

Q2 2020 RESULTS

August 6, 2020



adidas

AGENDA

- 01** INTRODUCTION
- 02** BUSINESS UPDATE
- 03** FINANCIAL UPDATE
- 04** OPERATIONAL UPDATE
- 05** OUTLOOK





INTRODUCTION



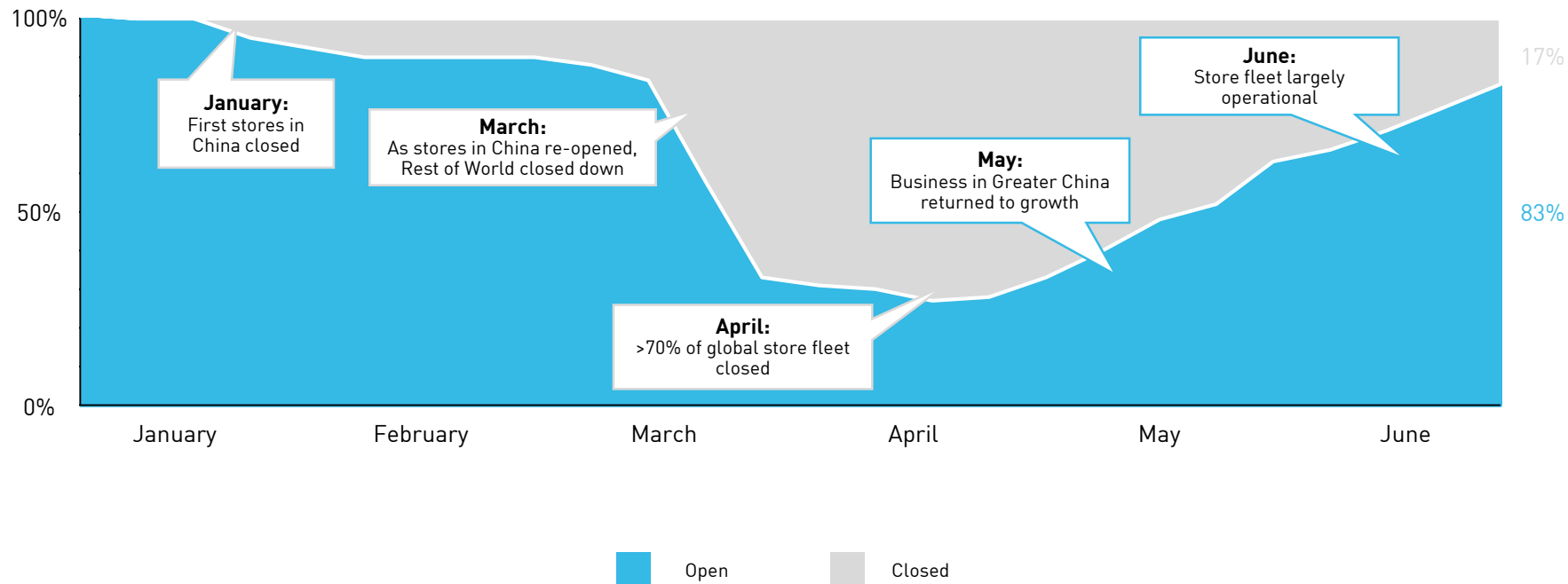
MANAGEMENT FOCUS

NAVIGATING TOWARD LONG-TERM SUCCESS



EXECUTE THROUGH COVID-19

STORE FLEET LARGELY OPERATIONAL AT THE END OF Q2



EXECUTE THROUGH COVID-19

PROTECTING OUR PEOPLE, COMMUNITIES AND PARTNERS REMAINS TOP PRIORITY

HEALTH AND SAFETY IN OUR STORES

Executing store re-opening in accordance with social distancing measures and local regulations



HEALTH AND SAFETY IN OUR OFFICES

Providing workplace flexibility and safe in-office environment



SUPPLY CHAIN RESPONSIBILITY

Supporting our supply chain partners and their workers through best-practice sharing



SHAPE STRUCTURAL TRENDS

LONG-TERM INDUSTRY TRENDS SUPPORTING FUTURE GROWTH

HEALTH AND SPORTS EVEN MORE IMPORTANT TO CONSUMERS

Around 50% of age group 18-34 plan to exercise more as a result of the coronavirus pandemic

~50%

FASHION SHIFT TOWARD ATHLEISURE SET TO ACCELERATE

Around 75% of surveyed companies plan to shift employees to permanently remote positions post-coronavirus

~75%

FAST-FORWARD OF DIGITAL TRANSFORMATION

adidas digital sales penetration more than 1/3 in H1 when combining own e-com and partners' online revenues

>33%

CREATE LASTING CHANGE NOW

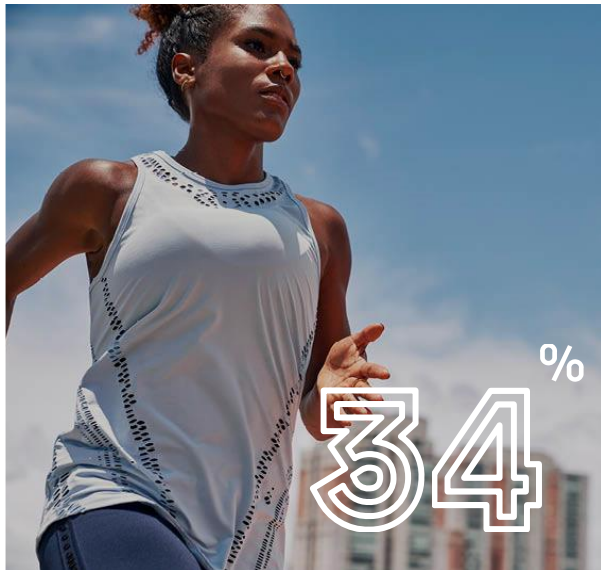
WE ARE A DIVERSE COMPANY WITH ZERO TOLERANCE FOR DISCRIMINATION AND RACISM



**Around 90% of our employees
hold international passports**



**Employees from more than 100 nations
work at the company's global HQ**



**Women represent 34% of
management positions globally**

CREATE LASTING CHANGE NOW

COMMITMENTS TO DRIVE FURTHER CHANGE

COMMITMENTS GLOBALLY

WE ESTABLISH A COMMITTEE TO ACCELERATE INCLUSION & EQUALITY

Committee to focus on advancement of underrepresented groups; sponsored by the CEO and consisting of diverse representatives

WE STRENGTHEN OUR GLOBAL ANTI-DISCRIMINATION POLICY

Independent third-party firm to govern the investigation of cases; strict non-retaliation policy to protect employees that report violations

WE REFORM OUR HIRING AND CAREER DEVELOPMENT PROCESSES

Removing hiring bias, increasing representation and oversight; new mentoring and talent programs for Black and Latinx employees

WE CELEBRATE DIVERSITY

Celebrating Black History Month, Lunar New Year, International Women's Day, Pride, Hispanic Heritage Month and Diwali, among others

COMMITMENTS IN THE UNITED STATES

WE INVEST \$ 120 MILLION IN OUR BLACK COMMUNITIES OVER 5 YEARS

We increase funding for our programs that support, empower and elevate the Black community

WE INVEST IN UNIVERSITY SCHOLARSHIPS

We finance 50 scholarships each year for Black students at partner schools

WE INCREASE THE DIVERSITY OF OUR EMPLOYEES

We fill a minimum of 30% of all new positions in the US with Black and Latinx people and target 12% leadership representation by 2025

WE MAKE JUNETEENTH A PAID HOLIDAY

Our offices, distribution centers and retail stores will be closed on June 19 to commemorate the end of slavery in the United States

