  
2022**

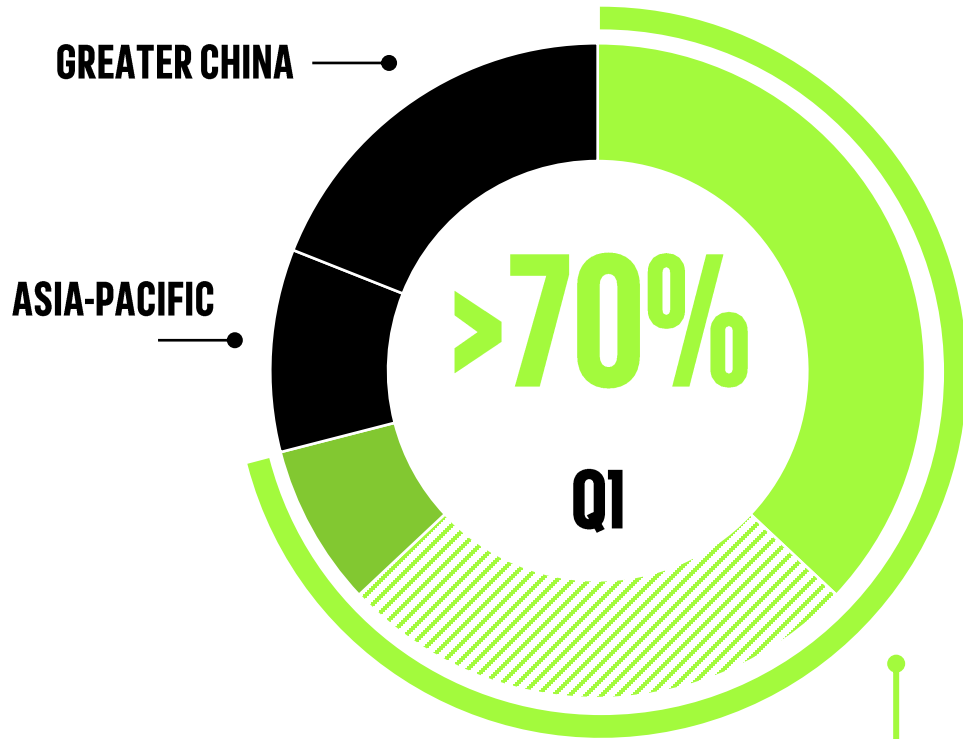


# GUCCI/BALENCIAGA

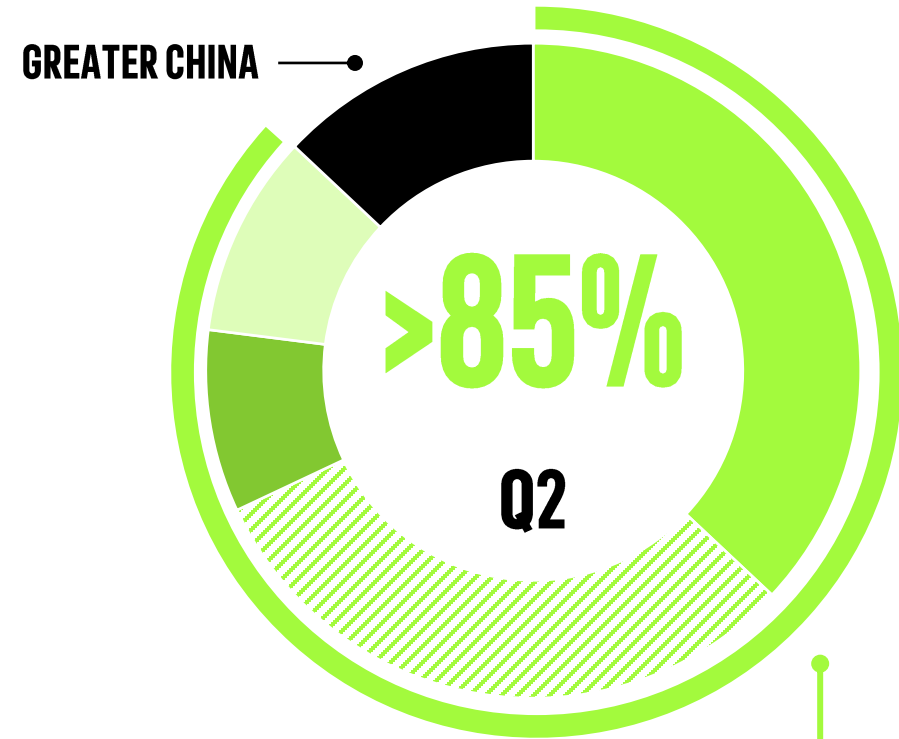


# SHARE OF GROWTH MARKETS **INCREASING**

**MARKET SEGMENT NET SALES SPLIT Q1 AND Q2 2022** (IN % OF TOTAL NET SALES)



**MARKETS REPRESENTING MORE THAN 70%  
OF OUR BUSINESS GROWING 13% C.N.**



**MARKETS REPRESENTING MORE THAN 85%  
OF OUR BUSINESS GROWING 14% C.N.**

# CURRENT FOCUS IN GROWTH MARKETS

DRIVING CONTINUED MOMENTUM IN >85% OF ALL MARKETS



- **Elevate brand storytelling** with inclusive and emotional content across all categories
- **Leverage excitement around major sports events** to drive brand heat in Performance
- **Drive hype to scale in Lifestyle** with fashion partnerships and new Originals product
- **Launch and scale new consumer propositions** in Sportswear and Basketball
- **Scale adiclub** with new propositions and elevate the consumer experience in key cities
