



Q3 2019 RESULTS

Herzogenaurach,
November 6, 2019

adidas

AGENDA

- 01 BUSINESS UPDATE
- 02 FINANCIAL UPDATE
- 03 OUTLOOK



BRIAN GREVY SUCCEEDS ERIC LIEDTKE
AS BOARD MEMBER RESPONSIBLE FOR GLOBAL BRANDS





BUSINESS UPDATE

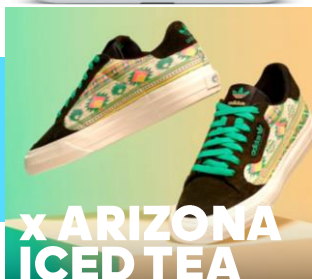
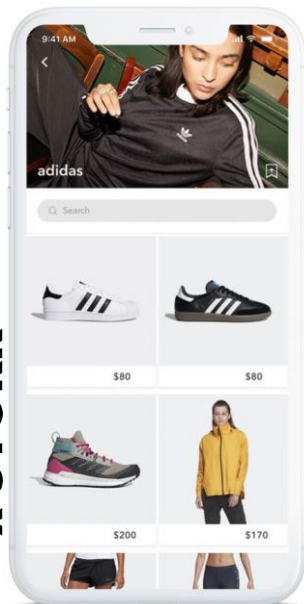
KASPER RORSTED
CEO



