

Q3 2018 RESULTS

Herzogenaurach
November 7, 2018

adidas

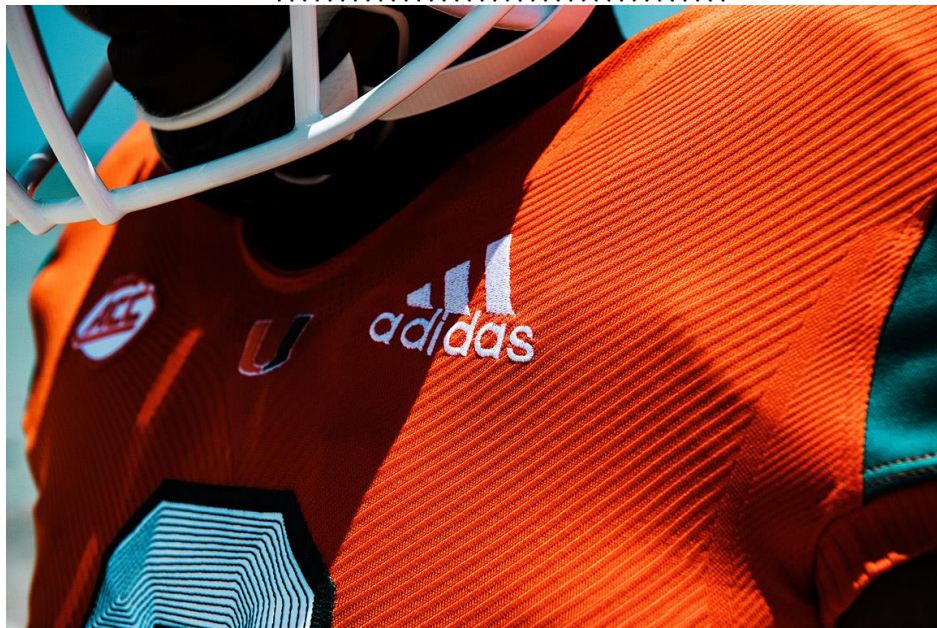


AGENDA

1 BUSINESS HIGHLIGHTS

2 FINANCIAL HIGHLIGHTS

3 OUTLOOK



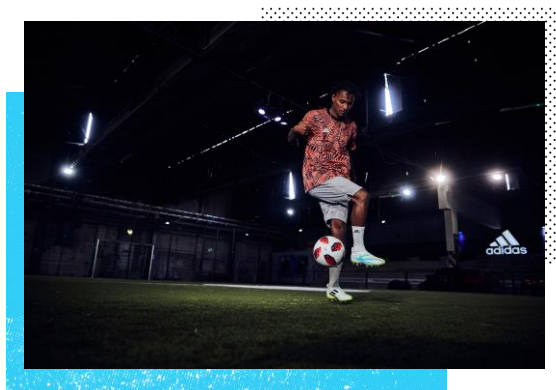
BUSINESS HIGHLIGHTS

KASPER RORSTED
CEO



STRENGTHS & WEAKNESSES

IN Q3 2018



+

Progress across all strategic growth areas

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

+

Significant growth in Sport Performance

Double-digit increases in Training and Running

+

Better-than-expected gross margin

Focus on quality of top-line paying off

+

Strong profitability improvement

In spite of severe FX headwinds

-

Challenges in Western Europe

Still weighing on company's top-line growth

-

Opex leverage masked by investments

Investments into brand and scalability of business

-

