

# Q1 2021 RESULTS

MAY 7, 2021



adidas

# AGENDA

- 1 INTRODUCTION
- 2 BUSINESS UPDATE
- 3 FINANCIAL UPDATE
- 4 OUTLOOK



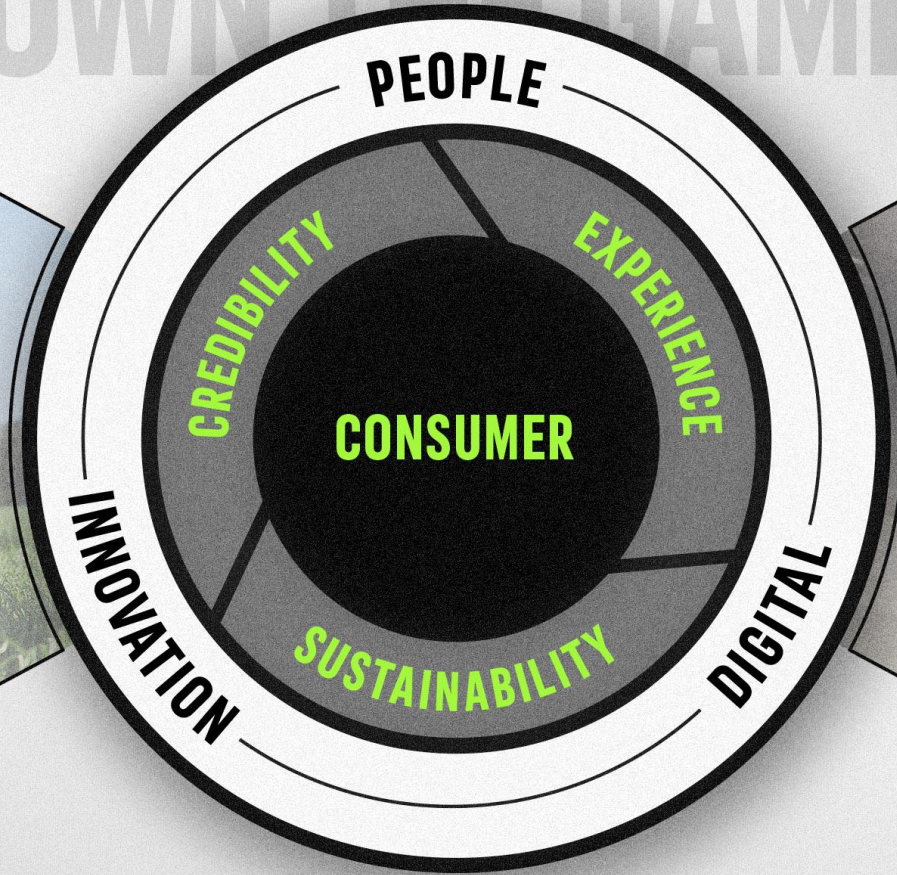
# INTRODUCTION

KASPER RORSTED  
CEO





# OWN THE GAME



**SPORT**

**GROWTH**



**WE HAVE WHAT IT TAKES!**



# TIME100 MOST INFLUENTIAL COMPANIES & GLOBAL REPTRAK 100



# FURTHER D&I INITIATIVES

- 1 **NEW D&I LEARNING PROGRAM ON REGIONAL LEVEL**
- 2 **ADDITIONAL INCLUSIVITY TRAINING FOR HUMAN RESOURCES AND LINE MANAGERS**
- 3 **LAUNCHED EDWIN MOSES MENTORING PROGRAM IN NORTH AMERICA**
- 4 **JACKIE JOYNER-KERSEE NOMINATED FOR SUPERVISORY BOARD**
- 5 **GOOD PROGRESS ON HIRING TARGETS FOR BLACK AND LATINX EMPLOYEES IN THE US**





