



# Q1 2019 RESULTS

adidas

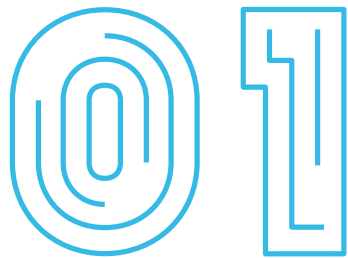
Herzogenaurach,  
May 03, 2019

# AGENDA

- 01 BUSINESS UPDATE
- 02 FINANCIAL UPDATE
- 03 OUTLOOK







# BUSINESS UPDATE

KASPER RORSTED  
CEO



## ADIDAS X BEYONCÉ

MULTI-LAYERED PARTNERSHIP IN THE SPIRIT OF OPEN SOURCE

### BEYONCÉ AS A CREATIVE PARTNER

Taking our successful approach to collaboration to the next level

### CO-CREATION OF EXCITING PERFORMANCE AND LIFESTYLE PRODUCTS

Developing signature footwear and apparel as well as re-launching Ivy Park brand

### ANNOUNCED PARTNERSHIP WITH GLOBAL IMPACT

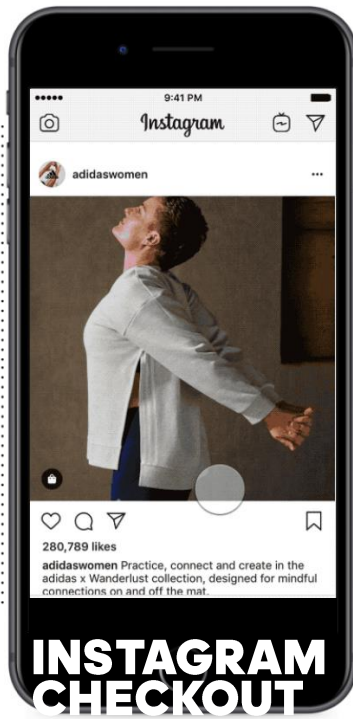
Over 1 billion media impressions and strong positive reactions across social channels