Sport Inspired supported by exceptional Yeezy launch

Originals normalizing after period of extraordinary growth

-

Retail comp trend mixed

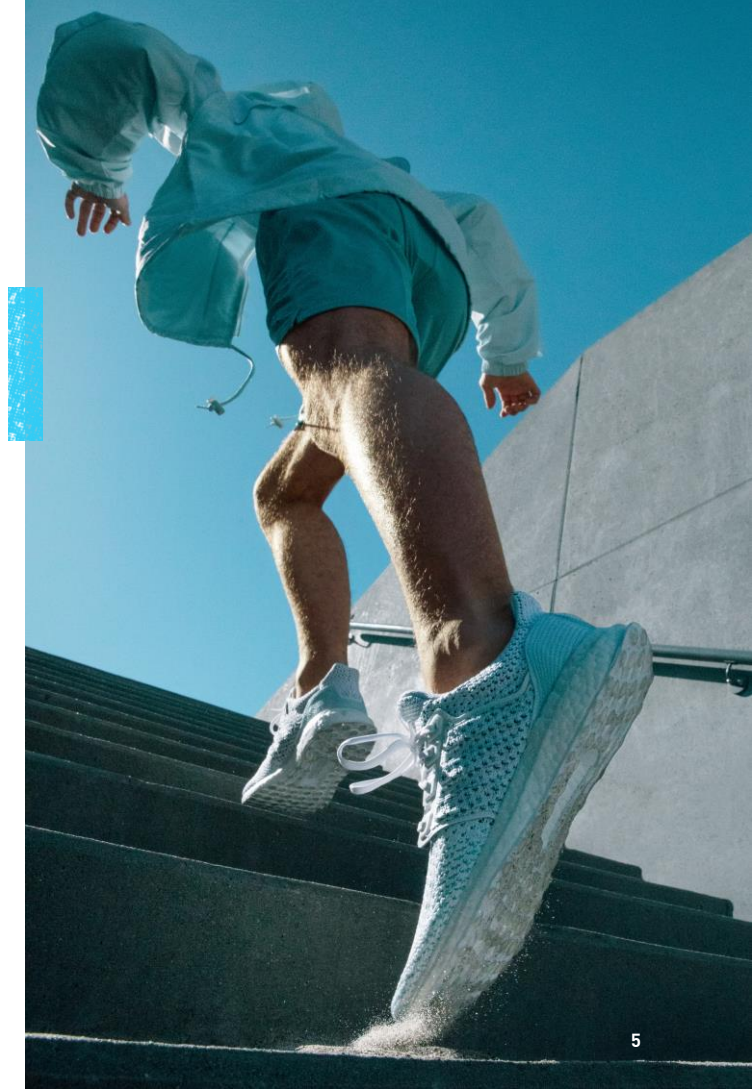
Comps up mid-single-digits but concept store comps slow down

MAJOR P&L DEVELOPMENTS

IN Q3 2018

- 1 Revenues increase 8% currency-neutral**
and 3% in euro terms to € 5.9 billion
- 2 Gross margin up 1.4pp to 51.8%**
despite severe FX headwinds
- 3 Operating margin up 1.3pp to 15.3%**
despite higher marketing investment
- 4 Net income from continuing operations increases 19%**
to € 656 million
- 5 Basic EPS from continuing operations up 21%**
to € 3.26

Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.



DOUBLE-DIGIT INCREASES IN STRATEGIC GROWTH AREAS IN Q3 2018

adidas
North America

+18%

Greater China

+26%

E-commerce

+76%

Currency-neutral.