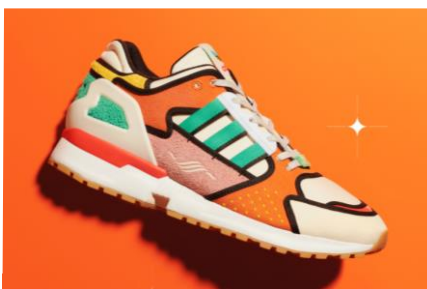
# BUSINESS UPDATE

KASPER RORSTED  
CEO



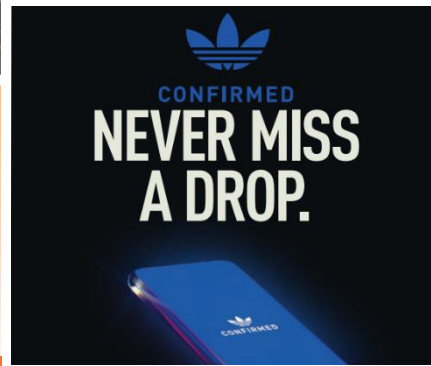


# CONSUMER HIGHLIGHTS

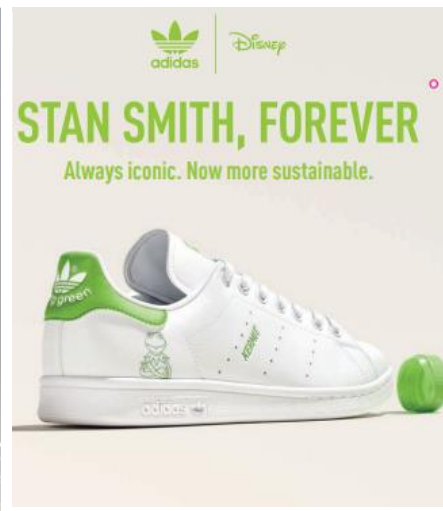


**CREDIBILITY**

adidas



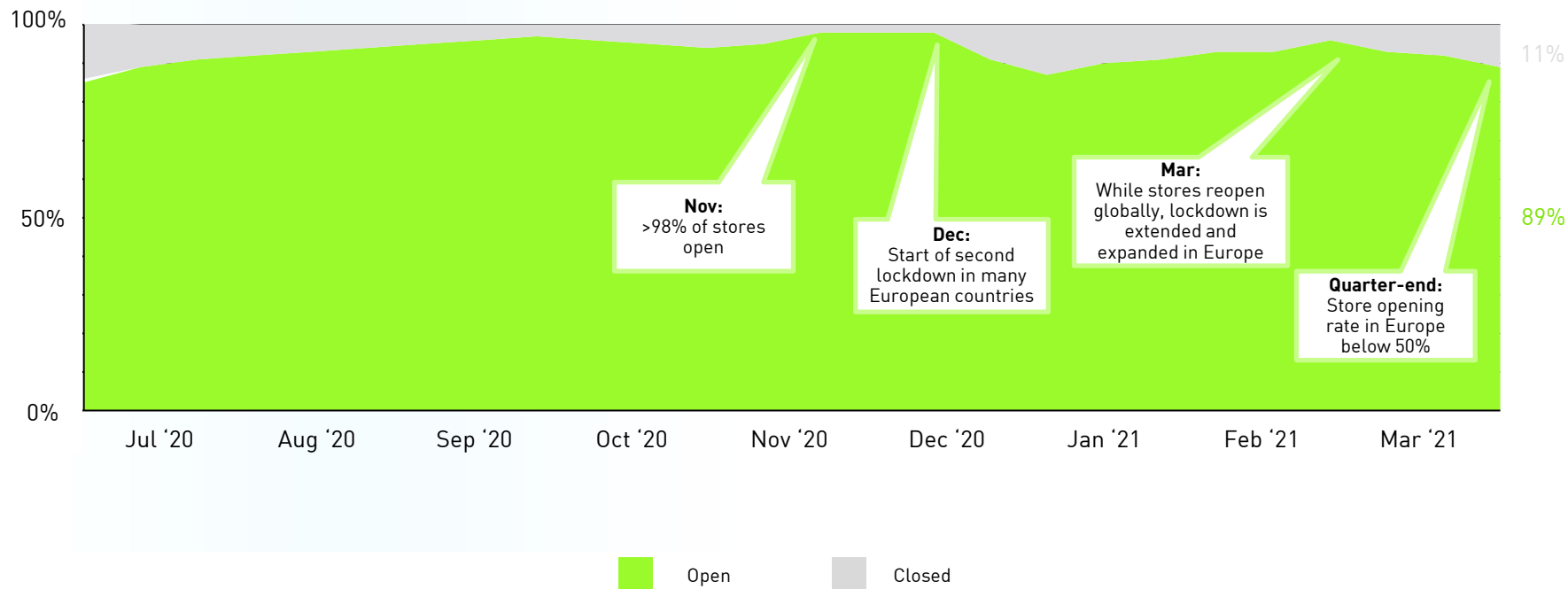
**EXPERIENCE**



**SUSTAINABILITY**

# STORE OPENING TREND

89% OF GLOBAL STORE FLEET OPEN AT THE END OF MARCH





# STRENGTHS & WEAKNESSES

## STRENGTHS



### SUCCESSFUL LAUNCH OF 'OWN THE GAME'

Execution kicked off across the entire company

### CURRENCY-NEUTRAL REVENUES UP 27% YEAR-ON-YEAR

Strong recovery with sales above 2019 level

### TOP-LINE INCREASE LED BY EXCEPTIONAL GROWTH IN DTC

Direct-to-consumer sales increasing 31%

### OVER-PROPORTIONATE GROWTH IN E-COM CONTINUES

43% sales increase on top of 35% growth in the prior-year quarter

## WEAKNESSES



### PROLONGED LOCKDOWNS HOLDING BACK PARTS OF EMEA

Store opening rate in Europe decreased to below 50% in March

### RETAIL TRAFFIC BELOW NORMAL LEVELS IN MOST MARKETS

Largely compensated by higher conversion rates and e-com

### GROSS MARGIN NOT YET BACK AT PRE-PANDEMIC LEVEL

Impact from unfavorable FX to reverse only in the second half

### STRANDED COSTS RELATED TO REEBOK DIVESTITURE

Temporarily weighing on profitability

# P&L AT A GLANCE

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## REVENUES INCREASE 27% CURRENCY-NEUTRAL

and 20% in euro terms to € 5.268 billion

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## GROSS MARGIN UP 2.1PP TO 51.8%

Supported by more favorable channel and market mix

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## OPERATING PROFIT OF € 704 MILLION