## CONSUMER HIGHLIGHTS

LEVERAGING MULTIPLE DIMENSIONS OF INNOVATION



**INSTAGRAM  
CHECKOUT**



**UB 19**



**PRIMEKNIT  
LUX 1**



**NITE JOGGER**



**FUTURECRAFT LOOP**



**REEBOK x  
SHANGHAI  
FASHION WEEK**

## STRENGTHS & WEAKNESSES

IN Q1 2019



+

### CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS

Double-digit growth in Greater China and e-commerce

+

### SUCCESSFUL ACTIVATION OF NEW LAUNCHES

UB19 and Nite Jogger performing well

+

### ONGOING GROSS MARGIN STRENGTH

Supported by favorable FX development

+

### STRONG PROFITABILITY IMPROVEMENT

Continuation of double-digit bottom-line growth

-

### SUPPLY CHAIN SHORTAGES

Weighing on growth in North America

-

### EUROPE GROWTH RECOVERY TO UNFOLD IN H2

Progress not yet reflected in current growth rate

-

### TOP-LINE DECLINE AT REEBOK

Growth to be reignited after achieving return to profitability

-

### OPEX LEVERAGE MASKED BY INVESTMENTS AND DTC GROWTH

Ongoing investments into scalability of business model

## P&L HIGHLIGHTS

### IN Q1 2019

#### **REVENUES INCREASE 4% CURRENCY-NEUTRAL**

And 6% in euro terms to € 5.883 billion

#### **GROSS MARGIN UP 2.5PP TO 53.6%**

Supported by favorable FX development

#### **OPERATING MARGIN UP 1.4PP TO 14.9%**

Despite higher investments

#### **NET INCOME FROM CONTINUING OPERATIONS INCREASES 16%**

To € 631 million