- **Drive significant market share gains** with strategic wholesale accounts

## GREATER CHINA



- **Execute initiatives to clear excess inventory** through factory outlets and commercial moments
- **Strengthen consumer connections** amid continued widespread covid-19-related restrictions

Details on following charts



# RECENT MARKET BACKDROP IN GREATER CHINA

## COVID CASES

Average daily new covid-19 cases  
more than double  
in July vs. June 2022

## LOCKDOWNS

Around 80 cities at least partially  
impacted by lockdowns and two thirds of  
all provinces with active covid-19 status

## PREVENTIVE MEASURES

Zero covid-19 policy still in place with  
strict preventive measures  
across the entire retail landscape

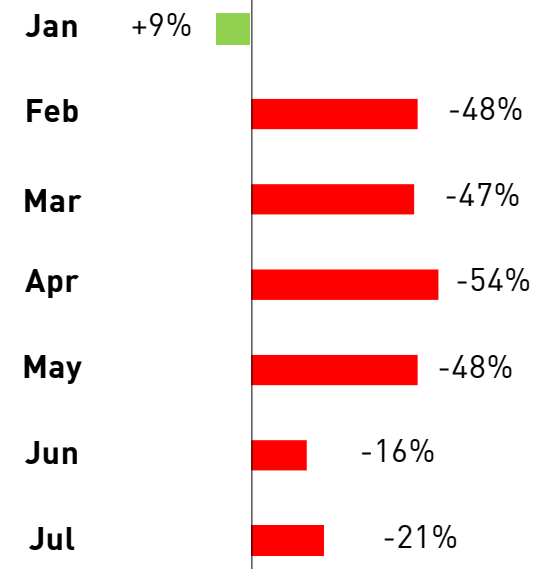
## CONSUMER SENTIMENT

Very cautious consumer due to ongoing  
volatile situation  
and imminent risk of new lockdowns