Reflecting operating margin of 13.4%

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## NET INCOME<sup>1</sup>

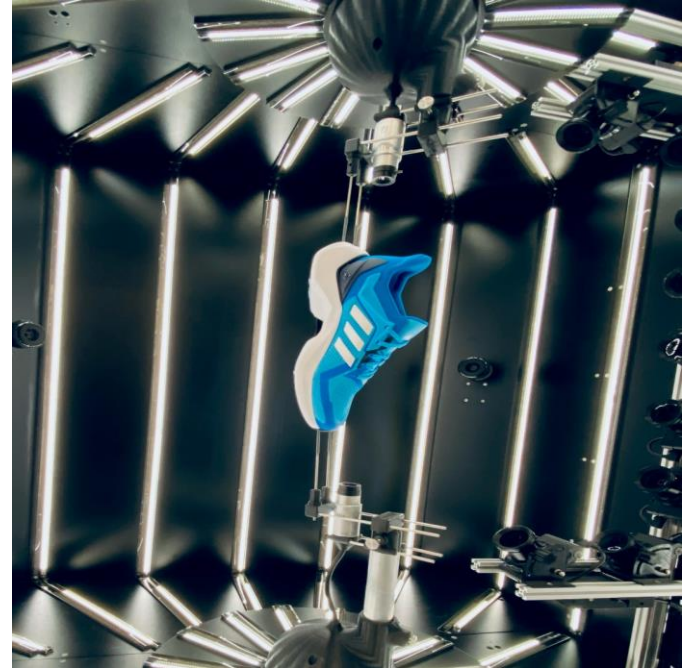
of € 502 million

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## BASIC EPS<sup>1</sup>

of € 2.60

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# OUR GROWTH **MARKETS**

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## GREATER CHINA

Above pre-pandemic level thanks to successful CNY campaign

**+156%**

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## NORTH AMERICA

Above pre-pandemic level with port congestions hindering double-digit growth

**+8%**

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## EMEA

Above pre-pandemic level despite prolonged lockdowns due to exceptional growth in e-com

**+8%**

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# OUR GROWTH CHANNELS

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## EXCEPTIONAL GROWTH IN DTC DRIVEN BY E-COM

E-com revenues almost doubled over two-year period

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## ADDED >30 MILLION MEMBERS IN Q1

Membership program roll-out in Latin America

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## CONFIRMED APP LAUNCHED IN EUROPE

Complementing the US and China

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**+43%**

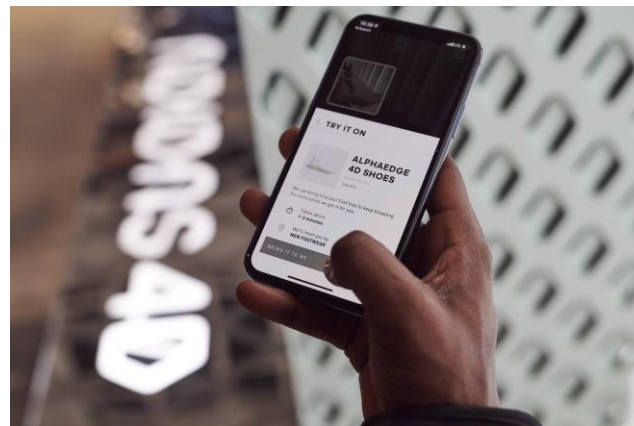
E-COM GROWTH

**+31%**

DTC GROWTH

**34%**

DTC SHARE





# OUR GROWTH CATEGORIES

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## EXCELLENT GROWTH IN RUNNING AMID UB21 LAUNCH

DTC-first introduction of UB21 successfully executed globally

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## OUTDOOR UP CLOSE TO 60% GLOBALLY

Supported by Terrex' new collection for fast trail running

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## WOMEN-DEDICATED INNOVATION IN TRAINING