CONSUMER HIGHLIGHTS

LEVERAGE CONSUMER ENGAGEMENT THROUGH PRODUCTS AND STORIES

x STORR



STRENGTHS & WEAKNESSES

IN Q3 2019



+

CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS

adidas North America, Greater China and e-com up double-digits

+

RETURN TO GROWTH IN EUROPE

Strategic initiatives and reinvestments showing planned effects

+

TOP-LINE GROWTH SUPPORTED BY ALL CHANNELS

Wholesale revenues accelerating

+

APPAREL GROWING AT DOUBLE-DIGIT RATE

Driven by double-digit growth in Training, Outdoor and Originals

-

SUPPLY CHAIN SHORTAGES WITH EXPECTED IMPACT

Weighing primarily on profitability

-

DECELERATION OF GROWTH IN FOOTWEAR

Despite double-digit growth in Training and Outdoor

-

UNDERLYING GROSS MARGIN DOWN

Due to air freight costs and price reinvestments

-

NET INCOME DOWN YEAR-ON-YEAR AS GUIDED

Due to top-line phasing and OPEX timing

P&L HIGHLIGHTS

IN Q3 2019

REVENUES INCREASE 6% CURRENCY-NEUTRAL

And 9% in euro terms to € 6.410 billion

GROSS MARGIN UP 0.3PP TO 52.1%

Driven by favorable FX development

OPERATING MARGIN DOWN 1.3PP TO 14.0%

Due to planned increase in operating expenses

NET INCOME FROM CONTINUING OPERATIONS DECREASES 2%

To € 644 million

BASIC EPS FROM CONTINUING OPERATIONS FLAT

At € 3.26



CONTINUED PROGRESS IN STRATEGIC GROWTH AREAS IN Q3 2019

ADIDAS NORTH AMERICA

On top of 18% increase in Q3 2018

+10%

GREATER CHINA

On top of 26% increase in Q3 2018

+11%

E-COMMERCE

On top of 76% increase in Q3 2018

+14%



ADIDAS BRAND GROWS IN ALL MARKETS

DOUBLE-DIGIT IMPROVEMENTS IN NORTH AMERICA, EMERGING MARKETS AND RUSSIA/CIS

+ 6%

SPORT PERFORMANCE INCREASES 8%

Training continues to grow at double-digit rate

SPORT INSPIRED GROWS 4%

Driven by mid-single-digit growth in Originals

APPAREL REVENUES INCREASE 13%

Supported by introduction of new franchises



CONTINUED TOP-LINE STABILIZATION AT REEBOK

BRAND KEEPS GROWING AT A MODERATE RATE

+2%

REEBOK REVENUES INCREASE 2%

Driven by double-digit growth in North America and Russia/CIS

GROWTH IN SPORT

Driven by significant increase in Training

GROSS MARGIN DOWN 3.1PP TO 42.1%

Following exceptional expansion in prior years



STRONG GROWTH IN E-COMMERCE

DRIVING DIGITAL CONSUMER ENGAGEMENT

+14%

E-COMMERCE REVENUES GROW 14%

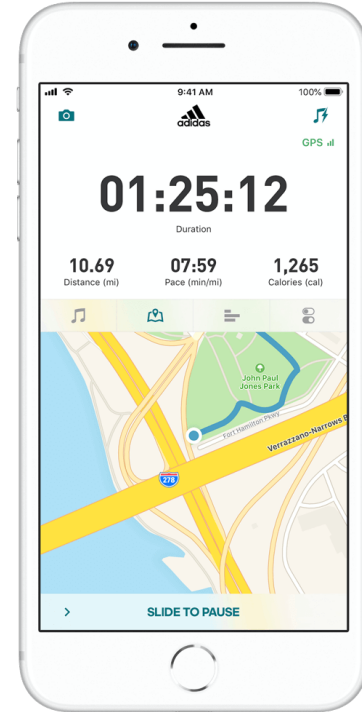
Driven by double-digit growth across most regions