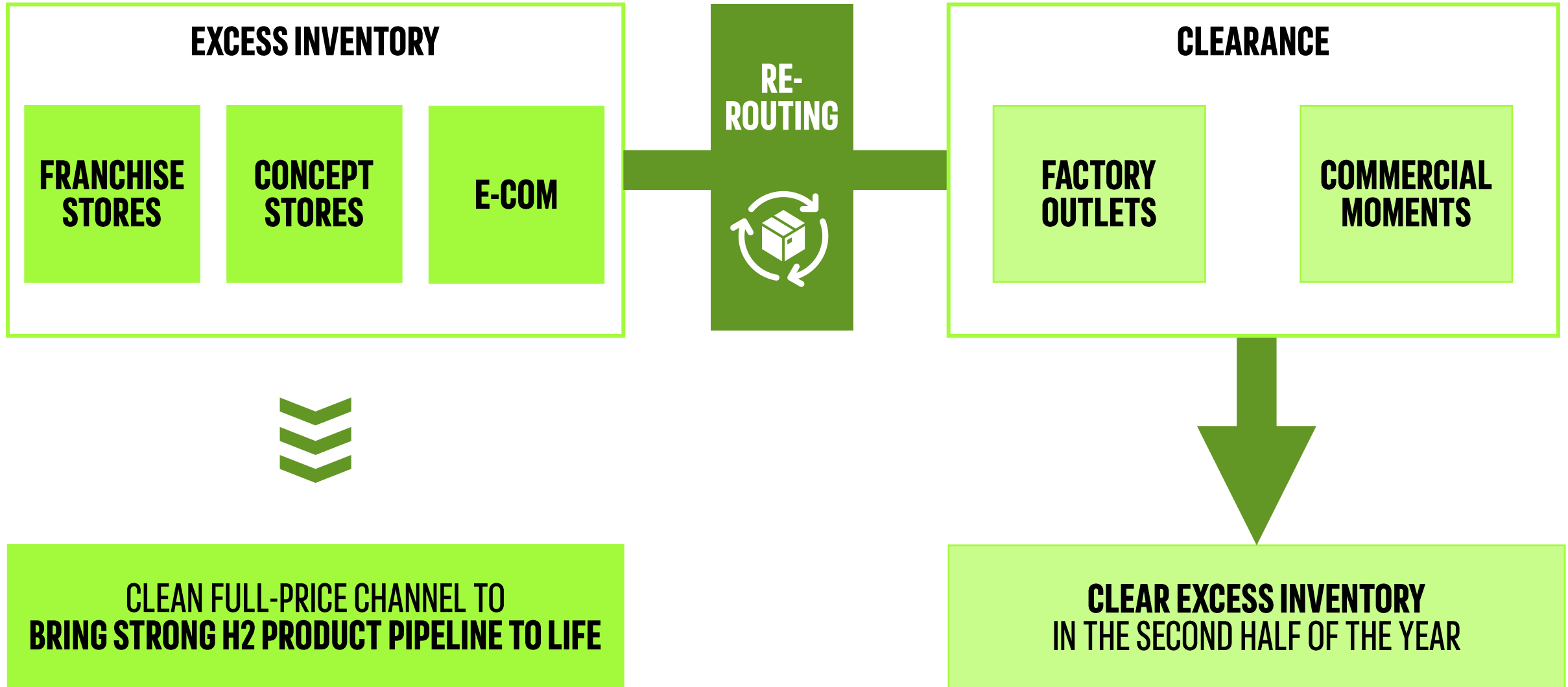
## OWN RETAIL TRAFFIC

Own Retail traffic still well below  
normal levels  
both vs. Q2 2021 and pre-BCI

## OWN RETAIL TRAFFIC (% VS. Y-O-Y)



# INITIATIVES TO CLEAR EXCESS INVENTORY IN GREATER CHINA



# DRIVE CONNECTIONS WITH THE LOCAL CONSUMER

## BRAND PARTNER PORTFOLIO



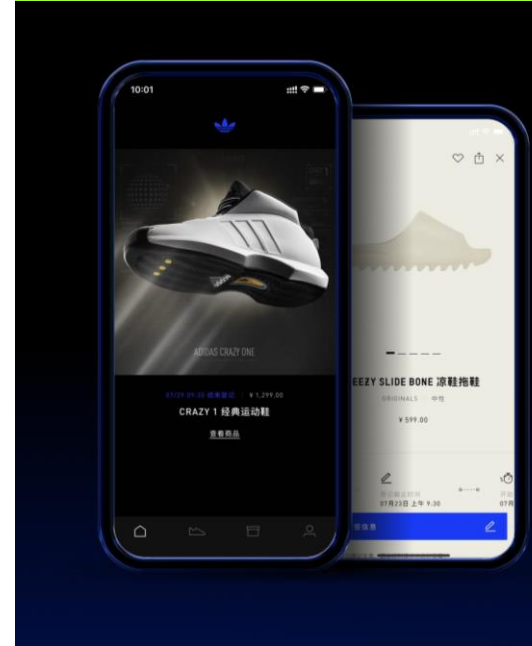
- Re-build partner portfolio (continued signing of Chinese athletes and local cultural partners)
- Leverage existing and new global brand partners