#### **BASIC EPS FROM CONTINUING OPERATIONS UP 19%**

To € 3.17



## STRONG PROGRESS IN STRATEGIC GROWTH AREAS IN Q1 2019

### ADIDAS NORTHAMERICA

On top of a 23% increase in Q1 2018

+ 5%

### GREATER CHINA

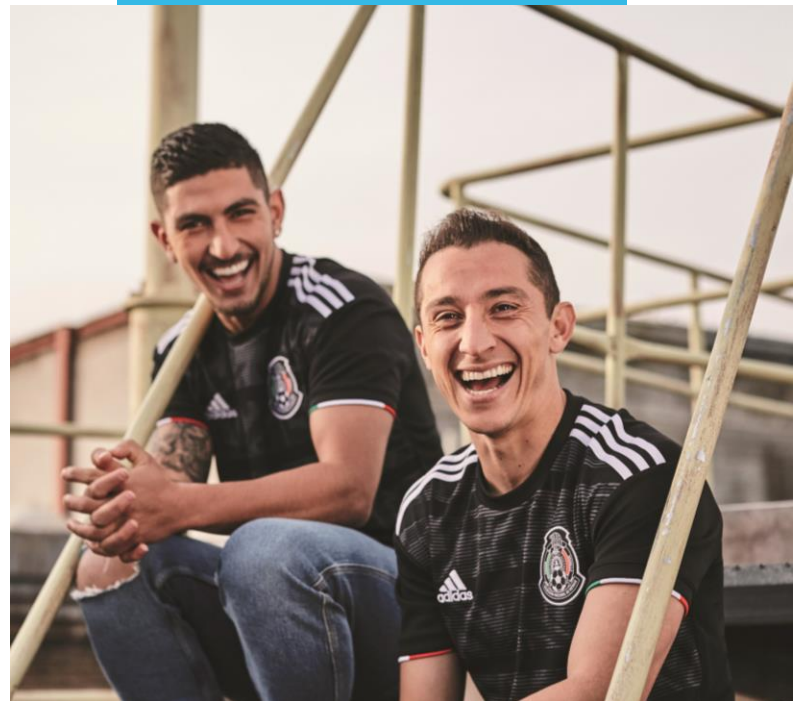
On top of a 26% increase in Q1 2018

+ 16%

### E-COMMERCE

On top of a 27% increase in Q1 2018

+ 40%





## ADIDAS BRAND GROWS IN MOST MARKETS

STRONG INCREASE IN ASIA-PACIFIC AND ROBUST GROWTH IN NORTH AMERICA

+5%

### **SPORT PERFORMANCE GROWS 3%**

High-single-digit growth in Training and Running partially offset by tough comparisons in Football

### **SPORT INSPIRED GROWS 6%**

Reflecting exceptional Yeezy growth

### **BALANCED GROWTH**

Mid-single-digit increases in both footwear and apparel



## FURTHER MARGIN IMPROVEMENT AT REEBOK

BRAND KEEPS EXECUTING 'MUSCLE-UP' AFTER RETURN TO PROFITABILITY

+ 2.9 PP

### REEBOK REVENUES DECREASE 6%

Due to declines in most markets

### GROWTH IN CLASSICS

Driven by double-digit increase in apparel

### GROSS MARGIN UP 2.9PP TO 44.7%

Driven by further execution of 'Muscle-Up'



# EXCEPTIONAL GROWTH IN E-COMMERCE

## DRIVING DIGITAL CONSUMER ENGAGEMENT

+40%

### E-COMMERCE REVENUES GROW 40%

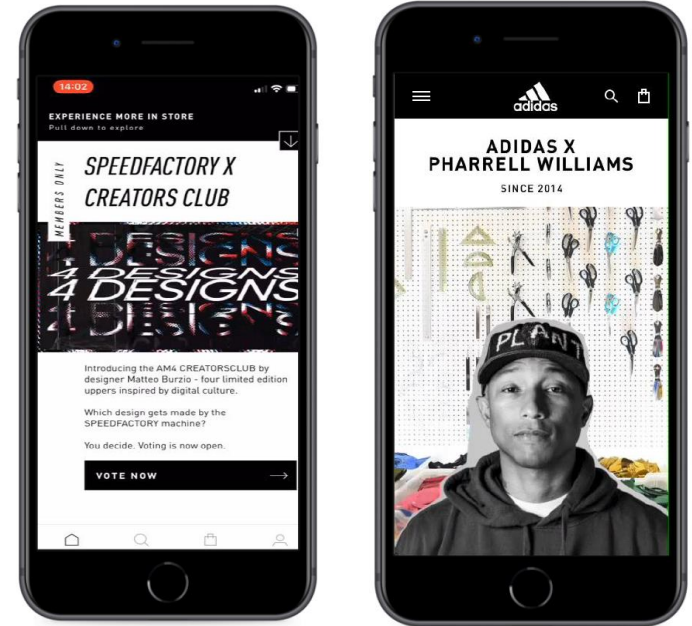
Driven by double-digit growth across all regions