'Watch Us Move' campaign activated Formotion apparel line

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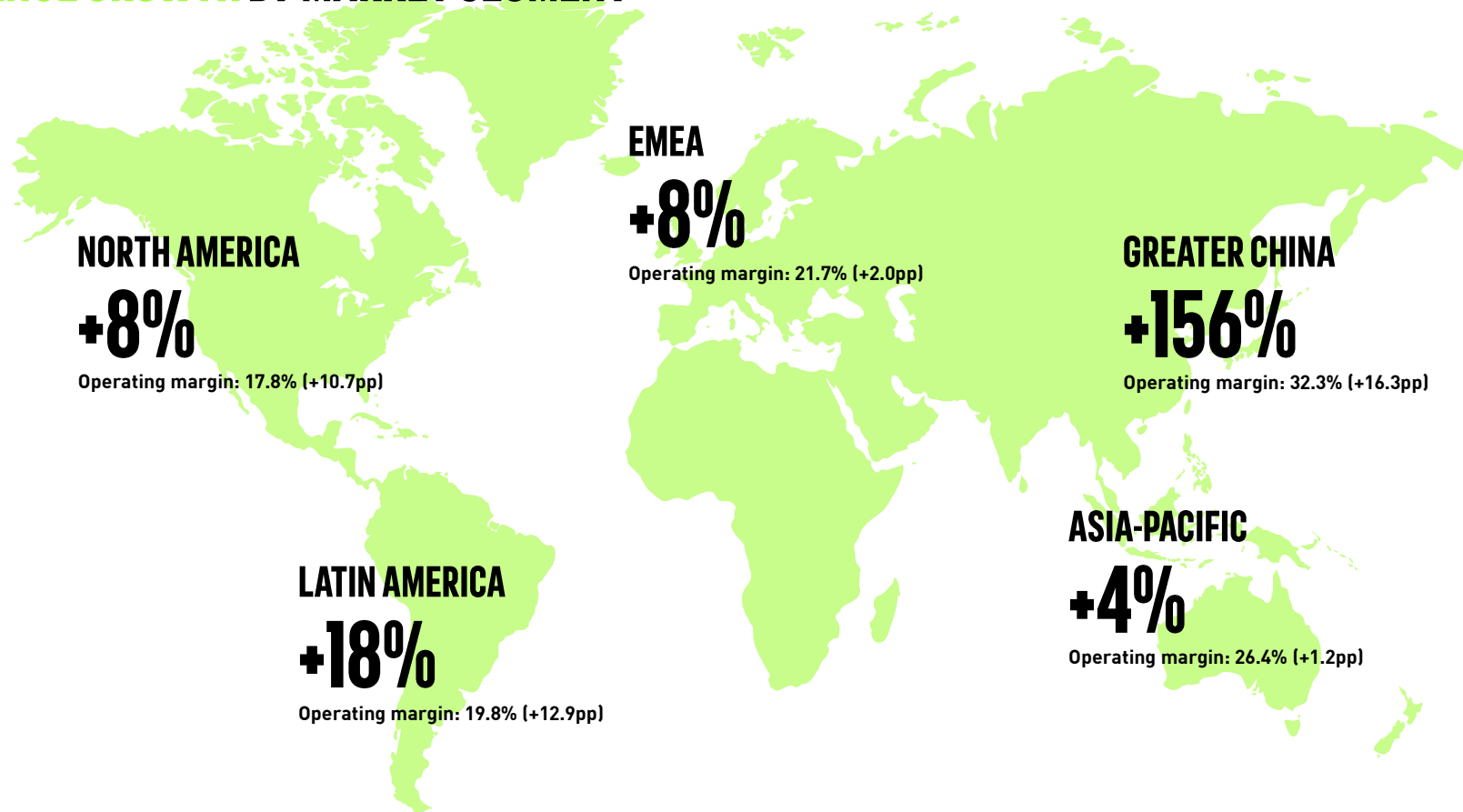




# FINANCIAL UPDATE

HARM OHLMEYER  
CFO

# REVENUE GROWTH BY MARKET SEGMENT





# P&L OVERVIEW

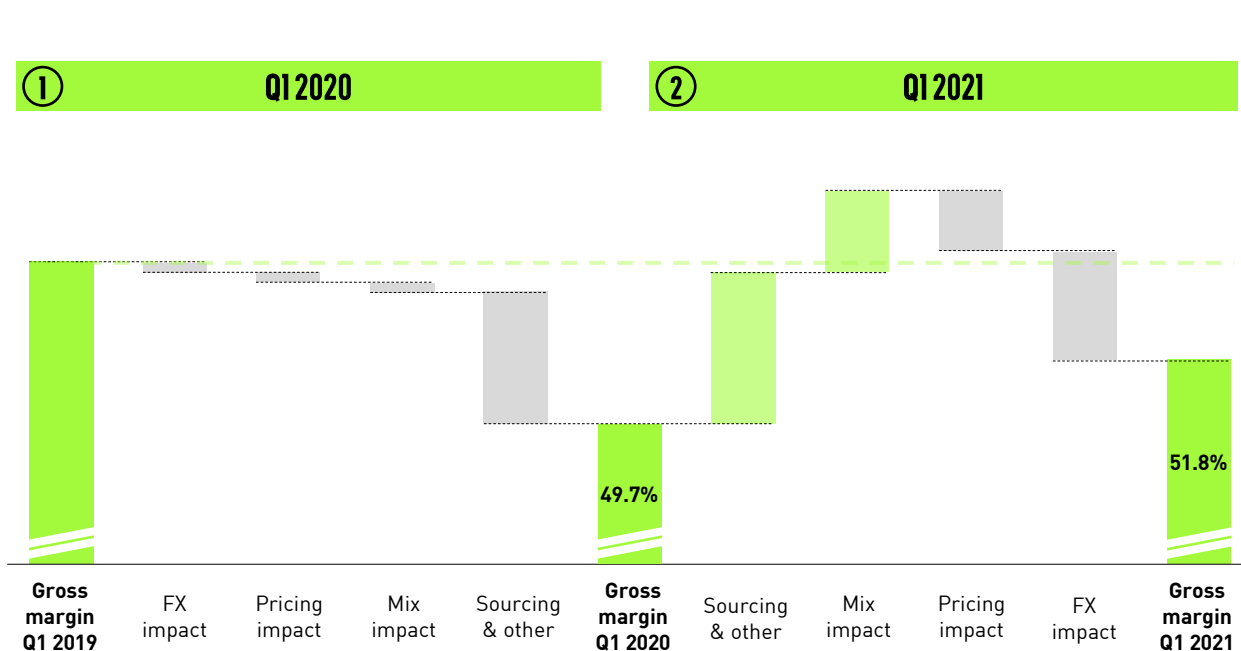
€ IN MILLIONS	Q1 2021	Q1 2020	Y-O-Y
<b>Net Sales</b>	<b>5,268</b>	<b>4,381</b>	<b>+20%</b>
<b>Gross Margin</b>	<b>51.8%</b>	<b>49.7%</b>	<b>+2.1pp</b>
<b>Other Operating Expenses</b> (in % of sales)	<b>2,047</b> 38.9%	<b>2,147</b> 49.0%	<b>-5%</b> -10.1pp
<b>Marketing and Point-of-Sale Expenses</b> (in % of sales)	<b>541</b> 10.3%	<b>648</b> 14.8%	<b>-17%</b> -4.5pp
<b>Operating Overhead Expenses</b> (in % of sales)	<b>1,506</b> 28.6%	<b>1,498</b> 34.2%	<b>+1%</b> -5.6pp
<b>Operating Profit</b>	<b>704</b>	<b>48</b>	<b>&gt;+100%</b>
<b>Operating Margin</b>	<b>13.4%</b>	<b>1.1%</b>	<b>+12.3pp</b>
<b>Net Income</b> from continuing operations	<b>502</b>	<b>26</b>	<b>&gt;+100%</b>
<b>Basic EPS</b> from continuing operations	<b>2.60</b>	<b>0.16</b>	<b>&gt;+100%</b>