ADIDAS BRAND WITH STRONG GROWTH

DOUBLE-DIGIT INCREASE IN NORTH AMERICA AND ASIA-PACIFIC

+10%

Sport Performance grows 8%

Driven by double-digit growth in Training and Running

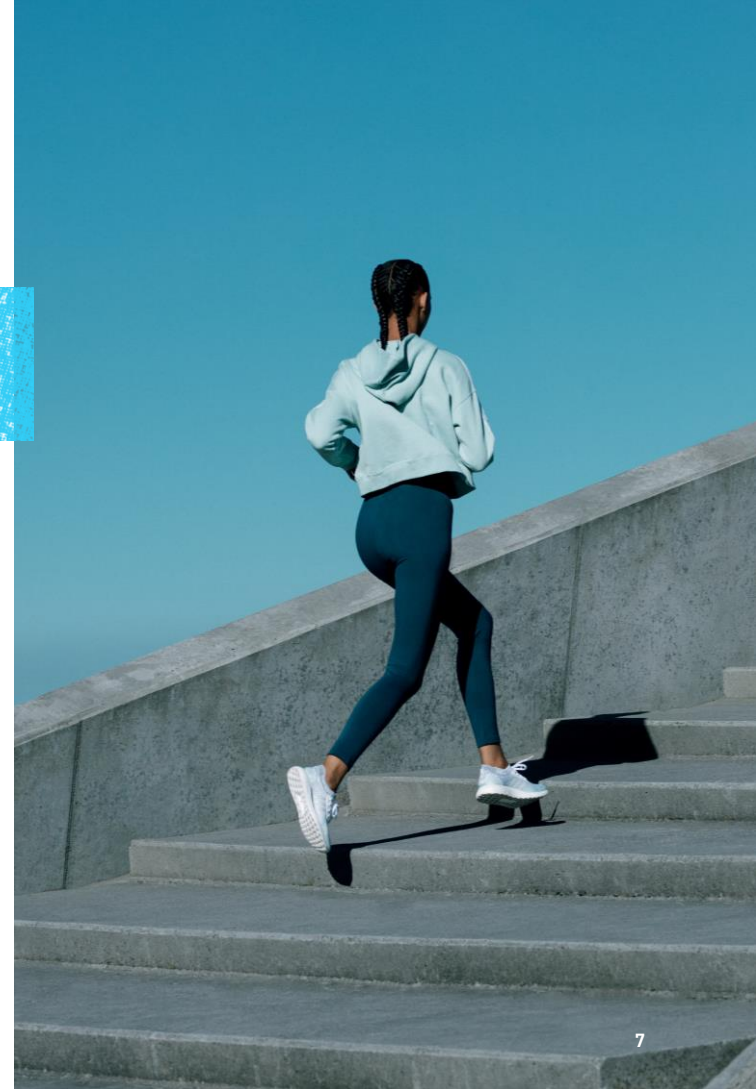
Sport Inspired grows 11%

Reflecting exceptional Yeezy growth

Balanced growth

Double-digit increases in both Footwear and Apparel

Currency-neutral.



ROBUST PROFITABILITY IMPROVEMENT AT REEBOK

FURTHER PROGRESS ON EXECUTING MUSCLE-UP INITIATIVES

+4.4PP

Reebok revenues decrease 5%

Due to sales decreases in all markets

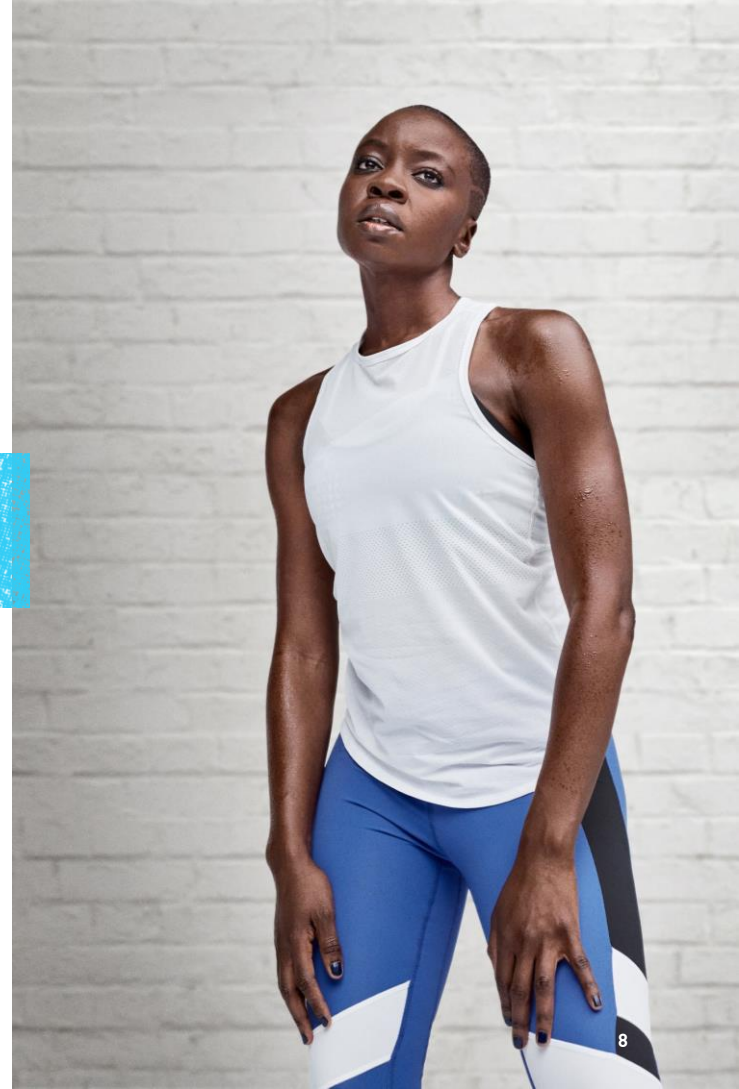
Double-digit growth in Classics

Offset by declines in Training and Running

Gross margin up 4.4pp to 45.3%

Driven by further execution of Muscle-Up

Currency-neutral.