### DRIVING TRAFFIC AND ENGAGEMENT RATES

Through exclusive releases such as AlphaEdge 4D

### ADIDAS APP NOW LIVE IN 27 COUNTRIES

More than 9 million downloads by the end of Q1





@2

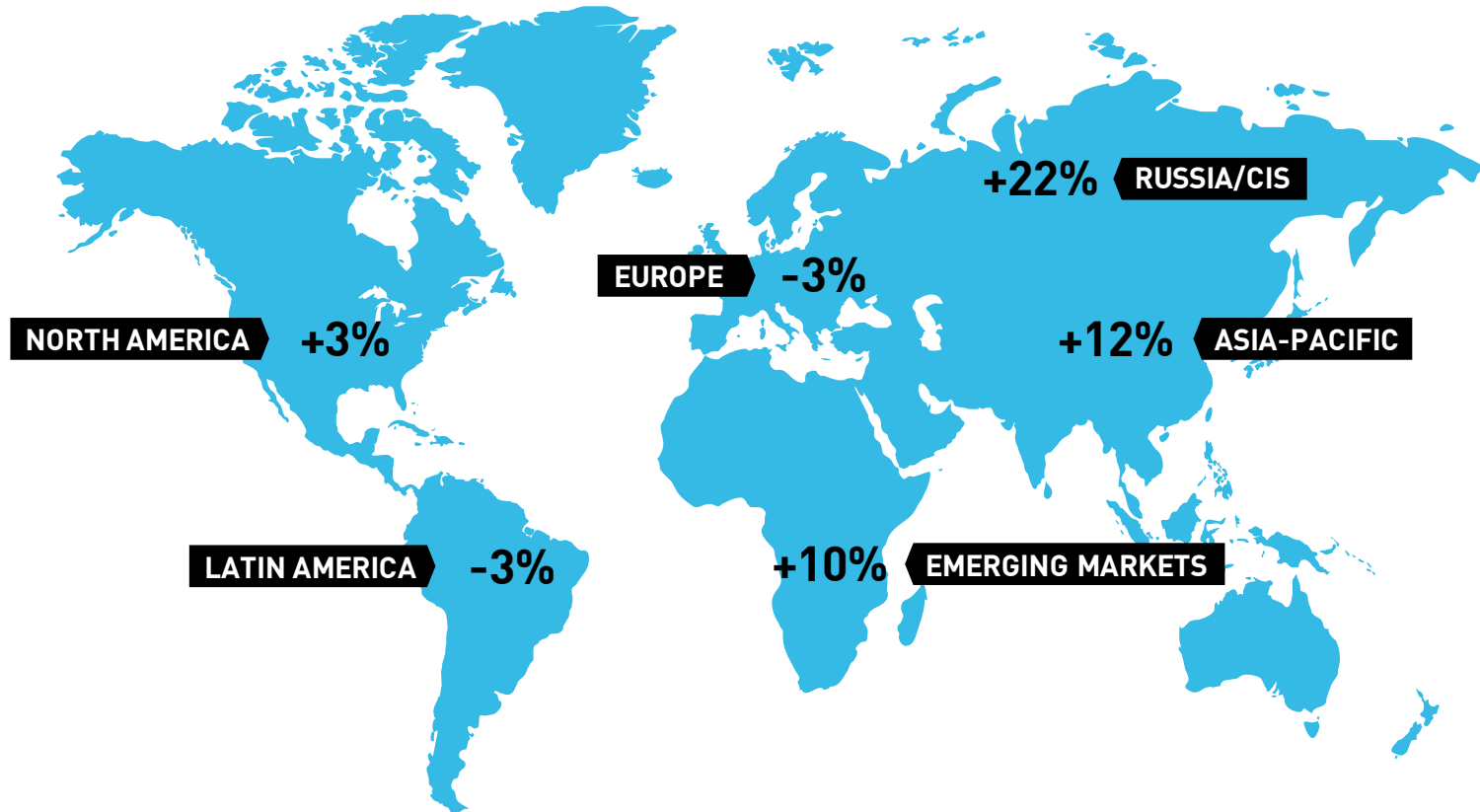
# FINANCIAL UPDATE

HARM OHLMEYER  
CFO



## GROWTH BY MARKET SEGMENT

MODERATE GROWTH IN NORTH AMERICA AND STRONG INCREASES IN ASIA-PACIFIC



## NORTH AMERICA

TOP-LINE GROWTH IMPACTED BY SUPPLY CHAIN SHORTAGES

+ 3%

**Currency-neutral sales increase 3%**

**adidas brand revenues up 5%**

Driven by growth in Sport Performance

**Reebok brand revenues decrease 12%**

Despite growth in Classics

**Gross margin increases 0.5pp to 38.3%**

Driven by lower sourcing costs as well as better product and channel mix

**Operating margin increases 1.3pp to 10.8%**

On the back of the gross margin expansion and opex leverage





## ASIA-PACIFIC

STRONG DOUBLE-DIGIT GROWTH DRIVEN BY GREATER CHINA

+12%

**Currency-neutral sales increase 12%**

**adidas brand sales increase 13%**

Driven by double-digit growth in both Sport Performance and Sport Inspired

**Reebok brand revenues down 7%**

Despite growth in Classics

**Gross margin up 2.7pp to 58.7%**

Due to lower sourcing costs, positive FX impact and better channel and product mix

**Operating margin increases 2.6pp to 38.3%**

Mainly driven by the strong gross margin expansion



— 3%

**Currency-neutral sales decrease 3%**

**adidas brand revenues down 3%**

Despite growth in Training and Running

**Reebok brand sales decrease 7%**

Despite growth in Running

**Gross margin improves 6.1pp to 51.7%**

Due to a significant positive FX impact, lower sourcing costs and better channel mix