**+27% currency-neutral**

Prolonged lockdowns in Europe and industry-wide supply chain challenges **reducing top-line growth at a high-single-digit rate**

Including around **€ 60 million** of stranded costs related to the Reebok divestiture

# GROSS MARGIN DEVELOPMENT DECOMPOSED



»» Gross margin already above 2019 level before FX impact

- Mix impact:** over-proportionate sales decline in Greater China
  - Sourcing & other:** costs for purchase order cancellations with suppliers

- Sourcing & other:** non-recurrence of purchase order cancellation costs
  - Mix impact:** overproportionate sales growth in Greater China and e-com
  - Pricing impact:** promotional activity sequentially improves further; up vs. prior year as discounting still limited in Q1 2020
  - FX impact:** significantly unfavorable FX; to reverse only in H2

# ADJUSTED NET BORROWINGS AND EQUITY POSITION

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## ADJUSTED NET BORROWINGS

At € 3,290 million

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## EQUITY POSITION

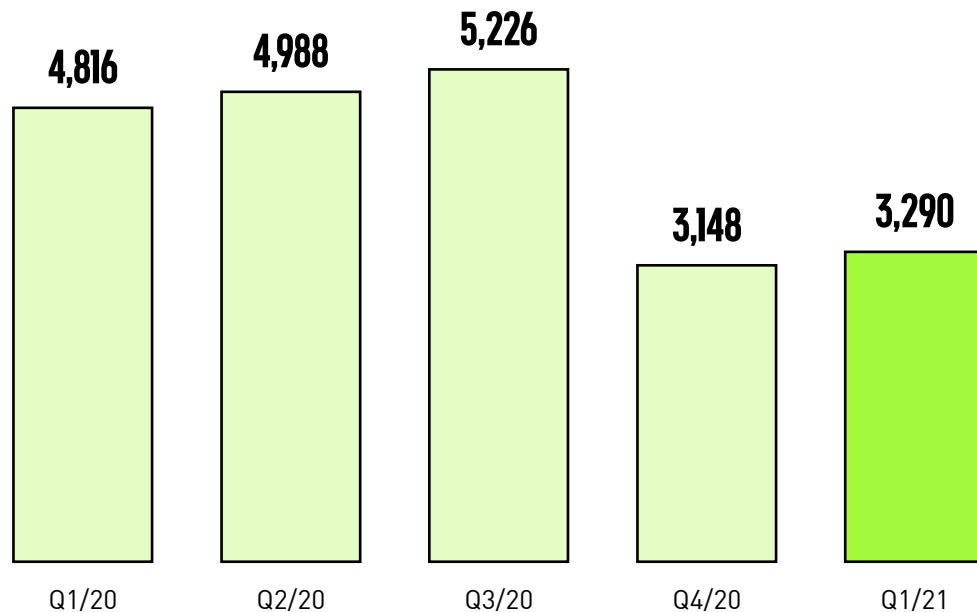
Increase of € 596 million year-on-year

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## EQUITY RATIO

At 33.6%

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# AVERAGE OPERATING WORKING CAPITAL

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## INVENTORIES DOWN 8% C.N. YEAR-ON-YEAR

Supported by Reebok divestiture

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## RECEIVABLES DOWN 12% C.N. YEAR-ON-YEAR