EXCEPTIONAL GROWTH IN E-COM LEVERAGING OUR BIGGEST STORE

+76%

E-commerce revenues grow 76%

Driven by double-digit growth across all regions

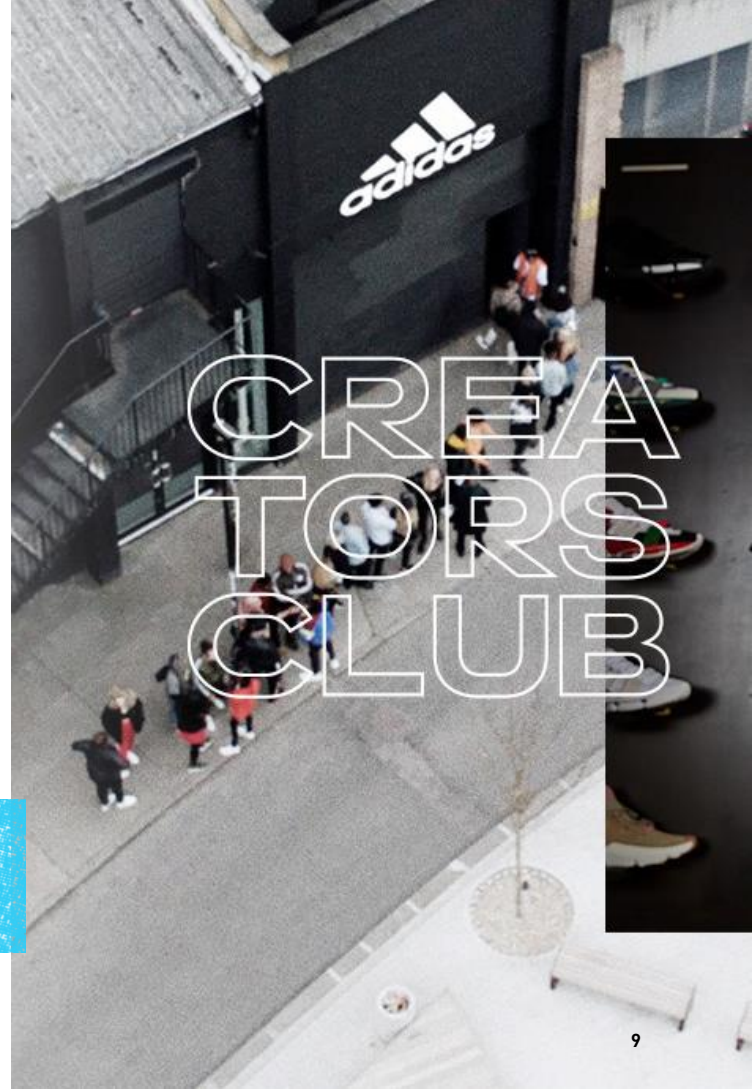
Hype releases and launch of Creators Club

Driving traffic and engagement rates

adidas App now live in 17 countries

Close to 5 million downloads by the end of Q3

Currency-neutral.