EXTENDED PARTNERSHIPS WITH DIGITAL PLATFORMS

Leverage various channels to drive e-commerce sales

INTEGRATION OF RUNTASTIC INTO DIGITAL ECOSYSTEM COMPLETED

Running and Training apps successfully rebranded to adidas by Runtastic



02

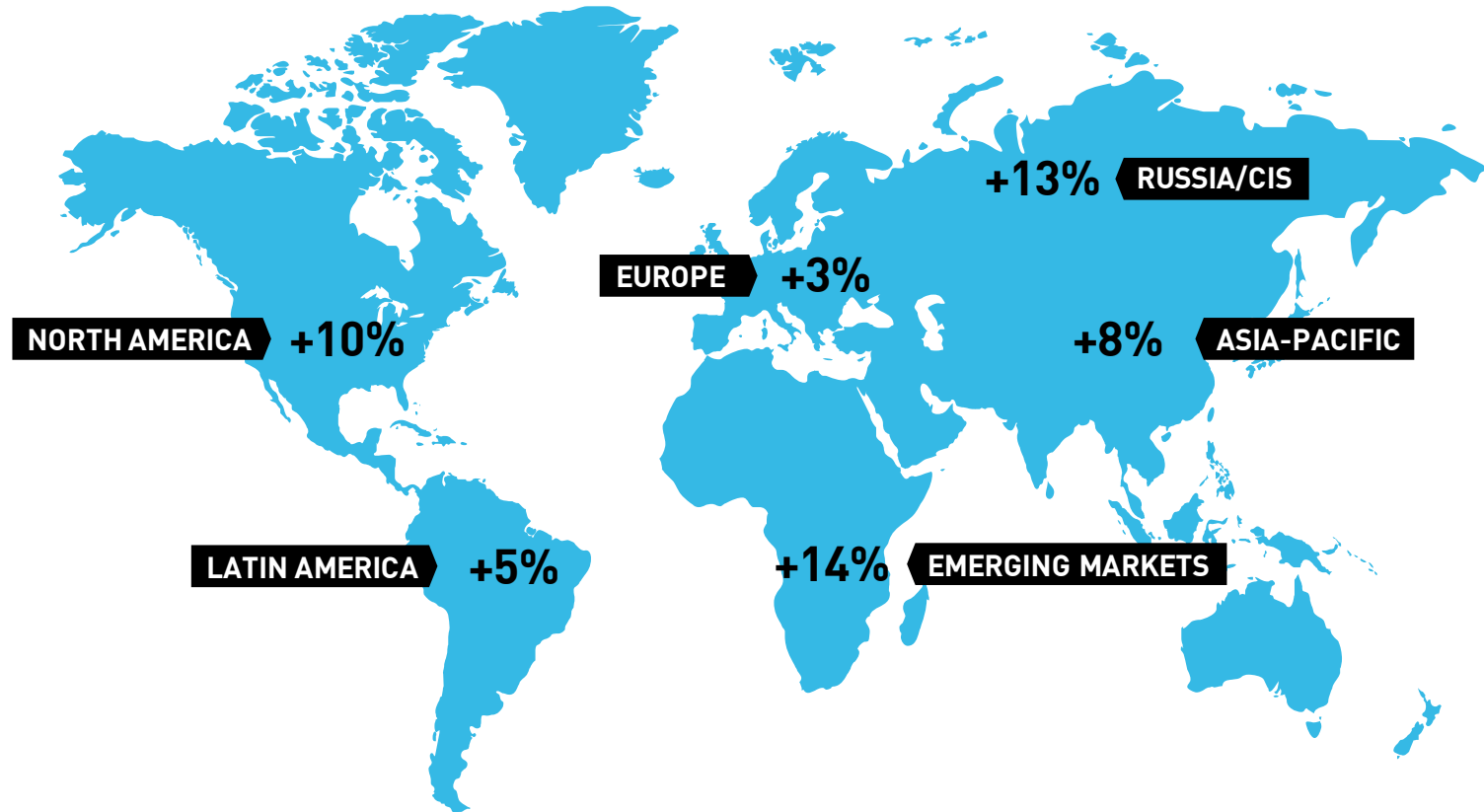
FINANCIAL UPDATE

HARM OHLMEYER
CFO



GROWTH BY MARKET SEGMENT

BROAD-BASED GROWTH ACROSS ALL REGIONS



NORTH AMERICA

STRONG GROWTH FOR BOTH BRANDS

+10%

Currency-neutral sales increase 10%

adidas brand revenues up 10%

Driven by growth in both Sport Performance and Sport Inspired

Reebok brand revenues increase 17%

Driven by double-digit growth in Sport

Gross margin decreases 0.8pp to 41.2%

Better product/channel mix offset by negative pricing mix and higher air freight costs

Operating margin decreases 1.9pp to 16.1%

Due to gross margin decline and OPEX investments



ASIA-PACIFIC

SIGNIFICANT GROWTH DRIVEN BY GREATER CHINA

+ 8%

Currency-neutral sales increase 8%

adidas brand sales up 9%

Driven by double-digit growth in Sport Performance

Reebok brand revenues down 11%

Due to declines in both Sport and Classics

Gross margin down 0.7pp to 56.5%

Better channel mix more than offset by less favorable product/pricing mix

Operating margin decreases 0.4pp to 35.1%

Driven by gross margin decline



EUROPE

EUROPE BACK TO MODERATE GROWTH

+3%

Currency-neutral sales grow 3%

adidas brand revenues increase 5%

Driven by growth in both Sport Performance and Sport Inspired

Reebok brand sales decrease 8%

Due to declines in both Sport and Classics

Gross margin improves 2.2pp to 51.0%

Despite significant price reinvestments

Operating margin up 1.6pp to 26.0%

Mainly driven by gross margin expansion



P&L OVERVIEW

Q3 2019 RESULTS

(€ in millions)

NET SALES

GROSS MARGIN

OTHER OPERATING INCOME

OTHER OPERATING EXPENSES

(in % of sales)

MARKETING AND POINT-OF-SALE EXPENSES

(in % of sales)

OPERATING OVERHEAD EXPENSES

(in % of sales)