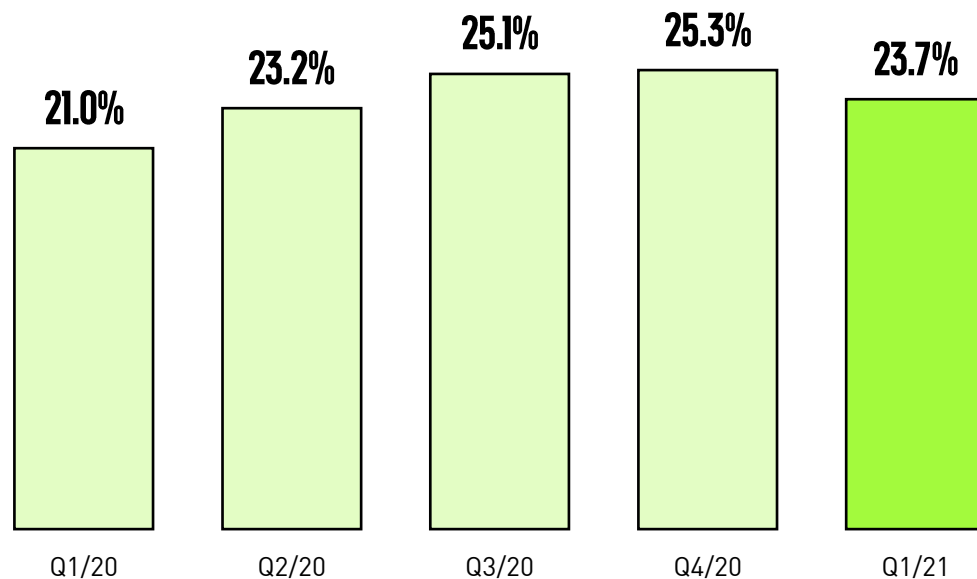
Continued emphasis on cash collection

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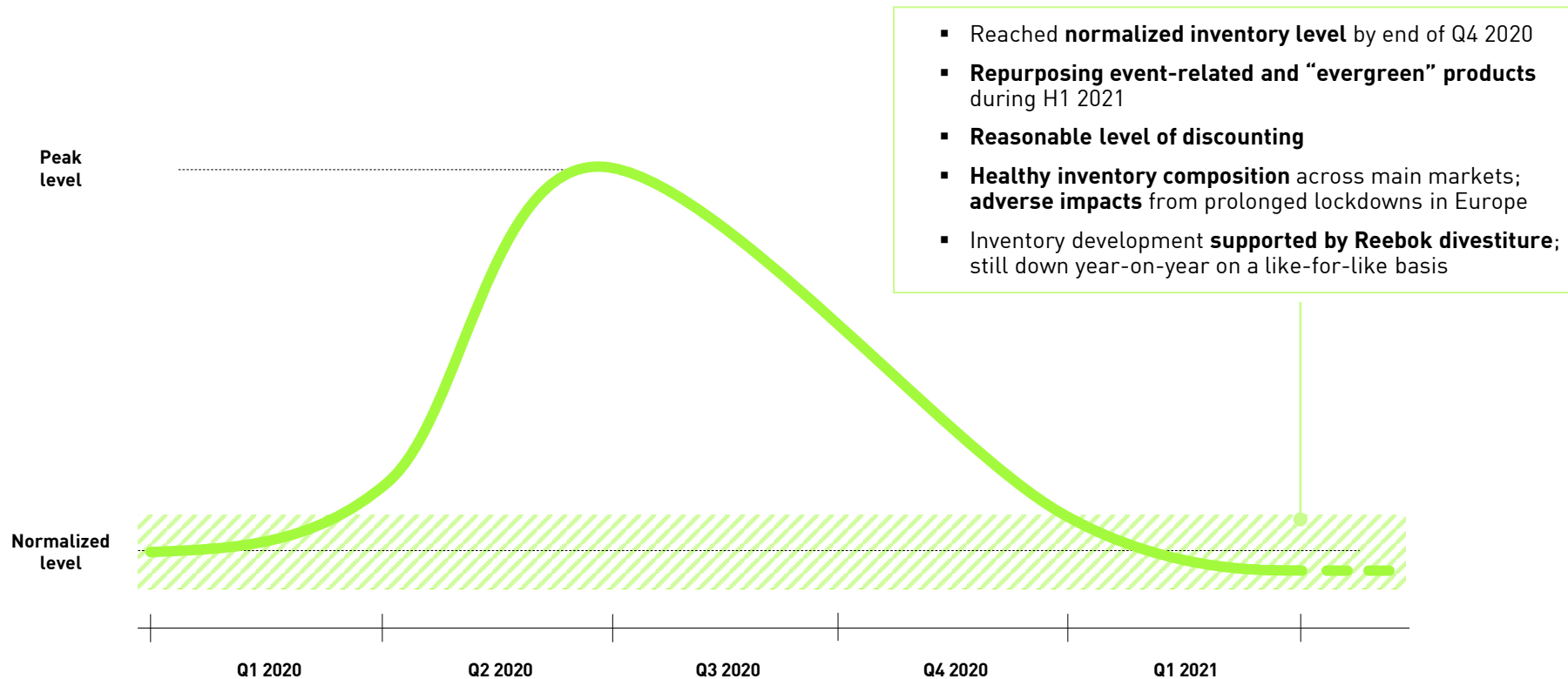
## PAYABLES DOWN 17% C.N. YEAR-ON-YEAR

Normalization of payment terms with vendors

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# INVENTORY DEVELOPMENT DECOMPOSED



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## **SUSTAINABLE BUSINESS RECOVERY**

Double-digit top-line growth backed by strong order book

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## **SALE PROCESS WELL ON TRACK**

Successful future for the brand and the team behind it

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## **STRONG INTEREST RECORDED**

During completed phase of sale process

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# OUTLOOK

KASPER RORSTED  
CEO



# OUR FOCUS

- 1 **DRIVING BRAND MOMENTUM** THROUGH PRODUCT INNOVATION, GLOBAL CAMPAIGNS AND SPORTS EVENTS
- 2 **LEVERAGING OUR DIGITAL CAPABILITIES TO** **ENGAGE AND WIN MEMBERS**
- 3 **MITIGATING** INDUSTRY-WIDE **SUPPLY CHAIN CHALLENGES**
- 4 **PREPARING FOR** **WELCOMING OUR CONSUMERS BACK IN** **ALL PARTS OF THE WORLD**





Q2

Q3





WHERE SOME SEE A  
TEAM CAPTAIN, I SEE  
THE POSSIBILITIES  
TO UNITE PEOPLE  
THROUGH SPORT.