@2

BUSINESS UPDATE



CONSUMER HIGHLIGHTS

Q2 2020



READY FOR SPORT

THE SERIES



LEO
MESSI



PATRICK
MAHOMES



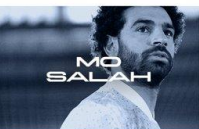
ALL
BLACKS



GARBINE
MUGURUZA



CANDACE
PARKER



MO
SALAH



ADIDAS
RUNNERS



DONOVAN
MITCHELL



STRENGTHS & WEAKNESSES

Q2 2020



+

GREATER CHINA RECOVERY AHEAD OF INITIAL PLAN

Return to growth in May paving the way for flat quarter

+

DTC BUSINESS UP SLIGHTLY DUE TO DIGITAL ACCELERATION

Exceptional growth in e-com compensates for store closures

+

IMPACTFUL CONSUMER MARKETING AND PRODUCT LAUNCHES

Despite lockdowns and store closures in most parts of the world

+

FINANCIAL FLEXIBILITY SAFEGUARDED

Through disciplined cash and cost management

-

NORTH AMERICA LAGGING BEHIND OTHER MAJOR MARKETS

Store fleet not yet fully operational due to external developments

-

INVENTORIES REACHING EXPECTED PEAK LEVEL DURING Q2

Plans to manage down inventories toward year-end in place

-

GROSS MARGIN FACING HEADWINDS

From promotional activity, adverse FX and inventory allowances

-

PROFITABILITY IN NEGATIVE TERRITORY

Due to revenue shortfall and coronavirus-related charges

P&L AT A GLANCE

Q2 2020

REVENUES DECREASE 34% CURRENCY-NEUTRAL

And 35% in euro terms to € 3.579 billion

GROSS MARGIN DOWN 2.4PP TO 51.0%

Headwinds from promotional activity, adverse FX and inventory allowances

OPERATING LOSS OF € 333 MILLION

Due to revenue shortfall and coronavirus-related charges

NET LOSS FROM CONTINUING OPERATIONS

Of € 306 million

BASIC EPS FROM CONTINUING OPERATIONS

Of negative € 1.45



STRATEGIC GROWTH AREAS

Q2 2020

ADIDAS NORTH AMERICA

Despite triple-digit e-com growth

-37%

GREATER CHINA

Double-digit growth in May and June

+0%

E-COMMERCE

Triple-digit growth in April and May

+93%

Currency-neutral.



ADIDAS AND REEBOK BRAND PERFORMANCE

MORE PRONOUNCED DECLINE FOR REEBOK DUE TO HIGHER NORTH AMERICA EXPOSURE

ADIDAS REVENUES



-33%

REEBOK REVENUES



-42%

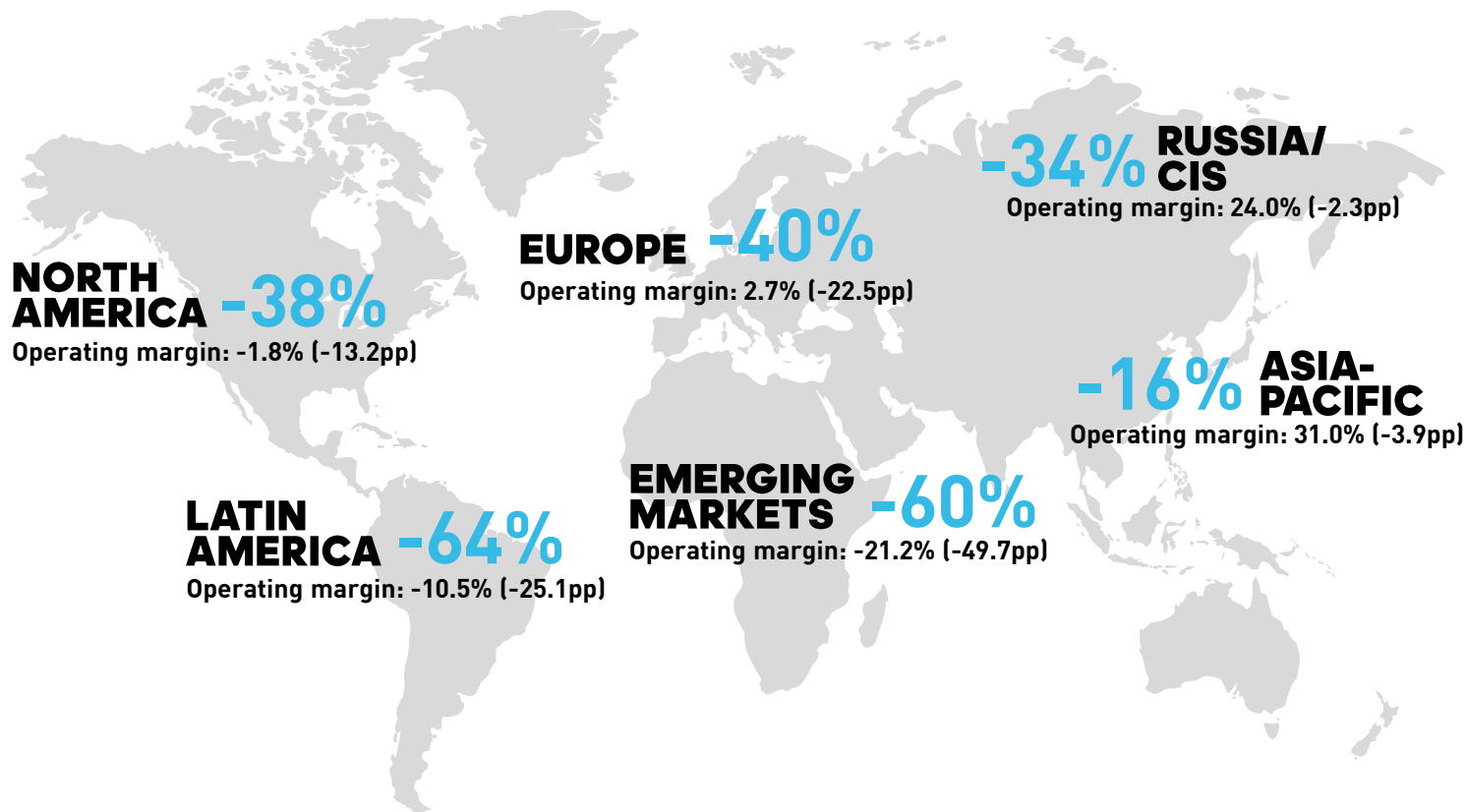


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FINANCIAL UPDATE

REVENUE GROWTH BY MARKET SEGMENT

CORONAVIRUS HAD A GLOBAL IMPACT IN Q2



P&L OVERVIEW

Q2 RESULTS REFLECT MATERIAL NEGATIVE CORONAVIRUS IMPACT

(€ in millions)	Q2 2020	Q2 2019	Y-O-Y
NET SALES	3,579	5,509	-35%
GROSS MARGIN	51.0%	53.5%	-2.4pp
OTHER OPERATING EXPENSES	2,189	2,346	-7%
<i>(in % of sales)</i>	61.1%	42.6%	+18.6pp
MARKETING AND POINT-OF-SALE EXPENSES	560	744	-25%
<i>(in % of sales)</i>	15.6%	13.5%	+2.1pp
OPERATING OVERHEAD EXPENSES	1,628	1,602	+2%
<i>(in % of sales)</i>	45.5%	29.1%	+16.4pp
OPERATING LOSS/PROFIT	-333	643	n.a.
OPERATING MARGIN	-9.3%	11.7%	-21.0pp
NET LOSS/INCOME from continuing operations	-306	462	n.a.
BASIC EPS from continuing operations (€)	-1.45	2.33	n.a.