## KEY PRODUCT AND CATEGORIES



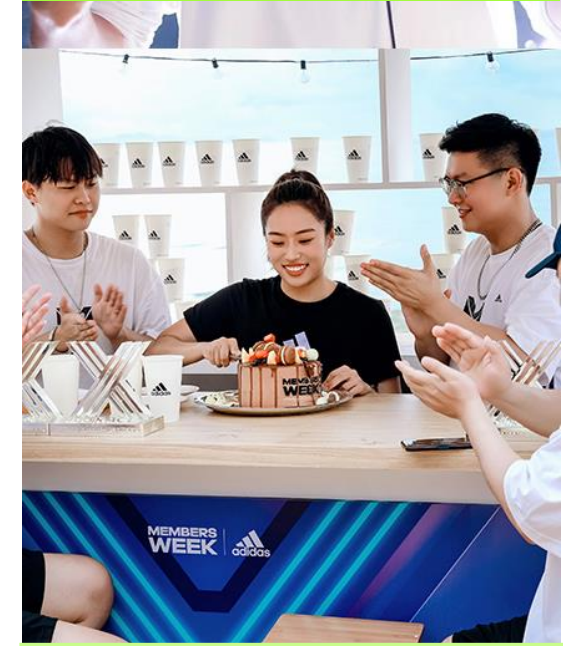
- Secure top positioning of localized lifestyle FTW
- Capture women's market share and double-down on Kids/Youth segment

## DIGITAL & E-COM



- Leverage China for China digital capabilities
- Scale own digital ecosystem and move to membership 2.0

## SPECIAL EVENTS



- Continue to activate the brand and maximize consumer engagement
- Scale successful sales events such as Adifest