SIYA KOLISI



WHERE SOME SEE AN  
ICON, I SEE A STAGE FOR  
ALL PEOPLE TO FIND  
THEIR OWN VOICES.

BEYONCÉ



WHERE SOME SEE  
SUCCESS, I SEE  
DETERMINATION,  
DEDICATION AND  
TEAMWORK.

DAVID BECKHAM



WHERE SOME SEE A  
SCORING MACHINE,  
I SEE THE POSSIBILITIES  
OF ELEVATING THOSE  
AROUND ME.

JAMES HARDEN



WHERE SOME SEE  
FAST, WE SEE THE  
POSSIBILITIES TO  
GO EVEN FASTER.

ADIDAS ADIZERO



WHERE SOME SEE A  
GAMER, I SEE THE  
POSSIBILITIES OF  
REDEFINING SPORT.

NINJA



WHERE SOME SEE  
THE GREATEST, I SEE  
THE POSSIBILITIES  
TO GIVE BACK TO THE  
GAME I LOVE.

LIONEL MESSI



WHERE SOME SEE  
SUSTAINABILITY,  
WE SEE RESPONSIBILITY.

ADIDAS



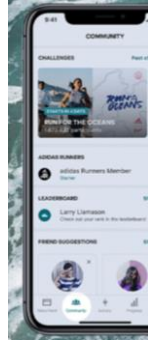
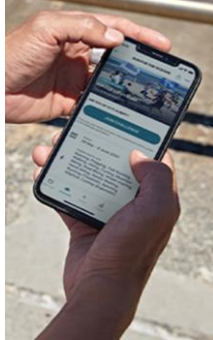
WHERE SOME SEE  
OCEANS FULL OF  
PLASTIC, I SEE  
A FUTURE OF  
ECO INNOVATION.

CYRILL GUTSCH





# RUN FOR THE OCEANS





# EURO 2020 / COPA AMERICA





# TOKYO OLYMPICS



MAX WHITTLOCK



# TOKYO READY

TEAM GB COLLECTION







**UB MADE TO BE REMADE**





4D FWD





# SWIFT R3 GTX



# CREATE YOUR ADVENTURE WITH ADIDAS

Plan your location. Choose your dates and duration.  
Let us take care of the gear for you.

## RENTAL



16/02/2021

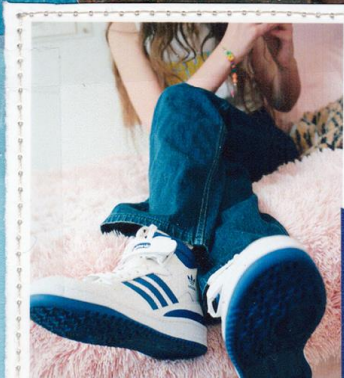
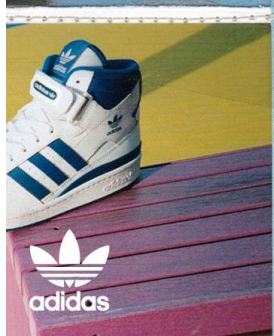


18/02/2021

START



# FORUM



# FORUM

[adidas.com/originals](https://adidas.com/originals)