**Operating margin up 4.6pp to 26.2%**

Gross margin improvement partly offset by opex investments



## P&L OVERVIEW

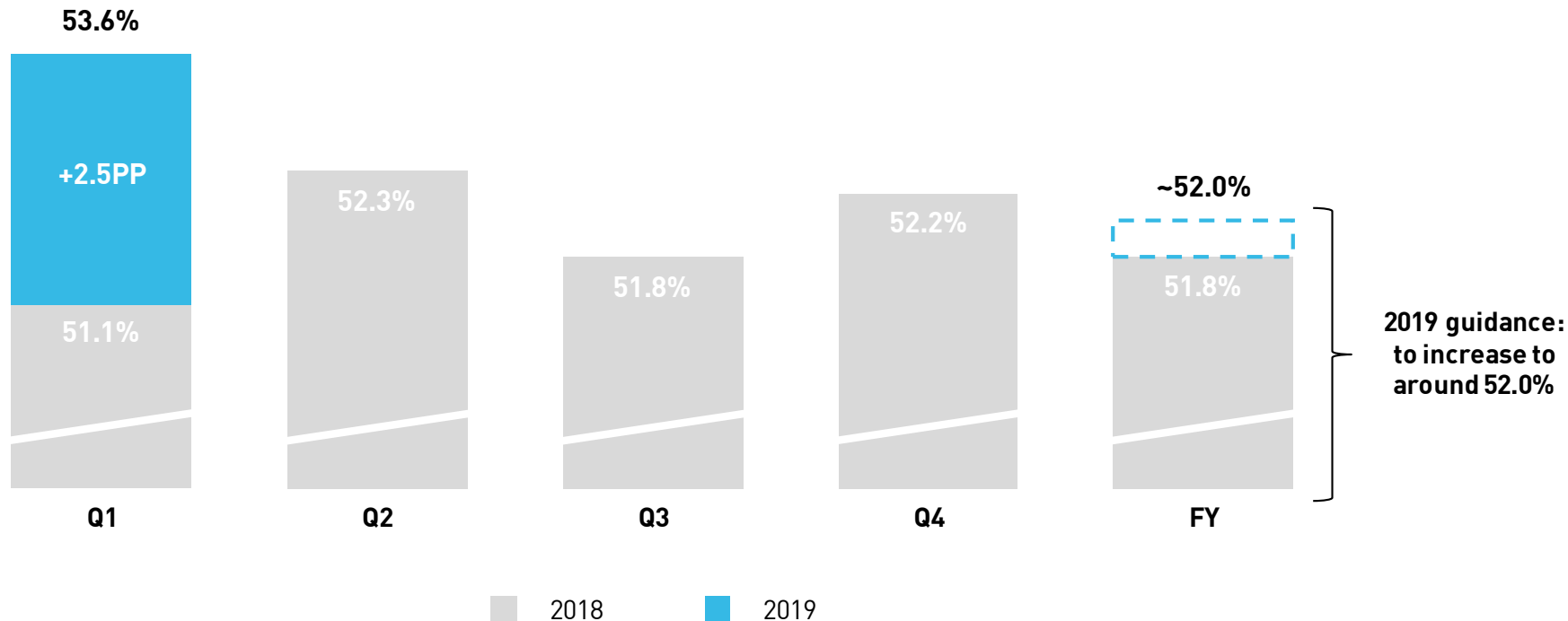
### Q1 2019 RESULTS IN NEW P&L STRUCTURE

(€ in millions)	Q1 2019	Q1 2018	Y-O-Y
<b>NET SALES</b>	5,883	5,548	+6%
<b>GROSS MARGIN</b>	53.6%	51.1%	+2.5pp
<b>OTHER OPERATING INCOME</b>	6	12	-48%
<b>OTHER OPERATING EXPENSES</b>	2,317	2,127	+9%
<i>(in % of sales)</i>	39.4%	38.3%	+1.0pp
<b>MARKETING AND POINT-OF-SALE EXPENSES</b>	703	706	-0%
<i>(in % of sales)</i>	12.0%	12.7%	-0.8pp
<b>OPERATING OVERHEAD EXPENSES</b>	1,614	1,422	+14%
<i>(in % of sales)</i>	27.4%	25.6%	+1.8pp
<b>OPERATING PROFIT</b>	875	746	+17%
<b>OPERATING MARGIN</b>	14.9%	13.4%	+1.4pp
<b>NET INCOME</b> from continuing operations	631	542	+16%
<b>BASIC EPS</b> from continuing operations (€)	3.17	2.65	+19%