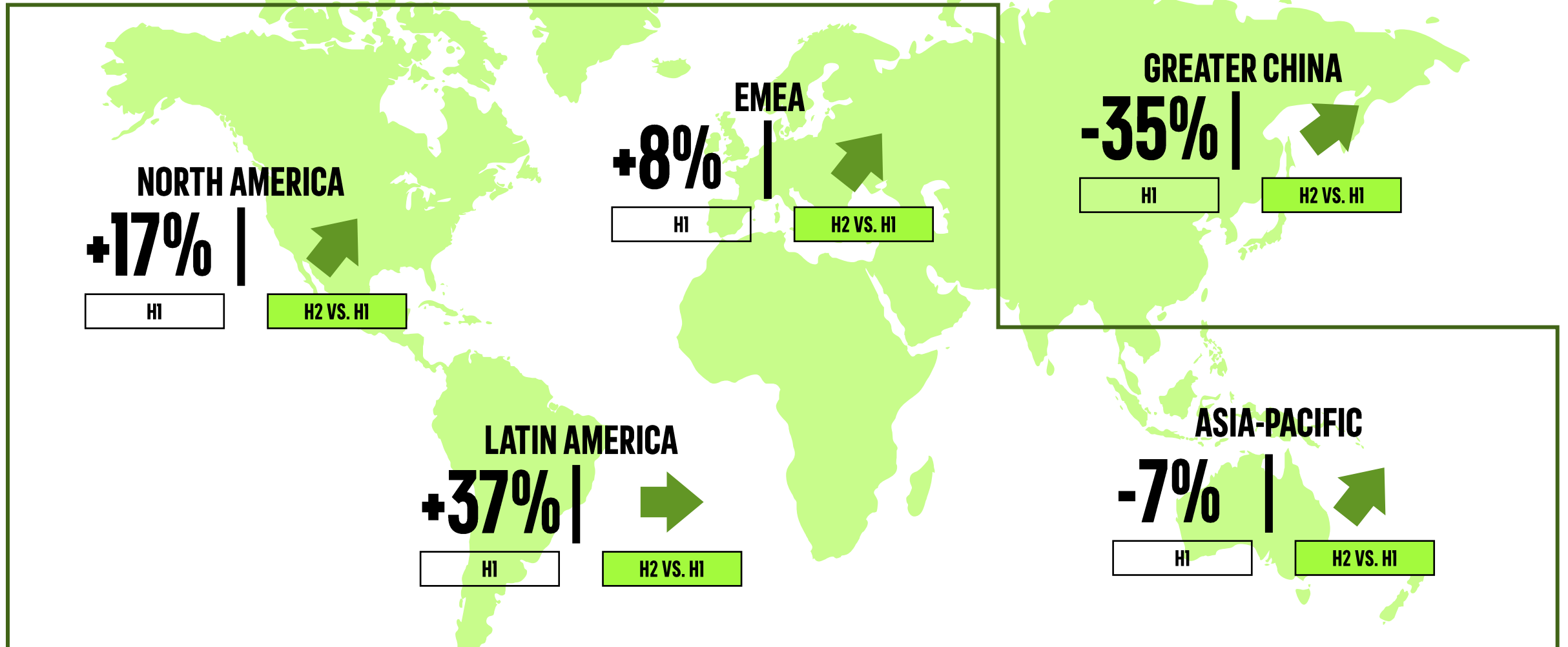


# DRIVE LOCAL BRAND ACTIVATION





# TOP-LINE ACCELERATION BY MARKET H2 2022

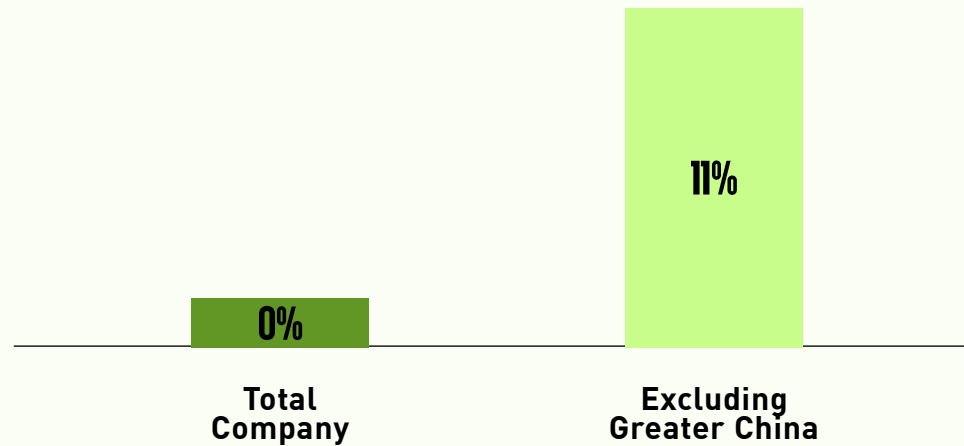