Slight increase when excluding inventory allowances
– details on separate slide

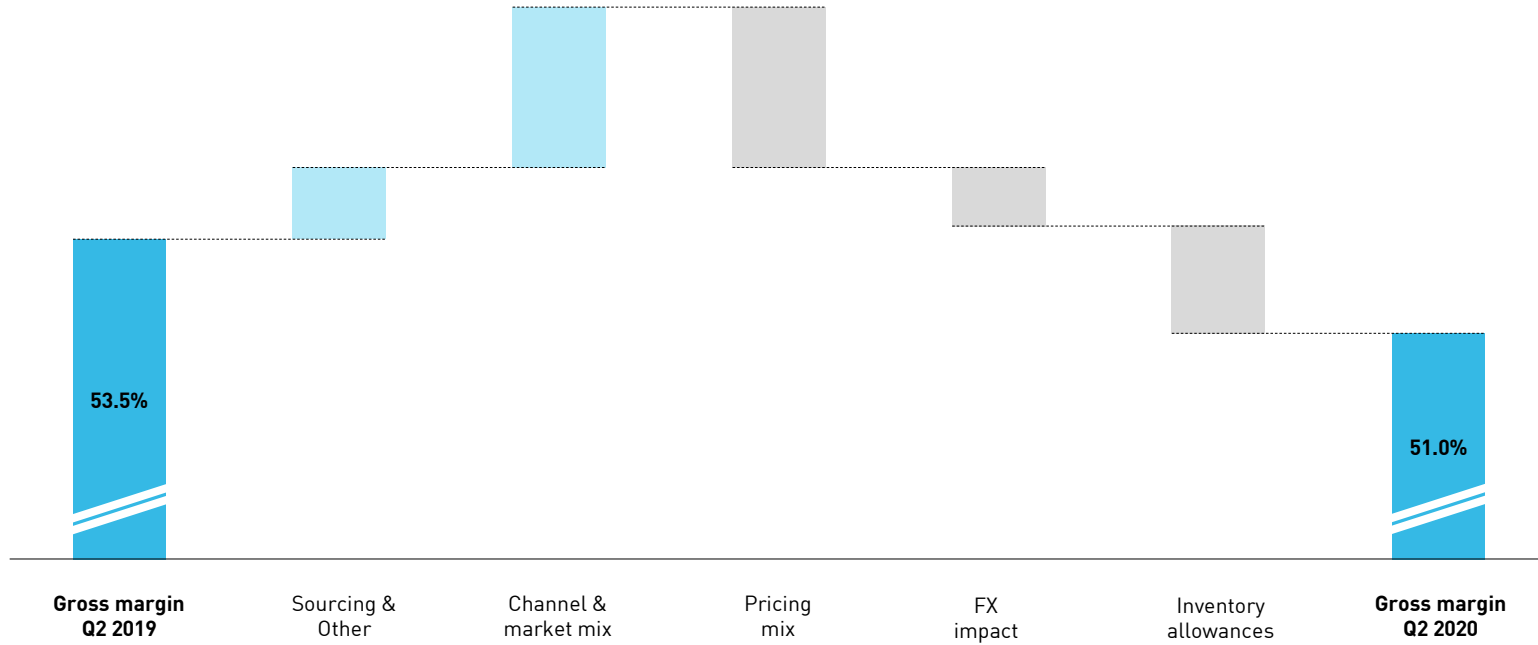
Underlying decline more than offset by business-driven and coronavirus-related increases
– details on separate slide

Including **negative impact of around € 250 million*** due to coronavirus-related costs

*Reflecting the combined impact from the increase in inventory and bad debt allowances as well as the impairment of retail stores and the Reebok trademark.

GROSS MARGIN DEVELOPMENT DECOMPOSED

SLIGHT INCREASE WHEN EXCLUDING INVENTORY ALLOWANCES

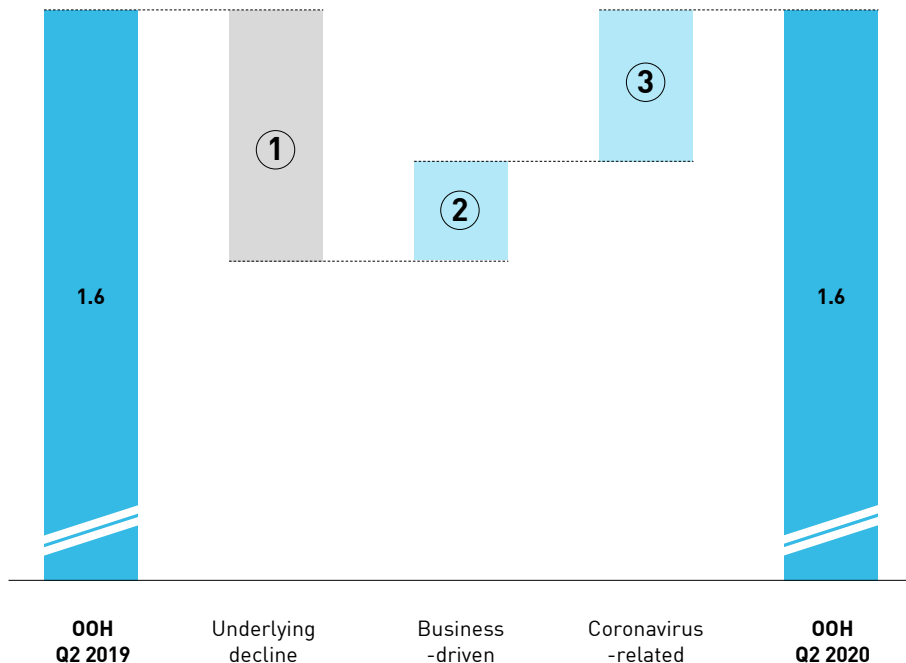


OVERHEAD COST DEVELOPMENT DECOMPOSED

DOUBLE-DIGIT UNDERLYING DECLINE MASKED BY E-COM GROWTH AND CORONAVIRUS-RELATED COSTS

Q2 00H DEVELOPMENT

€ in billions



DECOMPOSITION

① Underlying decline resulting from tactical measures

- T&E as well as other discretionary spend reduced materially
- Personnel expenses down despite largely stable headcount
- Reduction and delay of retail expansion as well as IT projects

② Business-driven increase

- Support of exceptional e-com growth
- Volume-driven increase of logistics and freight costs