OPERATING PROFIT

OPERATING MARGIN

NET INCOME from continuing operations

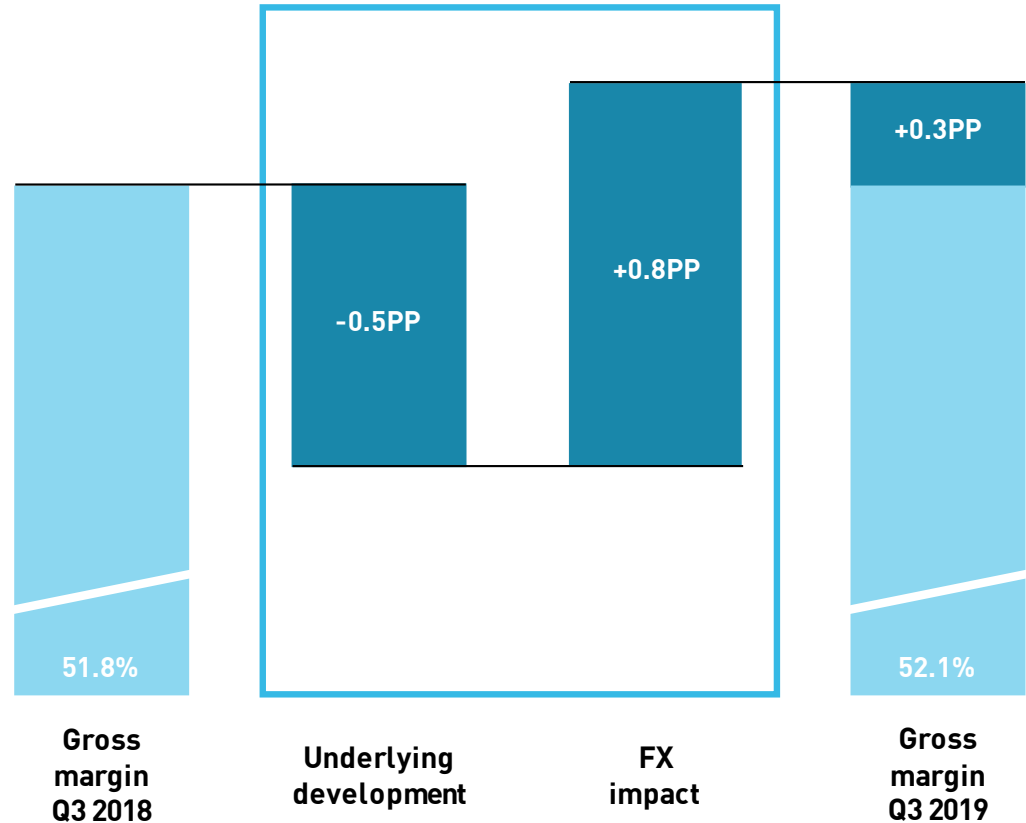
BASIC EPS from continuing operations (€)

Q3 2019	Q3 2018	Y-O-Y
6,410	5,873	+9%
52.1%	51.8%	+0.3pp
7	9	-22%
2,486	2,191	+13%
38.8%	37.3%	+1.5pp
753	713	+6%
11.7%	12.1%	-0.4pp
1,733	1,478	+17%
27.0%	25.2%	+1.9pp
897	901	-0%
14.0%	15.3%	-1.3pp
644	656	-2%
3.26	3.26	+0%

GROSS MARGIN EXPANSION DECOMPOSED

POSITIVE FX EFFECTS MORE THAN OFFSET UNDERLYING GROSS MARGIN DECLINE

- Underlying decline**
Less pronounced than expected
- Currency benefits**
Higher than anticipated
- Gross margin to decline in Q4**
Several factors to be considered