**MARKETS REPRESENTING >85% OF THE BUSINESS TO GROW STRONG DOUBLE-DIGITS IN 2022**



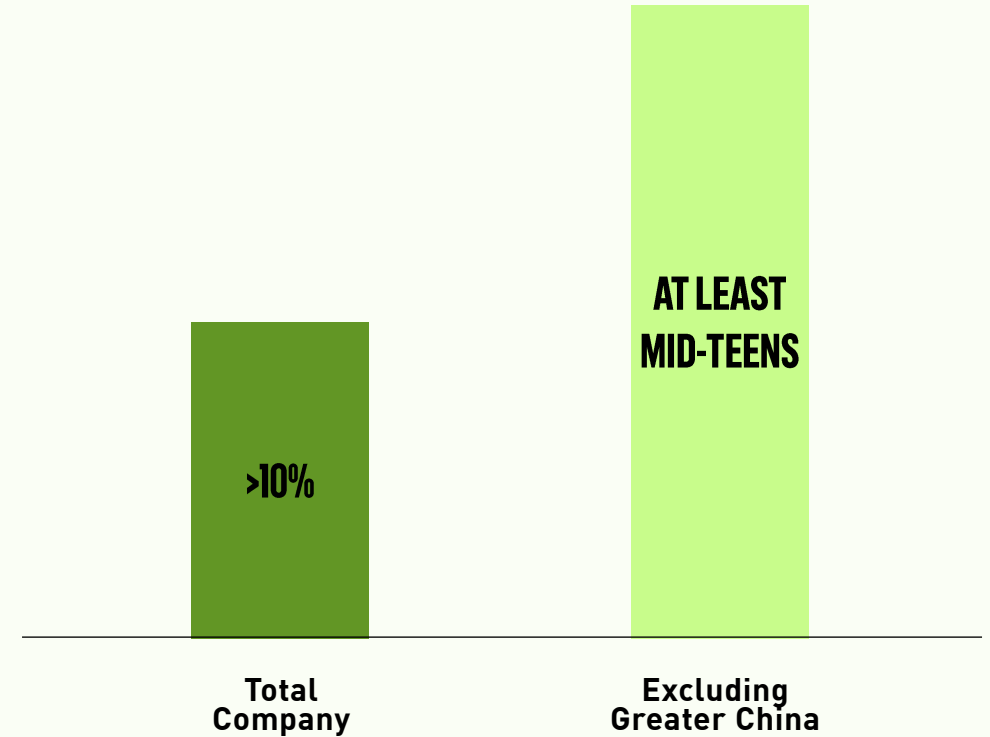
# TOP-LINE ACCELERATION TOTAL COMPANY H2 2022