③ Coronavirus-related increase

- Impairment of retail stores and Reebok trademark
- Higher bad debt allowances

NET DEBT AND EQUITY POSITION

NET DEBT INCREASES BY € 1,154 MILLION YEAR-ON-YEAR

Net debt

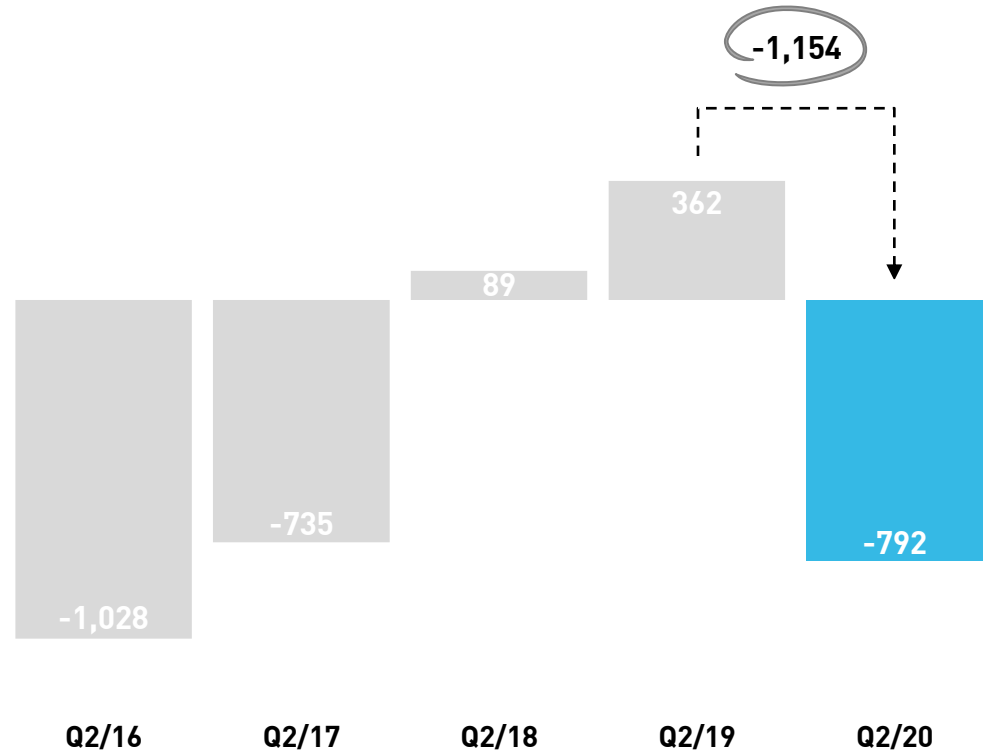
At € 792 million

Equity position

At € 6,230 million

Equity ratio

At 30.7%



AVERAGE OPERATING WORKING CAPITAL

EFFECTIVE CASH MEASURES PARTLY OFFSET INVENTORY INCREASE

Inventories up 49% c.n. year-on-year

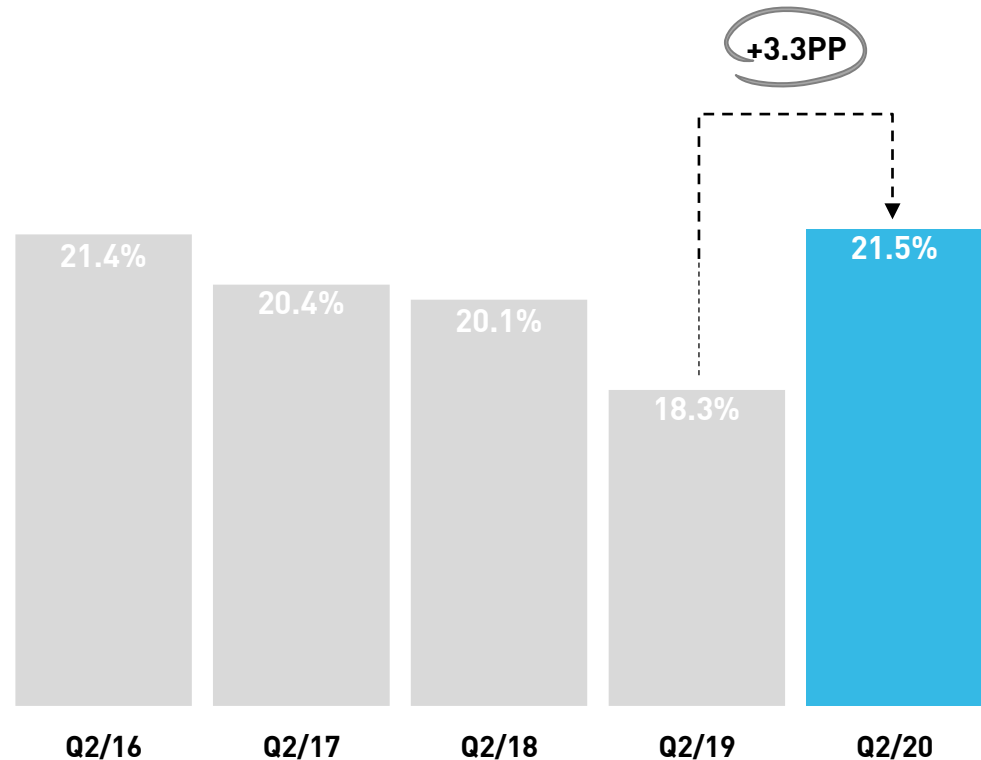
Plans to manage down toward year-end in place

Receivables down 31% c.n. year-on-year

Execution of cash measures and fewer shipments

Payables up 23% c.n. year-on-year

Reflecting measures to manage cash outflows





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OPERATIONAL UPDATE

EXECUTE THROUGH COVID-19

STRIKING THE BALANCE BETWEEN SHORT AND LONG TERM

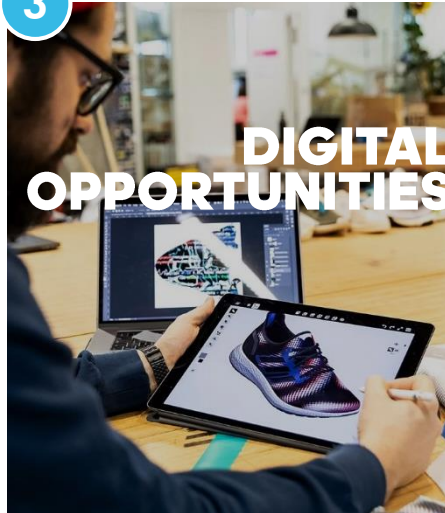
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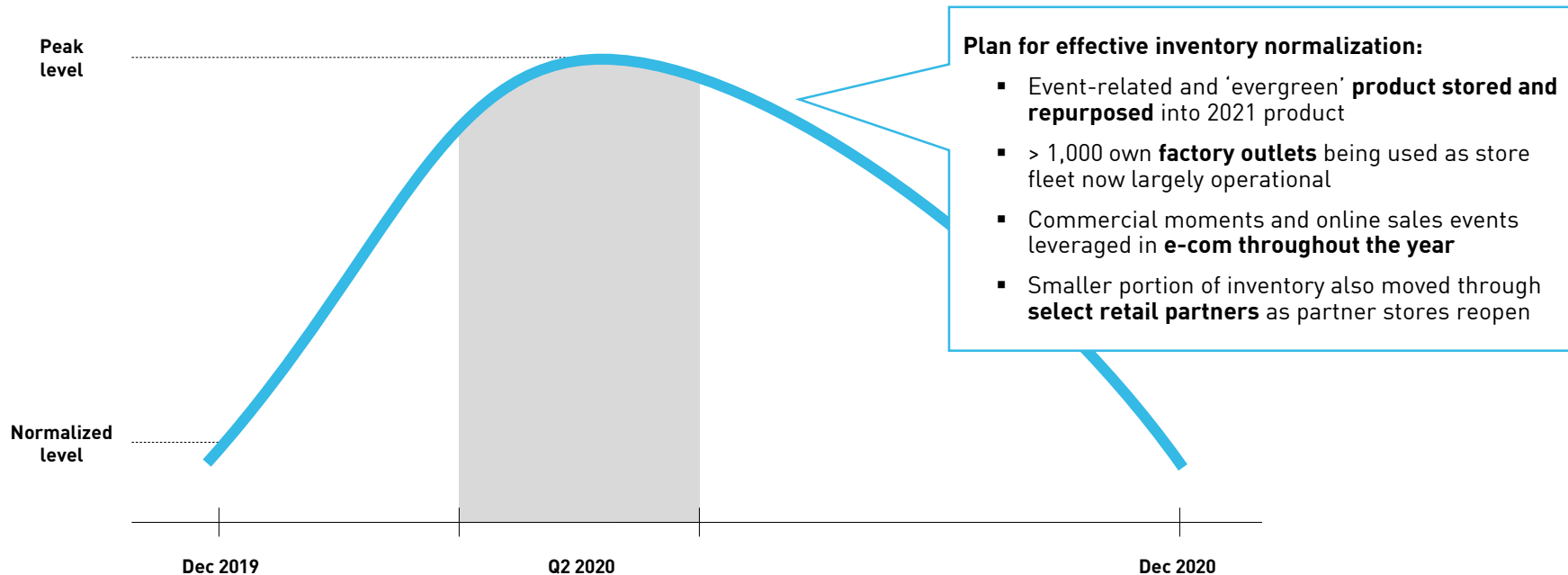


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1 INVENTORY NORMALIZATION TOWARD YEAR-END FROM PEAK IN JUNE

OPERATIONAL FLEXIBILITY



1 FLEXIBLY DRIVING OUR PRODUCT PIPELINE

OPERATIONAL FLEXIBILITY



Increase
inflows

- **Push e-com**
- **Prioritize China** and other open markets
- **Intensify credit collection** efforts

Reduce
outflows

- **Trade payables:** proactive adjustment of order book
- **OPEX:** cut discretionary spend, reduce management compensation, make use of short-time working, cancel marketing activities
- **CAPEX:** stop retail expansion/remodeling, IT projects