OPEX PHASING IN H2

MORE BALANCED DISTRIBUTION BETWEEN Q3 AND Q4

OPEX ratio up 1.5pp in Q3

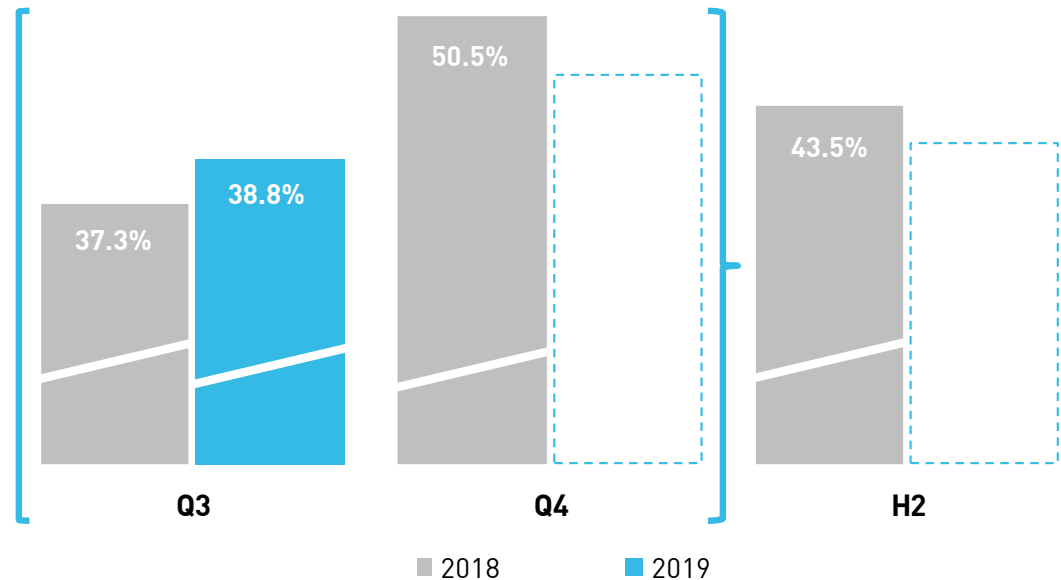
Due to expense shift from Q4 into Q3

OPEX ratio to decline in Q4

As planned

Absolute OPEX spend to increase moderately in Q4

Driven by IT-related business initiatives



AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 1.6PP TO 18.1%

Inventories up 12% c.n.

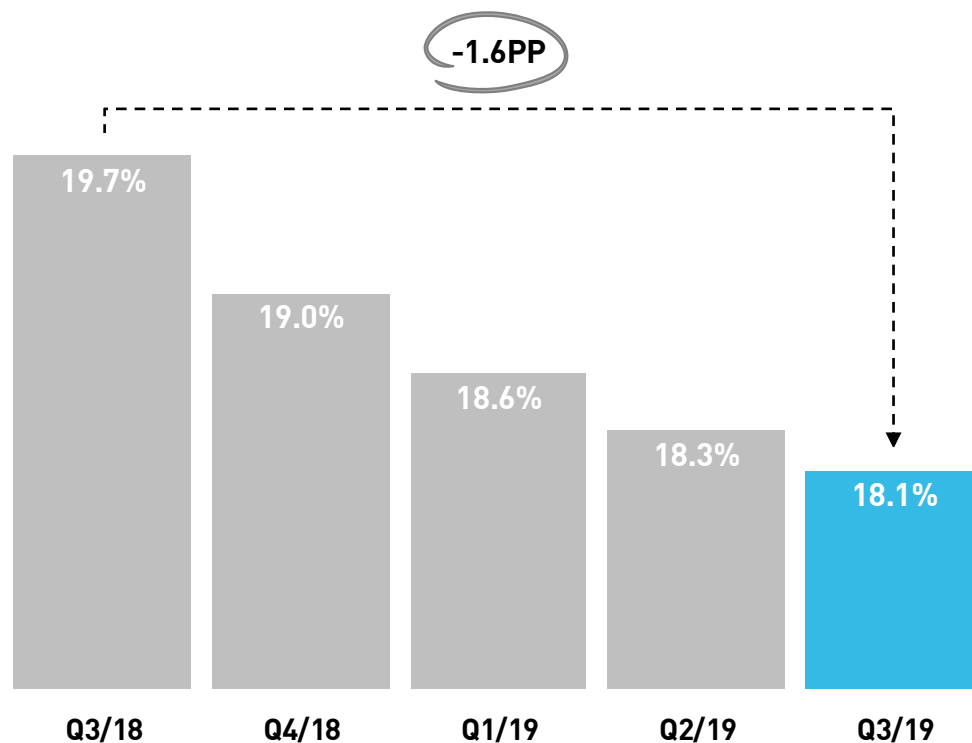
Reflecting planned top-line acceleration in Q4

Receivables up 4% c.n.

Reflecting top-line development in wholesale

Payables up 21% c.n.