## H1 2022 ACTUAL



Significant impact of around €600m from supply chain constraints

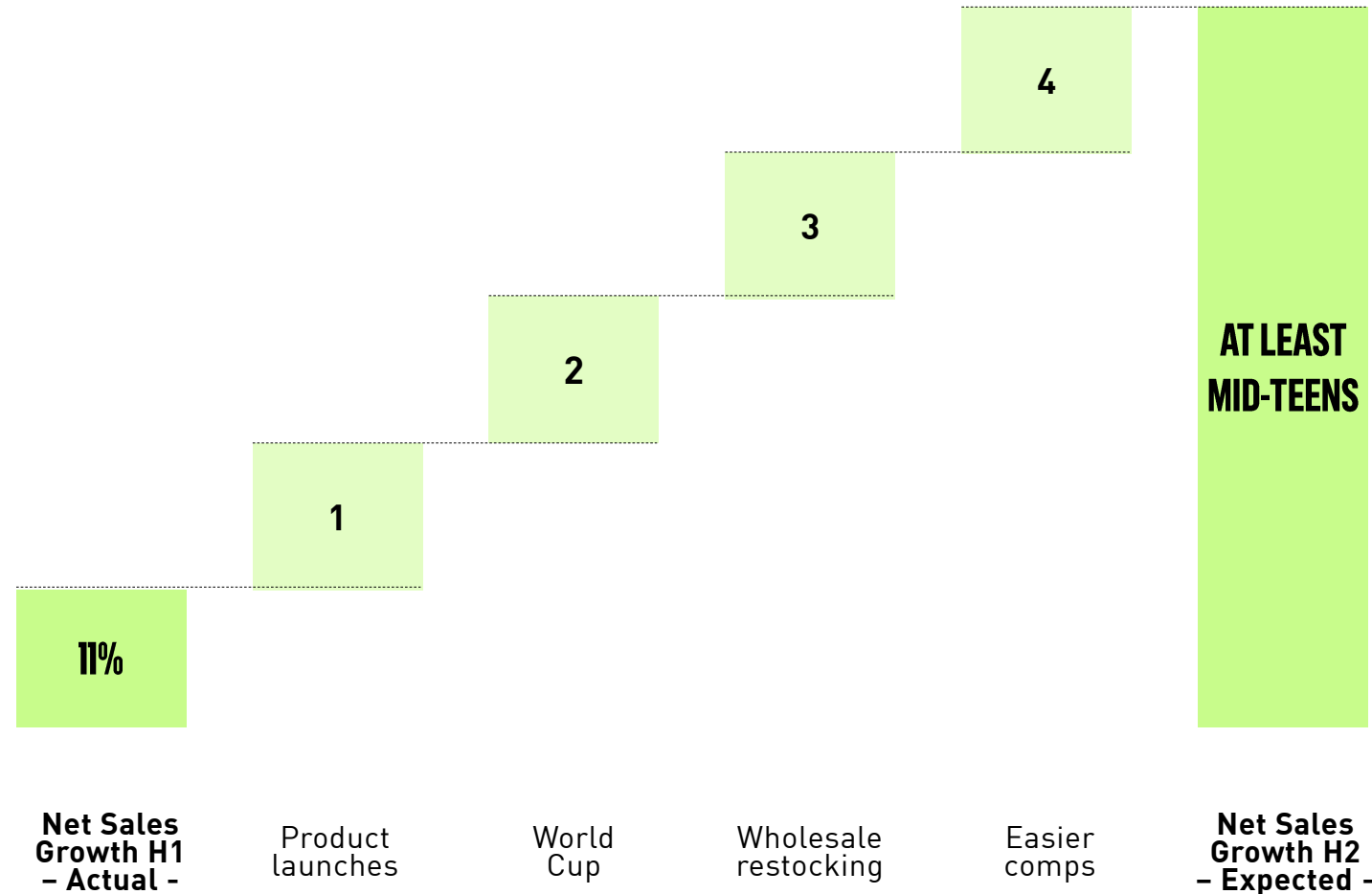
## H2 2022 EXPECTED



No major impact from supply chain constraints

# TOP-LINE GROWTH DRIVERS H2 2022

**EXCLUDING GREATER CHINA** (VS. H2 2021)



Driving conversion of **extraordinary strong orderbook** and maintaining momentum in Western markets with a **focus on DTC**



# MAXIMIZING THE CHANNEL OPPORTUNITY **H2 2022**

**CONVERTING EXTRAORDINARY  
STRONG ORDERBOOK...**

**ORDERBOOK H2 2022 EXCLUDING GREATER CHINA** (VS. H2 2021)

**+>25%**

- **Continued broad-based orderbook strength across** North America, EMEA, Latin America and APAC
- **Strong momentum** with alliance accounts

**...WHILE ELEVATING THE  
CONSUMER EXPERIENCE IN DTC**



**Land new product launches and celebrate key brand moments** with a DTC-first mindset



**Double-down on e-com and elevate physical retail experience** to drive traffic & conversion



**Invest in digital experiences** focused on personalization and the Footwear category



Scale and leverage revamped **membership program adiclub** with new propositions

# ADJUSTED OUTLOOK BY MARKET FY 2022

## NET SALES

Currency-neutral

### OUTLOOK FY 2022 PREVIOUS

Increase at the lower end  
of the 11% to 13% range

### OUTLOOK FY 2022 ADJUSTED

Mid- to high-single-  
digit growth

**Greater China**

Significant decline

Double-digit decline

**EMEA**

Mid-teens growth

Low-teens growth

**Asia-Pacific**

Mid-teens growth

High-single-digit growth

**North America**

Mid- to high-teens growth

High-teens growth

**Latin America**

Mid- to high-teens growth

Growth between 30% and 40%

**MARKETS  
REPRESENTING  
>85% OF THE  
BUSINESS TO GROW  
STRONG DOUBLE-  
DIGITS IN 2022**



# ADJUSTED OUTLOOK **FY 2022**

	OUTLOOK FY 2022 PREVIOUS	OUTLOOK FY 2022 ADJUSTED	
NET SALES <sup>1</sup>	Increase at the lower end of the 11% to 13% range	Mid- to high-single- digit growth	<b>ADJUSTED OUTLOOK ALREADY INCLUDES HEADWINDS RELATED TO A SLOWER RECOVERY IN CHINA AND <u>POTENTIAL SLOWDOWN IN OTHER MARKETS</u></b>
GROSS MARGIN	Around prior year level of 50.7%	Around 49.0%	
OPERATING MARGIN	Around prior year level of 9.4%	Around 7.0%	
NET INCOME <sup>2</sup>	Increase to the lower end of between €1.8bn and €1.9bn	Around €1.3bn	