## QUARTERLY GROSS MARGIN

Q1 2019 IMPROVEMENT REFLECTING LOWER BASE AND FAVORABLE FX



## AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 1.7PP TO 18.6%

### **Inventories up 2% c.n.**

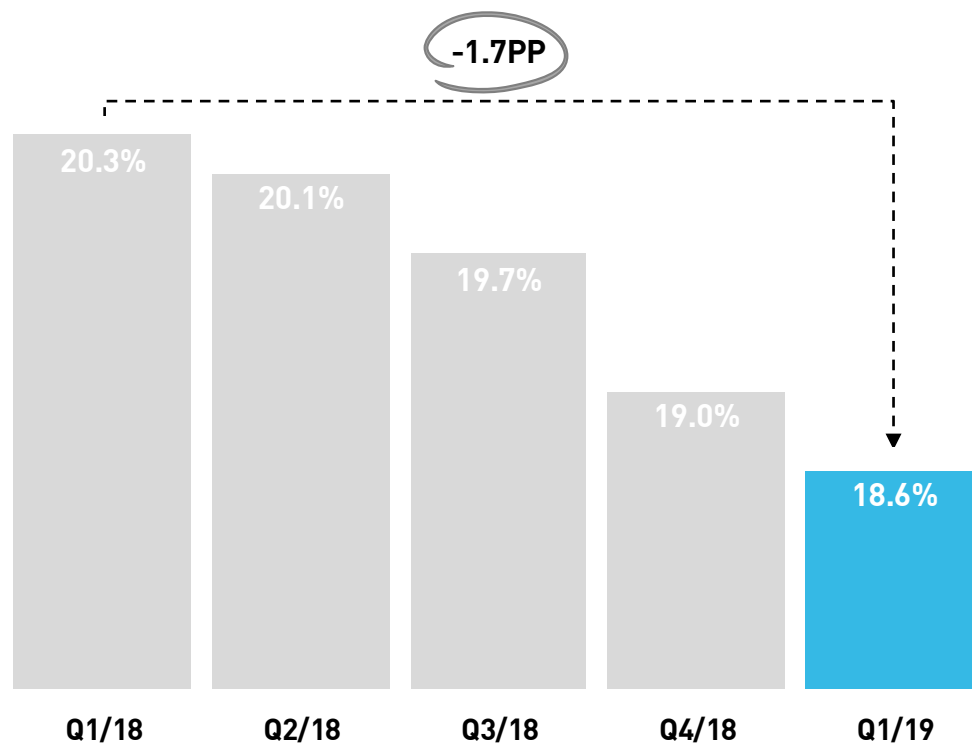
As a result of tight inventory management

### **Receivables up 6% c.n.**

Reflecting top-line development

### **Payables up 28% c.n.**

Due to improved terms with vendors



## NET CASH AND EQUITY POSITION

EQUITY RATIO AT 36.0%

### Net cash position

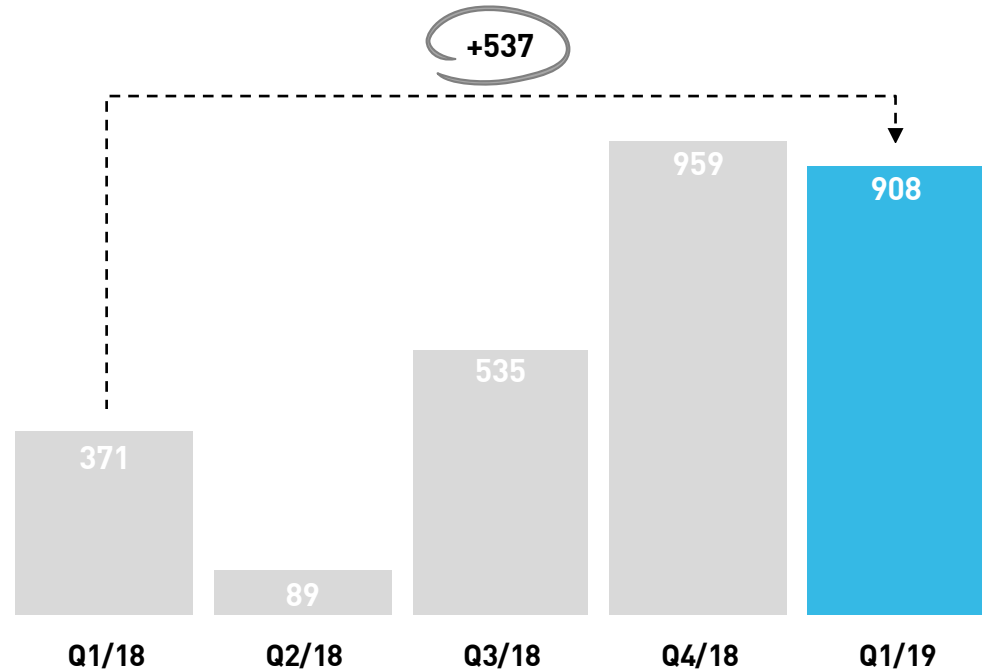
At € 908 million

### Equity position

Increases € 524 million year-on-year

### Equity ratio

Down 8.8pp year-on-year due to IFRS 16



# SHAREHOLDER RETURN

## SHARE BUYBACK UPDATE

### TOTAL SIZE

Up to € 3.0 billion (around € 800 million in 2019)