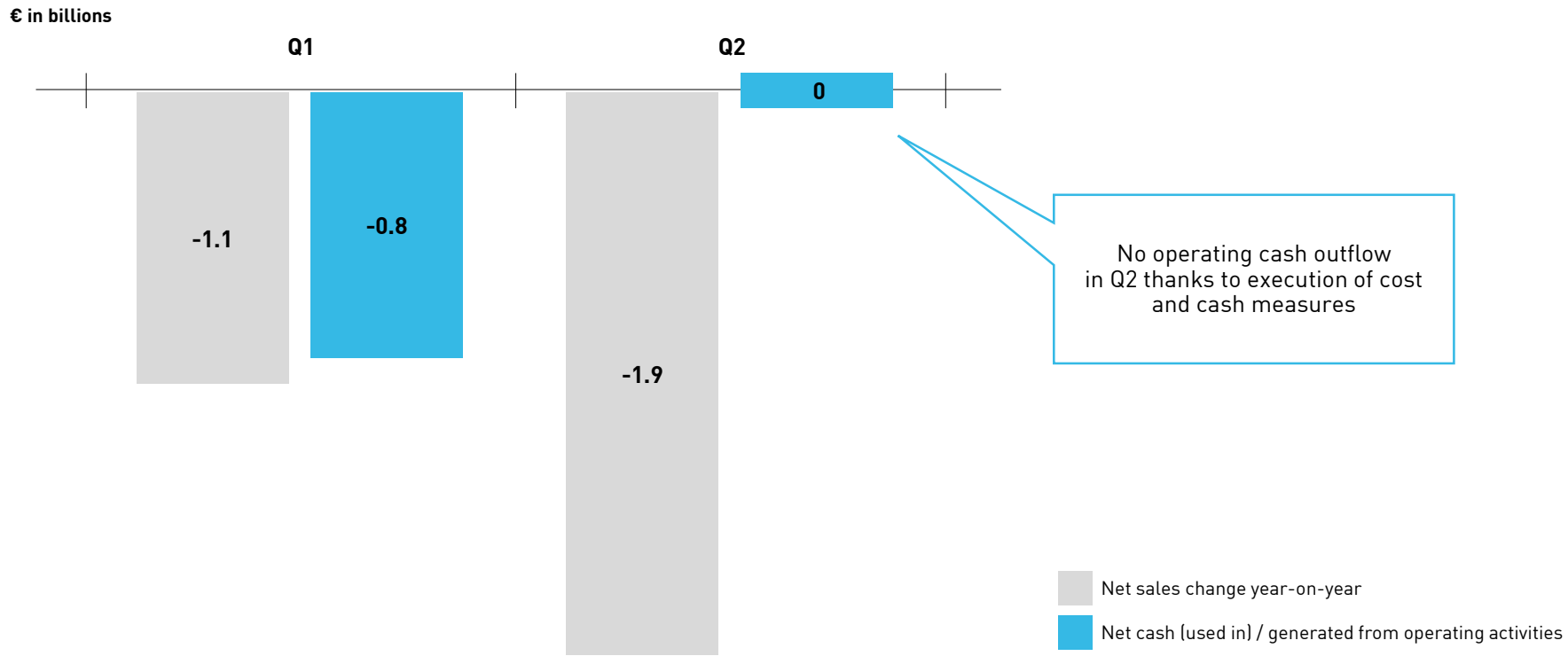
Additional
financing

- Draw committed and uncommitted **credit lines**
- **Repatriate cash** from foreign entities
- **Bridge financing** through KfW syndicated loan



2 NO OPERATING CASH OUTFLOW IN Q2 DESPITE MATERIAL NET SALES DECLINE

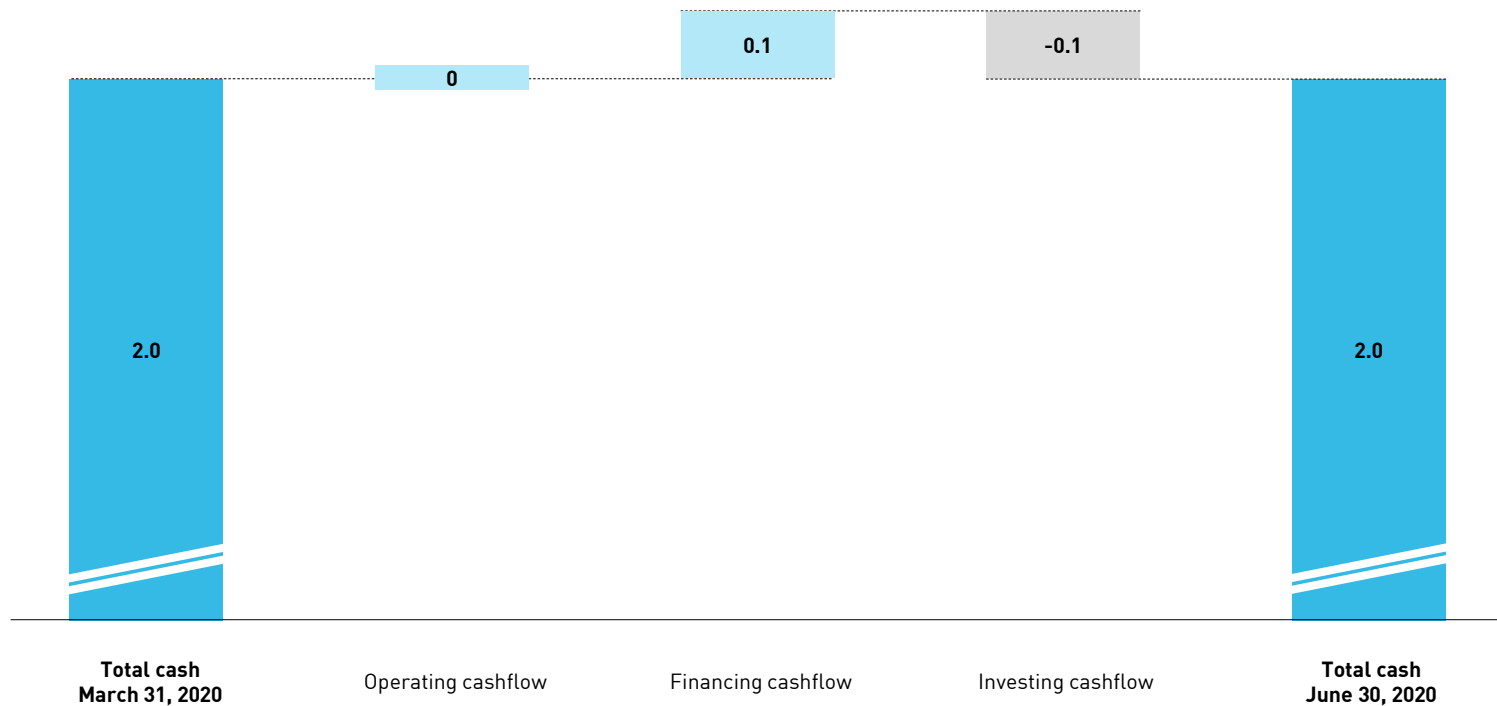
FINANCIAL FLEXIBILITY



2 CASH POSITION STABLE AT € 2.0 BILLION

FINANCIAL FLEXIBILITY

€ in billions



S&P Global

A+ Outlook stable

MOODY'S

A2 Outlook stable



- Global **scale and reach** within an **attractive industry**
- High **brand awareness** and **sports credibility**
- Strong **focus on innovation**
- Track record of **sales growth** and **margin improvement**
- Strong **credit metrics**, robust **liquidity profile** and conservative **financial policies**