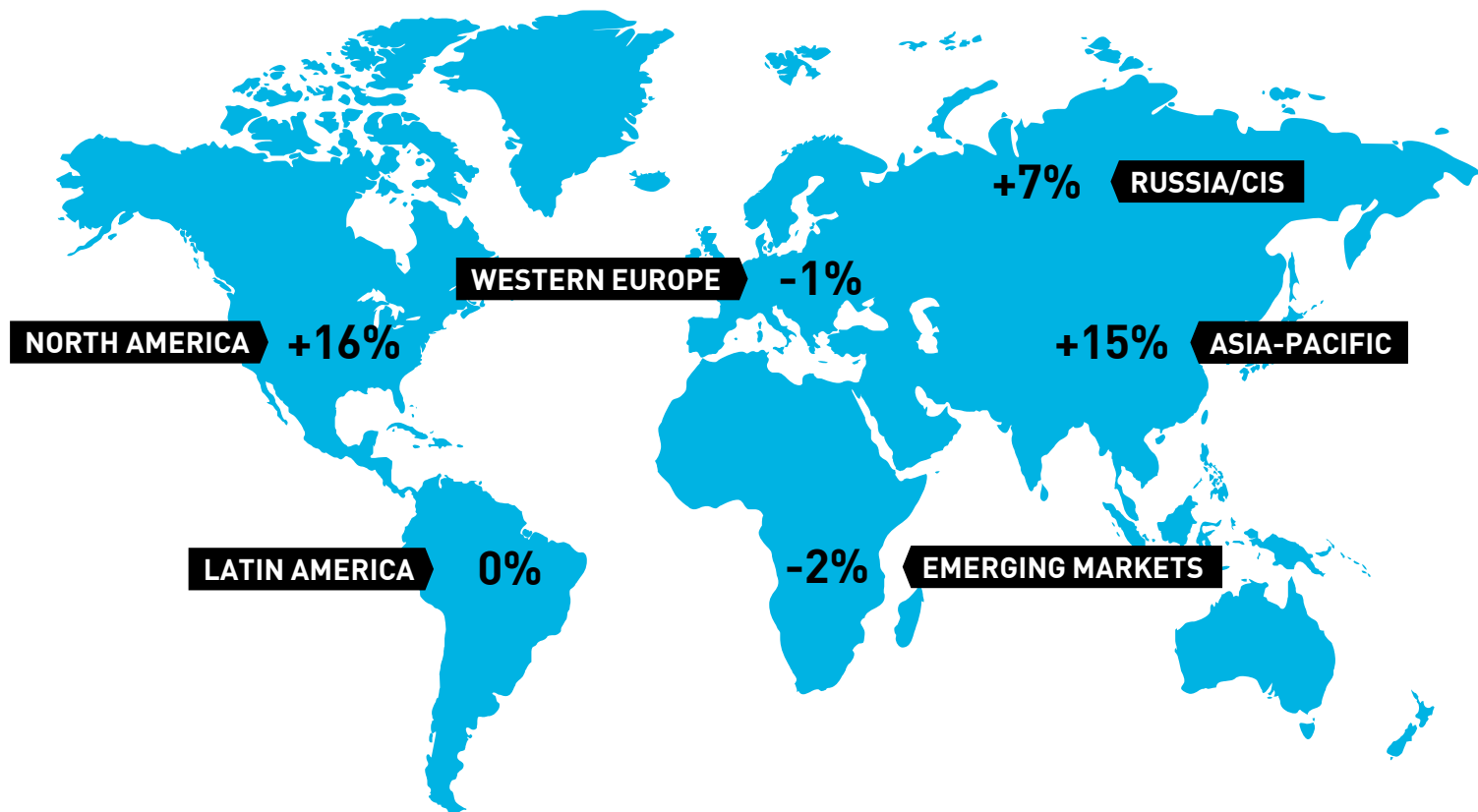
FINANCIAL HIGHLIGHTS

HARM OHLMEYER
CFO



KEY REGIONS CONTINUE TO GROW AS EXPECTED

NORTH AMERICA AND ASIA-PACIFIC WITH DOUBLE-DIGIT SALES INCREASES



NORTH AMERICA

STRONG TOP- AND BOTTOM-LINE IMPROVEMENTS

+16%

Currency-neutral sales increase 16%

adidas brand revenues up 18%

Driven by double-digit growth in Training, Running, Football and Sport Inspired

Reebok brand revenues flat

High-single-digit increase in the US offset by decline in Canada

Gross margin increases 2.2pp to 42.0%

Several positive drivers, including favorable channel and category mix

Operating margin increases 6.8pp to 18.1%

On the back of gross margin expansion as well as operating leverage



ASIA-PACIFIC

STRONG DOUBLE-DIGIT GROWTH DRIVEN BY GREATER CHINA

+15%

Currency-neutral sales increase 15%

adidas brand sales increase 16%

Double-digit growth in Training, Running, HBS and Sport Inspired

Reebok brand revenues decrease 1%

Decline in Training largely compensated by growth in Classics and Running

Gross margin up 1.8pp to 57.2%

Better pricing, channel and category mix compensates FX headwind

Operating margin up 0.9pp to 35.5%

Investments partially offset gross margin expansion



WESTERN EUROPE

TOP-LINE DEVELOPMENT IN LINE WITH EXPECTATIONS

-1%

Currency-neutral sales decrease 1%

adidas brand revenues decrease 1%

Moderate gain in Sport Performance offset by moderate decline in Sport Inspired

Reebok brand sales decrease 5%

Reflecting tough prior year comps and more selective distribution

Gross margin improves 3.4pp to 48.8%

Despite negative FX impact as focus on quality pays off

Operating margin is up 1.1pp to 24.4%

Gross margin improvement partly offset by brand investments



WESTERN EUROPE

COMPREHENSIVE SET OF COUNTERMEASURES INITIATED

CHALLENGES

- 1 **Overreliance on and overdistribution**
of Originals
- 2 **Planned decline of Stan and Superstar**
not compensated for by new franchises
- 3 **Slow reaction**
to changing trends
- 4 **Aggressive competition**
in a mature market