Due to improved terms with vendors



NET CASH AND EQUITY POSITION

EQUITY RATIO AT 35.4%

Net cash position

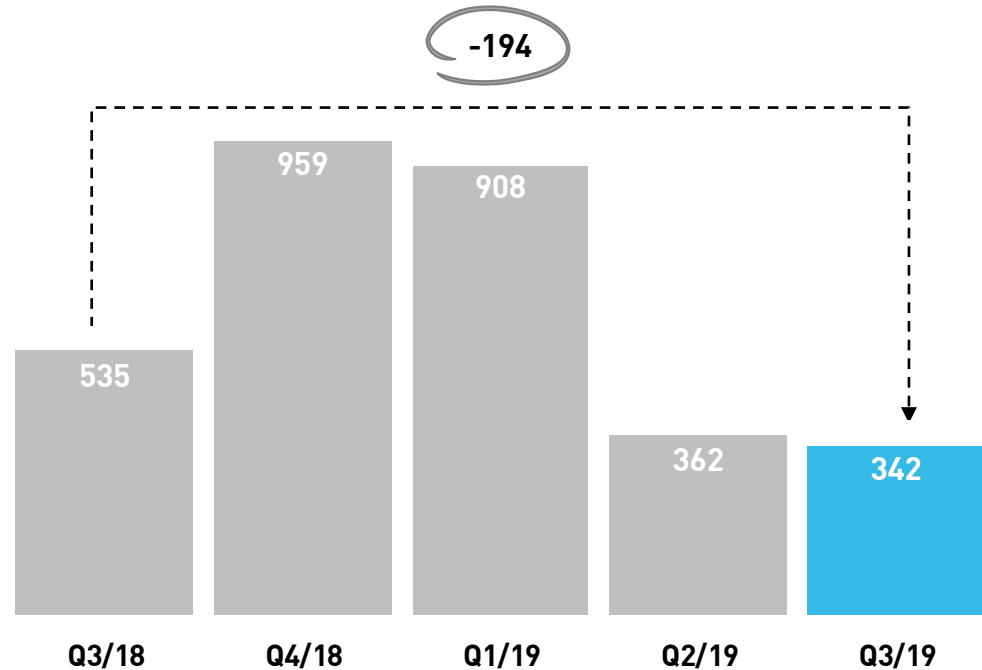
At € 342 million

Equity position

Increases € 612 million year-on-year

Equity ratio

Down 6.5pp year-on-year due to IFRS 16



SHAREHOLDER RETURN

SHARE BUYBACK UPDATE

	2018	2019	TOTAL
Volume Targeted	Up to € 1.0 billion	Around € 800 million	Up to € 3.0 billion
Volume Completed*	€ 1.0 billion	€ 629 million	€ 1.6 billion
Shares Purchased*	5.1 million	2.5 million	7.6 million

** For 2019 and Total: As at September 30, 2019.
Buyback started on March 22, 2018 and ending latest on May 11, 2021.*



@3

OUTLOOK

KASPER RORSTED
CEO



2019 FOCUS AREAS

ANOTHER IMPORTANT MILESTONE TOWARD 2020 TARGETS



Leveraging multiple dimensions of innovation

To drive top- and bottom-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



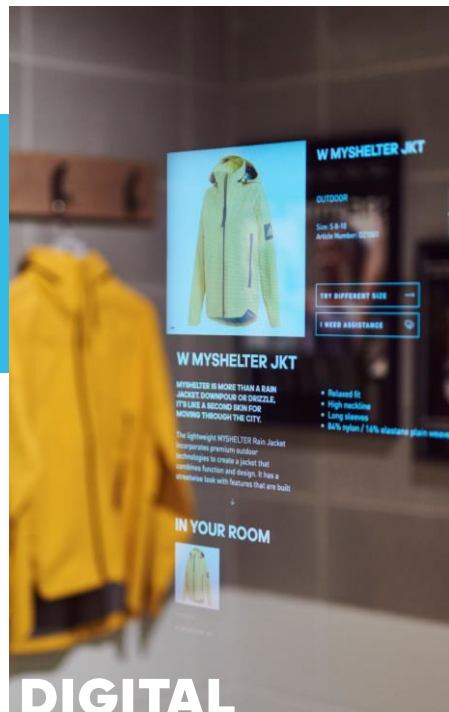
LEVERAGING MULTIPLE DIMENSIONS OF INNOVATION