3 DIGITAL BRAND BUILDING DRIVES COMMERCIAL SUCCESS

DIGITAL OPPORTUNITIES

BRAND-BUILDING PLATFORMS

SOCIAL MEDIA



~400m video views
for the #hometeam
campaign

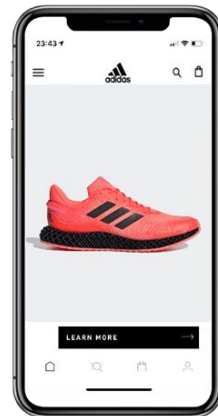
RUNNING & TRAINING APP



>3x Training app usage more
than tripled in March-May with
>90% organic traffic

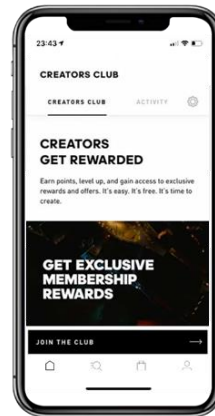
COMMERCIAL PLATFORMS

ADIDAS APP



>4x sales growth
in the adidas app
in 2020 so far

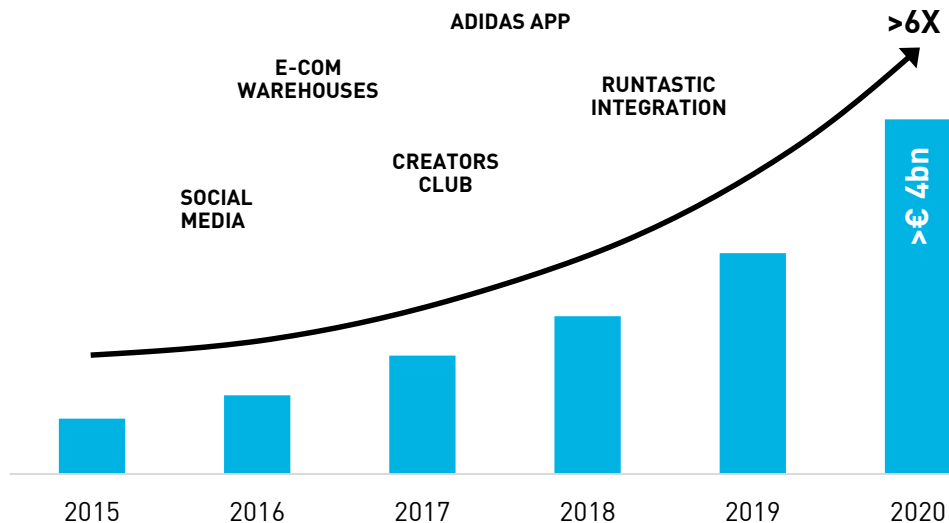
CREATORS CLUB



>60% of online sales
through Creators Club
members

3 INTEGRATED ECOSYSTEM ESTABLISHED AND FURTHER BUILDING BLOCKS DEFINED

DIGITAL OPPORTUNITIES



Building blocks and investments for future growth

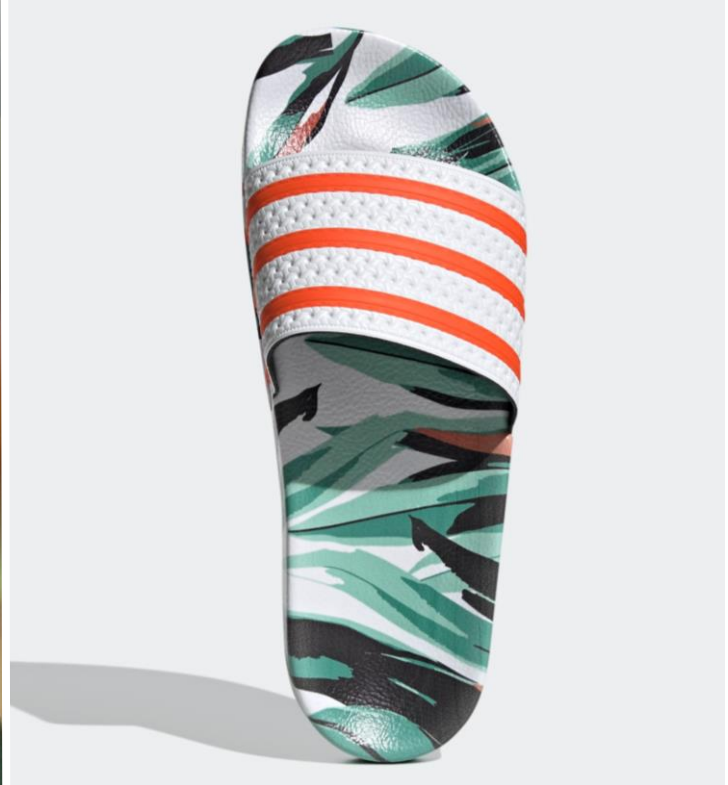
- **Members first:** Creators Club as anchor of the digital adidas experience
- **Targeted marketing:** Consistent storytelling across all channels
- **Data-driven creation:** Leverage consumer insights along the value chain
- **Operational backbone:** More logistics capacity needed to fulfill rising demand

Strong foundation as part of 'Creating The New'...

...but further investments defined

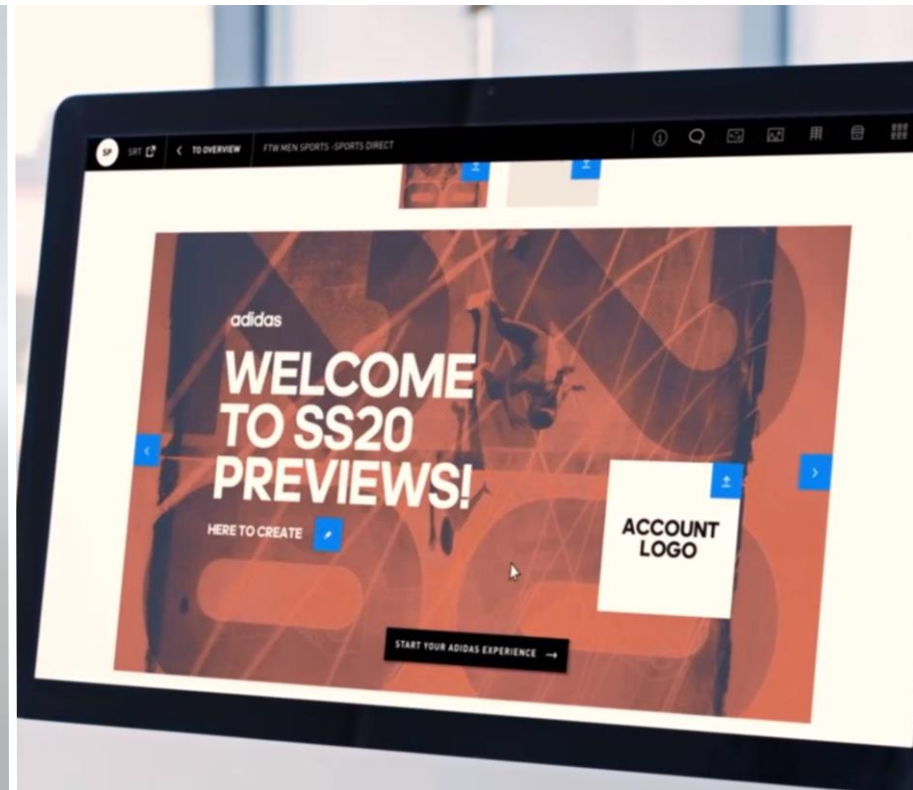
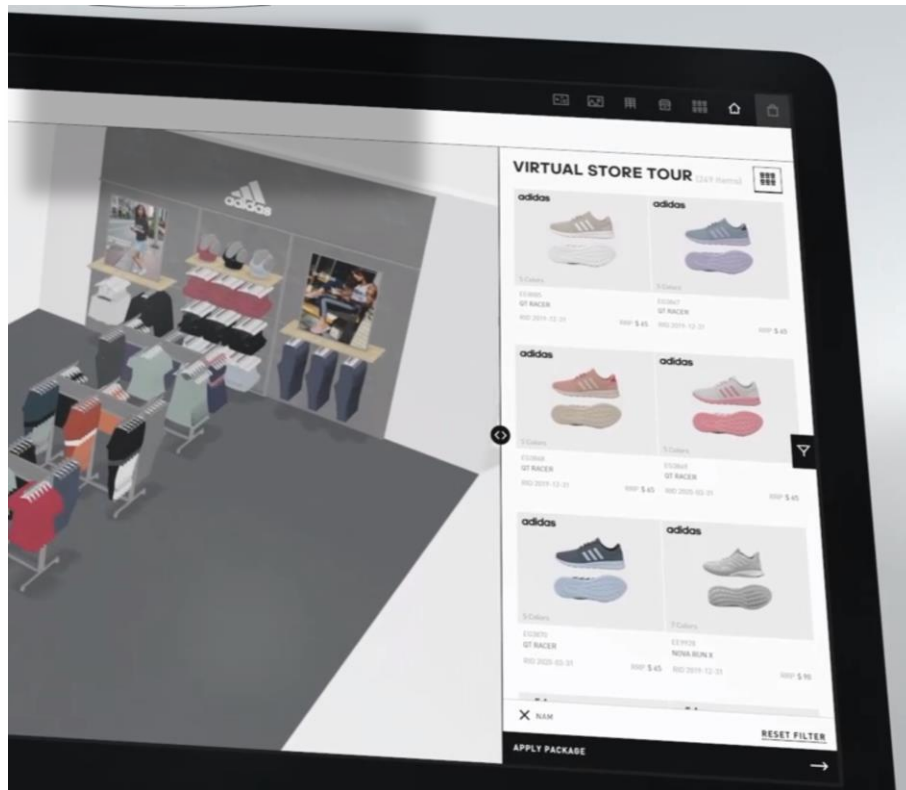
3 COMMERCIALIZING DIGITAL CAPABILITIES THROUGH RAPID CREATION