ZX



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SEEK  
SATISFACTION

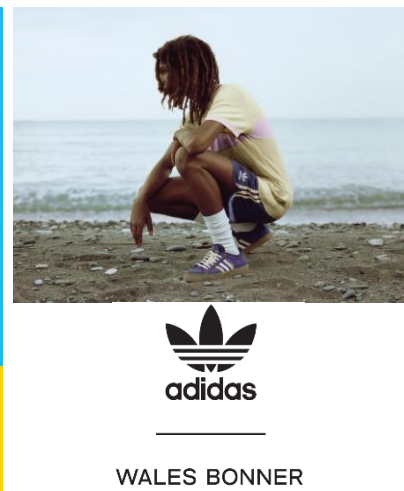
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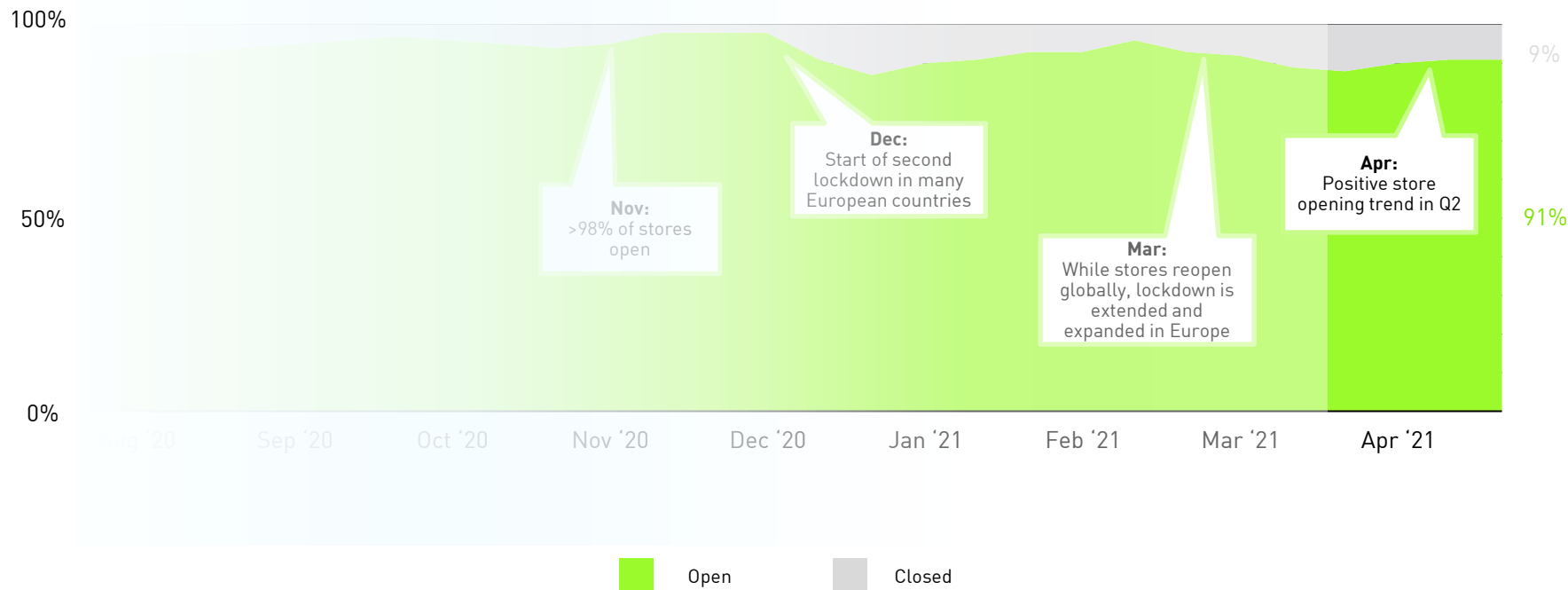


Y-3 FORUM • AZX:0-OVERKILL • BAD BUNNY • ULTRABOOST DNA X LEGO • WOTHERSPOON • WALES BONNER



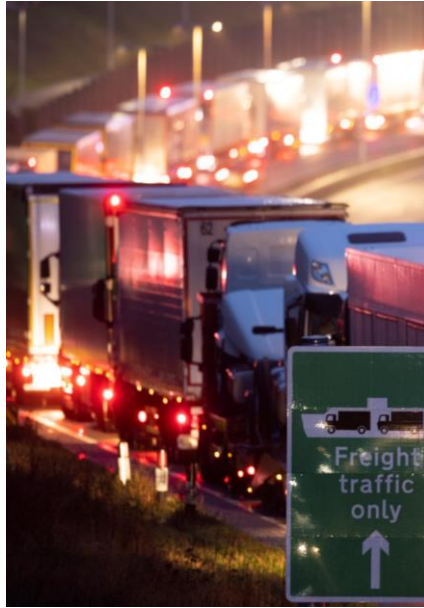
# STORE OPENING TREND CONTINUED

STORE OPENING RATE RETURNING TO >90% BEGINNING OF Q2





# MITIGATING GLOBAL SUPPLY CHAIN CHALLENGES



**FREIGHT  
COSTS**



**CAPACITY  
CONSTRAINTS**

**PORT  
CONGESTIONS**

**WELCOMING OUR CONSUMERS BACK IN ALL PARTS OF THE WORLD**



# OUTLOOK 2021 UPGRADED

## FY 2021 GUIDANCE

Net sales

**Upgraded: High-teens increase**

Gross margin

**Increase to around 52%**

Operating margin

**Increase to 9% - 10%**

Net income

**Increase to € 1.25 - € 1.45 billion**

## FY 2021 TOP-LINE OUTLOOK UPGRADED

- High-teens currency-neutral growth
- Stronger-than-expected demand for brand's products

## OUTLOOK UPGRADE DESPITE

- Prolonged lockdowns in Europe
- Industry-wide supply chain challenges
- Geo-political situation

## Q2 2021 ACCELERATION

- Significant sequential top-line acceleration
- Net sales expected to increase by around 50%

# SUMMARY

- 1 Q1 DELIVERED **AHEAD OF PLAN** DESPITE PROLONGED LOCKDOWNS IN EUROPE
- 2 **EXCEPTIONAL GROWTH IN DTC REFLECTING STRONG BRAND AND PRODUCT MOMENTUM**
- 3 **FULL-YEAR OUTLOOK UPGRADED WITH 2021 TO BE SUCCESSFUL FIRST YEAR OF NEW STRATEGIC CYCLE**
- 4 **OWN THE GAME NOW IN EXECUTION** ACROSS THE ENTIRE COMPANY





## INNOVATION DAY IN Q4



**Q&A**