# LEVERAGING ATTRACTIVE INDUSTRY BACKDROP

## GOING AFTER LONG-TERM OPPORTUNITIES...

### ATHLEISURE

Consumers demand casual sports product

### BETTERMENT

More consumers exercise regularly to stay healthy

### DIGITAL

Consumers increasingly connect and buy online and in social channels

### SUSTAINABILITY

Vast majority of consumers claim sustainability as important purchase driver

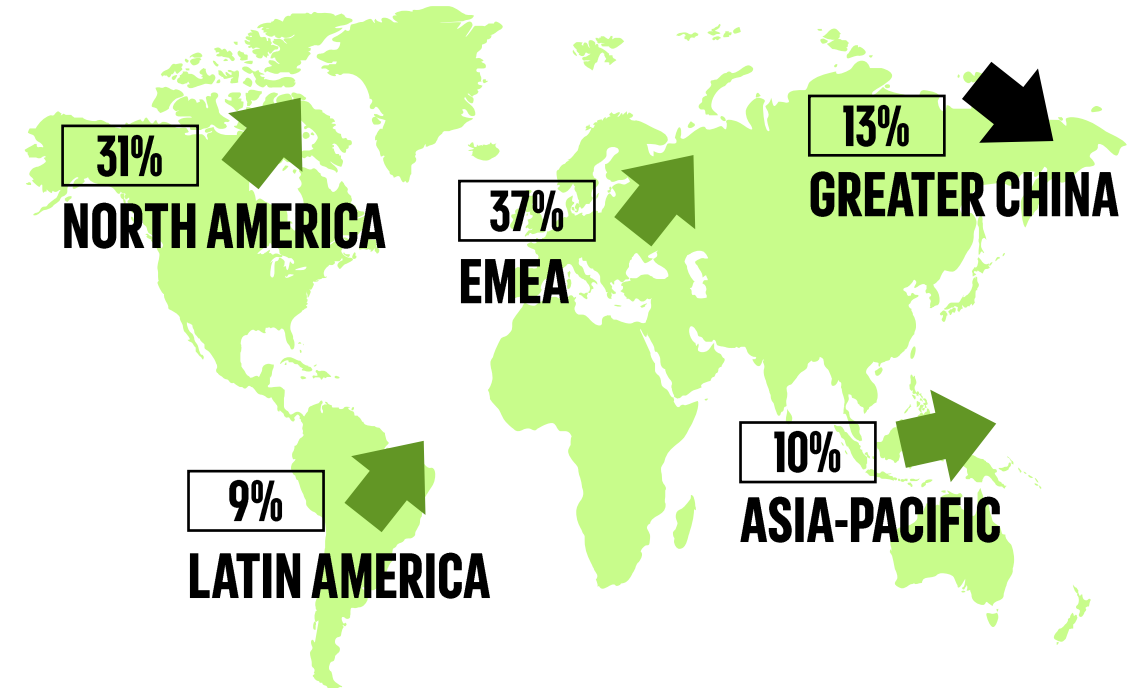
### PREMIUM

Footwear demand increasingly driven by upper price points

Consumer trends supporting strong industry growth

## ...SUPPORTED BY A MORE BALANCED TOP- AND BOTTOM-LINE CONTRIBUTION ACROSS MARKETS

### SHARE OF BUSINESS IN Q2 2022





# SUMMARY

1

**PRODUCT INNOVATION DRIVING CONTINUED STRONG DEMAND  
IN WESTERN MARKETS AND RETURN TO GROWTH IN APAC IN Q2**

2

**GROWTH DRIVERS IN PLACE TO ACCELERATE TOP-LINE MOMENTUM  
AND DELIVER ADJUSTED 2022 TARGETS**

3

**DILIGENT EXECUTION OF FOCUS INITIATIVES IN GREATER CHINA  
REMAINS A KEY PRIORITY**

4

**THOROUGHLY MANAGING INDUSTRY-WIDE CHALLENGES  
WHILE GOING AFTER LONG-TERM OPPORTUNITIES**





# Q&A