DIGITAL OPPORTUNITIES



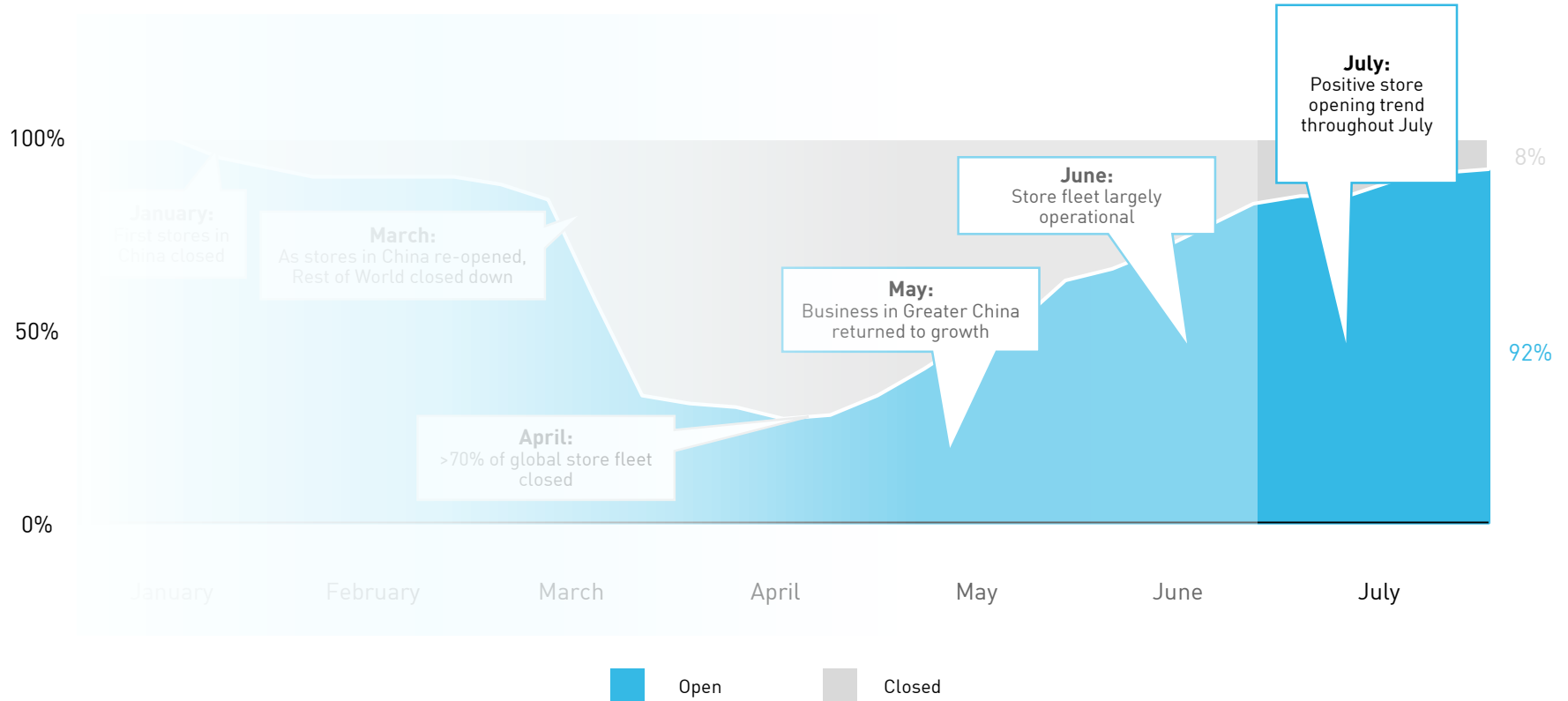
3 WINNING WITH THE WINNERS THROUGH DIGITAL SELL-IN PROCESS

DIGITAL OPPORTUNITIES



4 STORE OPENING TREND POSITIVE THROUGHOUT JULY

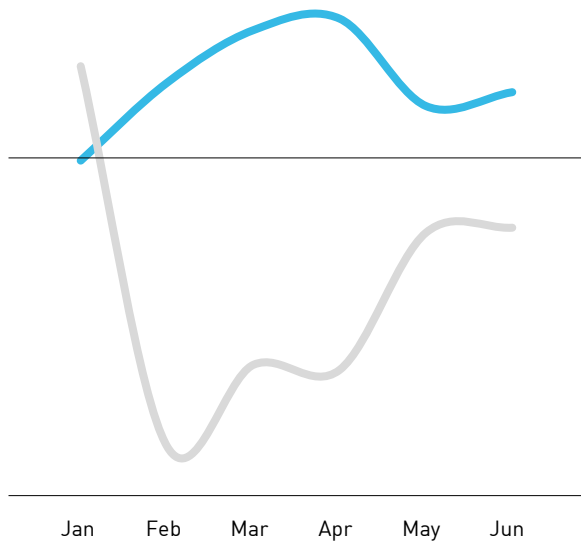
RETAIL RECOVERY



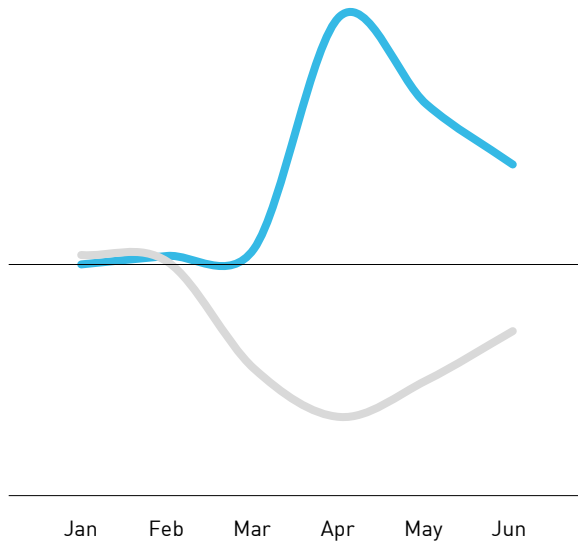
4 OWN RETAIL TRAFFIC AND CONVERSION TREND