TO DRIVE TOP- AND BOTTOM-LINE GROWTH



LONDON FLAGSHIP OPENING

OUR MOST DIGITAL STORE



DIGITAL



GLOBAL/LOCAL



PERSONAL



SUSTAINABLE

SIGNIFICANT TOP-LINE ACCELERATION IN Q4 2019

BUILDING BLOCKS IN PLACE



Product engine to contribute

Scaling recent launches as well as introducing new products



Europe turnaround unfolding

Recovery accelerating



Upcoming UEFA EURO 2020

First positive impact from related product launches



Earlier Chinese New Year

Sell-in of related product partly in Q4



Minimal top-line impact from supply chain shortages

Measures to resolve bottleneck successfully executed



Prior year comparisons to ease

Lower base in Q4 than in Q3



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).



OUTLOOK 2019 CONFIRMED

DRIVING DOUBLE-DIGIT BOTTOM-LINE GROWTH

- 1** First nine months of 2019 according to plan
- 2** On track to achieve full-year outlook
- 3** Building blocks in place for significant top-line acceleration in Q4
- 4** 2019 will be another record year
- 5** Focus on relentless execution of 'Creating the New'



RELENTLESS EXECUTION OF 'CREATING THE NEW'
TO DELIVER ON OUR FINANCIAL AMBITION 2020

NET SALES

CAGR 2015-2020 c.n.

10 - 12 %

OPERATING MARGIN

Up to

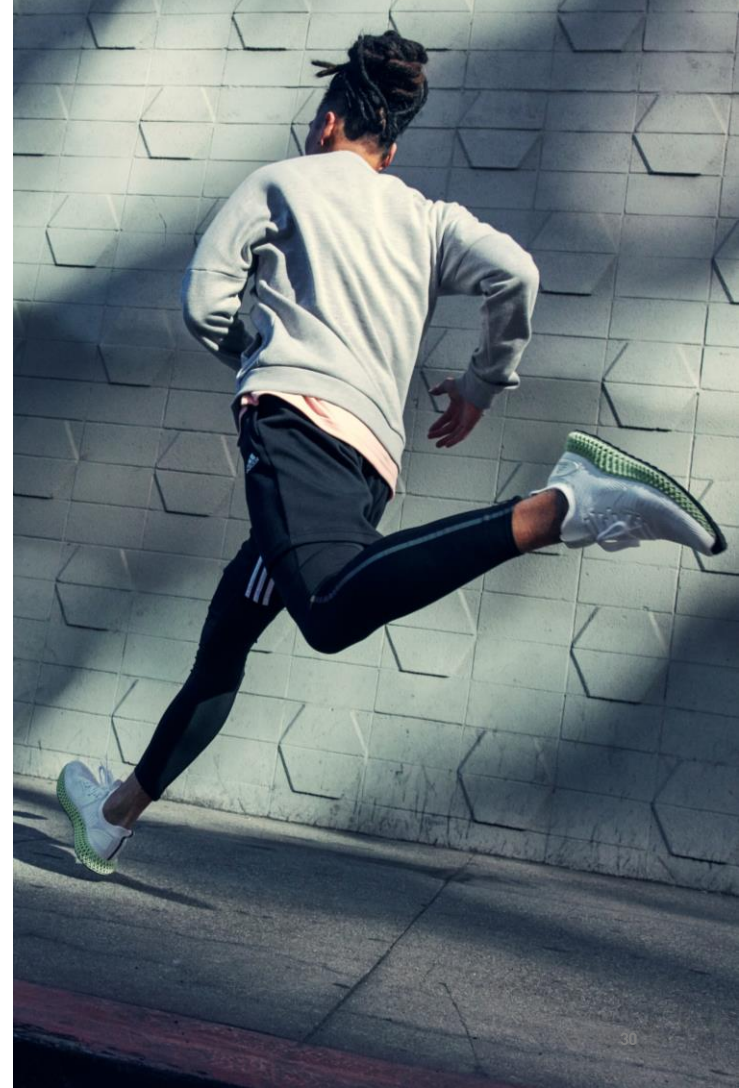
11.5 %

NET INCOME*

CAGR 2015-2020

22 - 24 %

** Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses and exclude negative one-time tax impact of € 76 million in 2017.*



Q&A