### TIMEFRAME

Started March 22, 2018 and ending latest on May 11, 2021

### NUMBER OF SHARES PURCHASED\*

5.8 million adidas AG shares (0.7 million in Q1 2019)

### AMOUNT PURCHASED\*

€ 1.2 billion (€ 152 million in Q1 2019)

*\*As at March 31, 2019.*







# OUTLOOK

KASPER RORSTED  
CEO



## 2019 FOCUS AREAS

### ANOTHER IMPORTANT MILESTONE TOWARD 2020 TARGETS



#### **Leveraging multiple dimensions of innovation**

To drive high-quality top-line growth



#### **Continuing to invest with impact**

Into brand desire and scalable business model



#### **Delivering overproportionate net income growth**

On the back of sustainable operating margin expansion



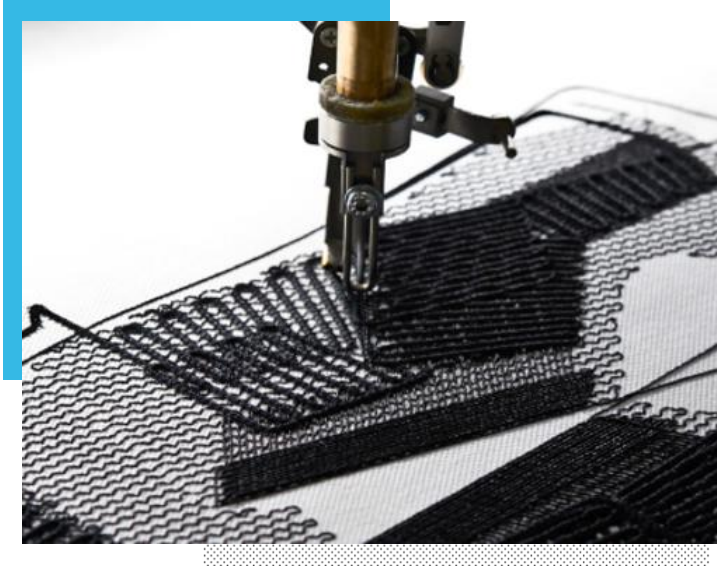
#### **Tackling challenges decisively**

Return Europe to growth and mitigate supply shortages



## SUPPLY CHAIN SHORTAGES

### MITIGATION MEASURES IN PLACE



#### **TACTICAL DECISIONS**

- Prioritizing product
- Leveraging airfreight
- Accelerating existing capacities



#### **MID-TERM DECISIONS**

- Acquiring additional capacities

## TOP-LINE ACCELERATION IN H2 2019

### BUILDING BLOCKS IN PLACE



#### **Product engine to contribute**

Scaling recent launches as well as introducing new products



#### **Europe to return to growth**

Foundation laid for recovery in H2



#### **UEFA EURO 2020 to come**

First positive impact from related product launches in Q4



#### **Impact of supply chain shortages to fade**

Efforts to resolve bottleneck to take effect particularly in Q4



#### **Prior year comparisons to ease**

Lower base in H2 than in H1





## OUTLOOK 2019 CONFIRMED

### DRIVING DOUBLE-DIGIT BOTTOM-LINE GROWTH

	GUIDANCE EXCL. IFRS 16	GUIDANCE INCL. IFRS 16**
Net sales*	Increase of 5% – 8%	
Gross margin	Increase to around 52.0%	
Operating margin	Increase of 0.5pp – 0.7pp to around 11.3% – 11.5%	
Net income from continuing operations	Increase of 10% – 14% to € 1.880 – € 1.950 billion	Increase of 8% – 12% to € 1.845 – € 1.915 billion

\* Currency-neutral

\*\* Net income including estimated negative impact from accounting change according to IFRS 16 of around € 35 million in 2019 (based on lease contracts as of January 1, 2019).



## SUMMARY

- 1 Successful start into 2019 according to plan
- 2 Continuation of double-digit bottom-line growth in Q1
- 3 Building blocks in place to accelerate top line in H2
- 4 2019 another year of high-quality top- and bottom-line growth
- 5 Focus on relentless execution of 'Creating the New'



# Q&A







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