RETAIL RECOVERY

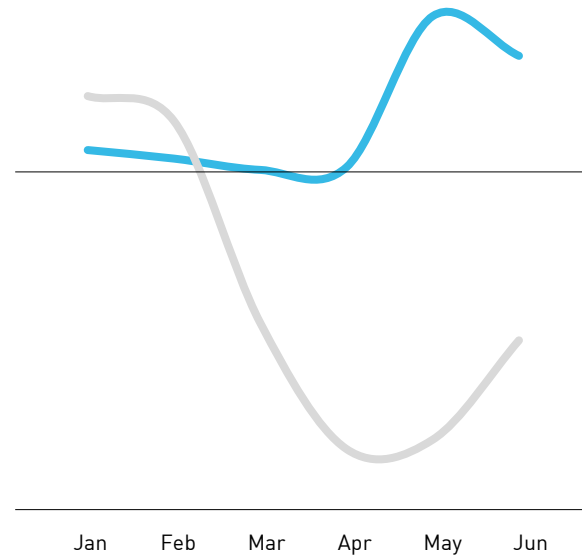
ASIA-PACIFIC



EUROPE



NORTH AMERICA



Conversion rate vs. PY (%)

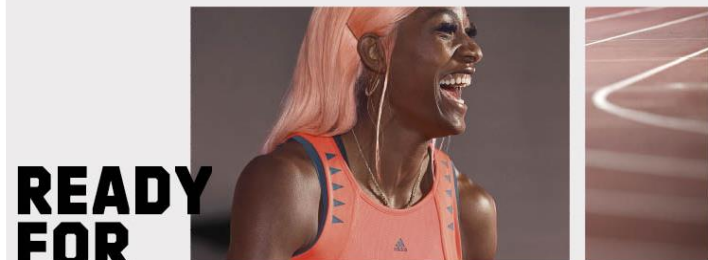


Traffic vs. PY (%)

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OUTLOOK





**READY
FOR
SPORT**

SHAUNAE MILLER-UIBO
OLYMPIC SPRINTER



RDY





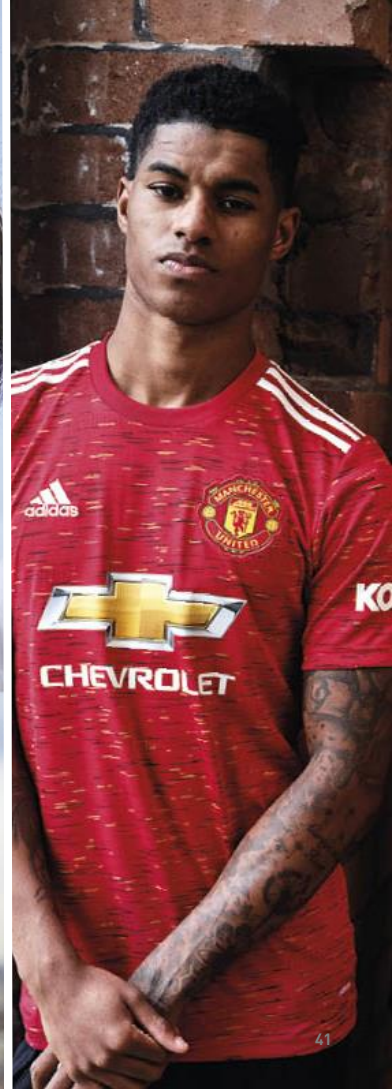


OUTDOOR





CLUBS





ZX 2K BOOST



HYPE



SUPERSTAR











CLEAN CLASSICS





OUTLOOK FOR Q3 2020

SIGNIFICANT SEQUENTIAL IMPROVEMENT EXPECTED

	Q1 2020	Q2 2020	Q3 2020 Trend (vs. Q2)
Net sales	-19%	-34%	
North America	+1%	-38%	
Asia-Pacific	-45%	-16%	
Europe	-8%	-40%	
E-commerce	+35%	+93%	
Operating result	€ 65m	-€ 333m	

Q3 2020 outlook:

Net sales: mid- to high-single-digit decline

Operating profit: of € 600-700 million

Key assumptions:

No major lockdowns

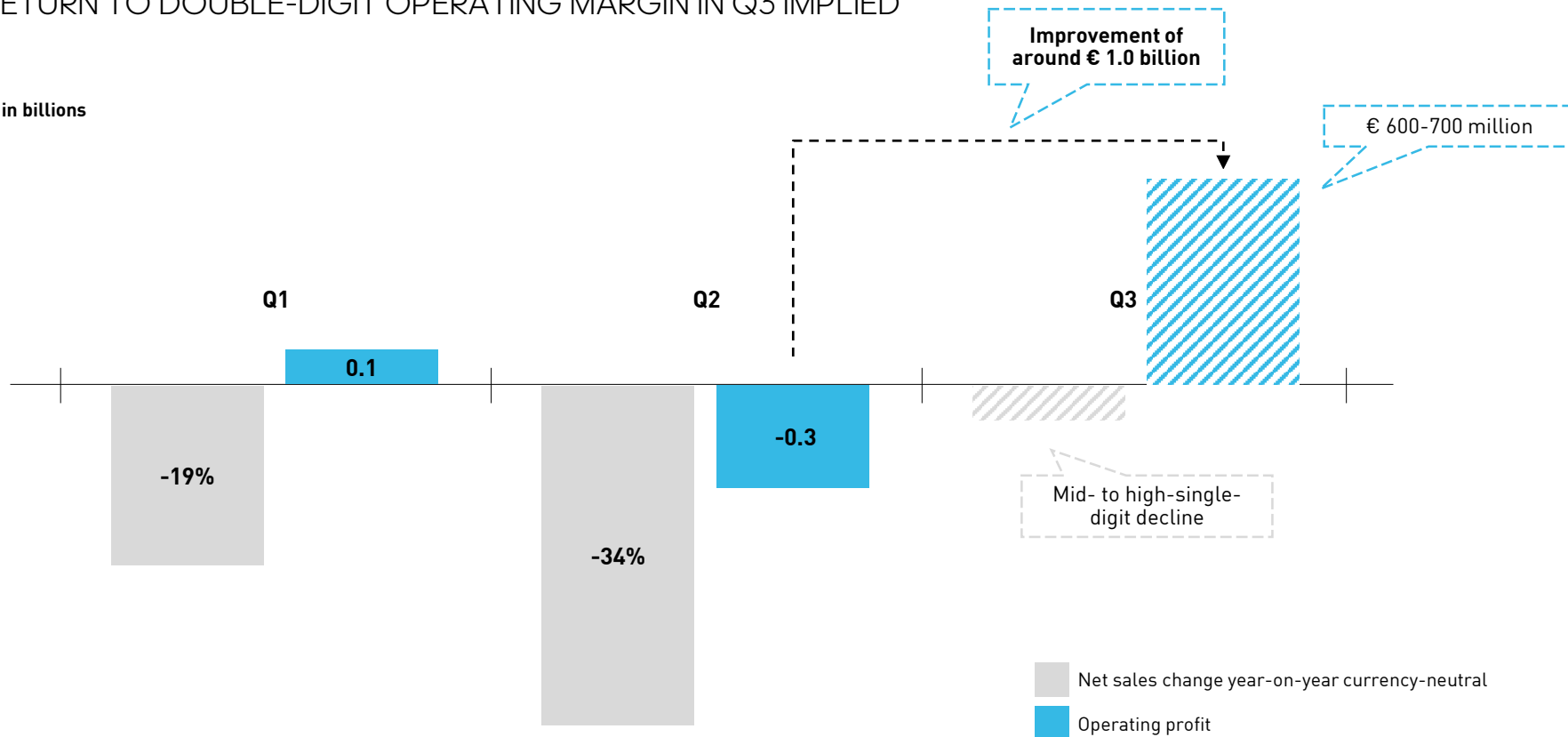
>90% of store fleet remaining operational

Own-retail traffic gradually improving

OUTLOOK FOR Q3 2020

RETURN TO DOUBLE-DIGIT OPERATING MARGIN IN Q3 IMPLIED

€ in billions



SUMMARY

- 1 **Creating lasting change for diversity and inclusion now**
- 2 **Sufficient short-term flexibility to keep navigating to long-term success**
- 3 **Exceptional growth in e-com enabled by integrated digital ecosystem**
- 4 **Business normalization on track with store fleet now largely operational**
- 5 **Shaping structural sport and lifestyle trends amplified by the pandemic**



Q&A