COUNTERMEASURES

- **More holistic segmentation approach**
and better input process
- **Relentless activation of commercial launches**
according to marketplace needs
- **New management team and simplified organization**
with focus on consumer and key accounts
- **Tailored investment plans**
in order to regain market share in key accounts



FINANCIAL RESULTS OVERVIEW

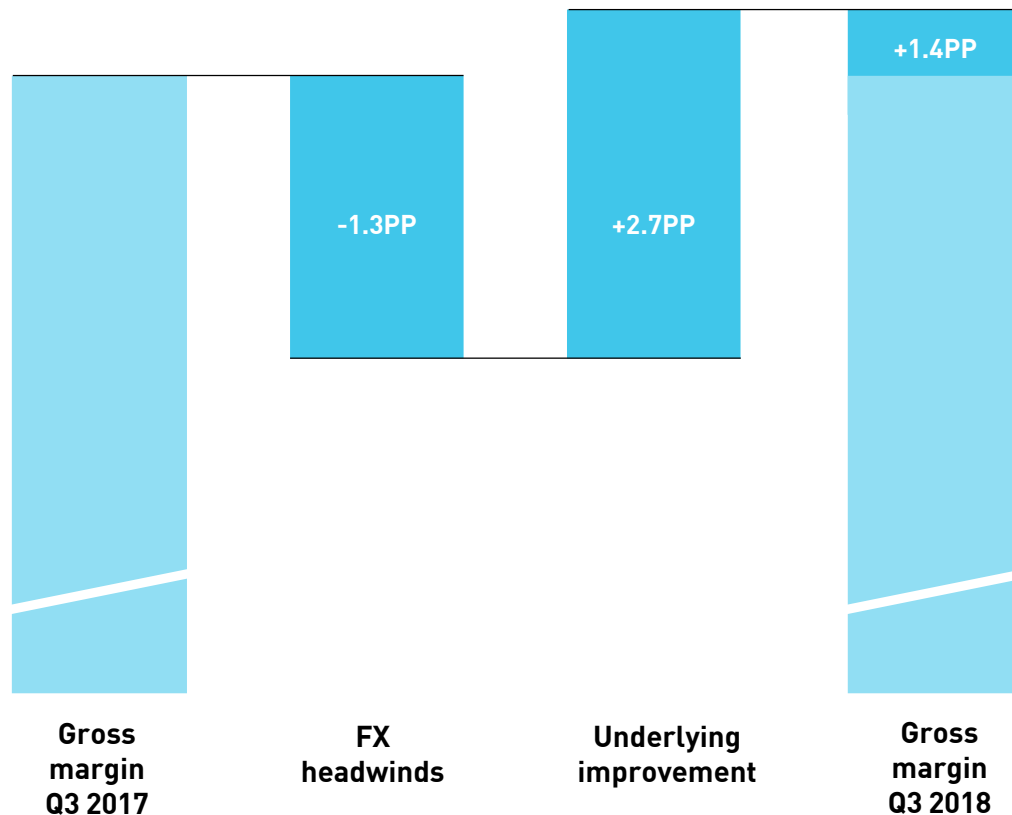
OPERATING MARGIN IMPROVEMENT DRIVEN BY GROSS MARGIN INCREASE

	Q3 2018	Q3 2017	Y-O-Y change
NET SALES (€ in millions)	5,873	5,677	+3%
GROSS MARGIN	51.8%	50.4%	+1.4pp
MARKETING WORKING BUDGET (€ in millions)	716	667	+7%
MWB (in % of sales)	12.2%	11.7%	+0.4pp
OPERATING OVERHEADS (€ in millions)	1,504	1,463	+3%
OOH (in % of sales)	25.6%	25.8%	-0.2pp
OPERATING PROFIT (€ in millions)	901	795	+13%
OPERATING MARGIN	15.3%	14.0%	+1.3pp
NET INCOME FROM CONTINUING OPERATIONS (€ in millions)	656	549	+19%
BASIC EPS FROM CONTINUING OPERATIONS (€)	3.26	2.70	+21%

GROSS MARGIN EXPANSION DECOMPOSED

STRONG UNDERLYING IMPROVEMENT AS FOCUS ON QUALITY GROWTH PAYS OFF

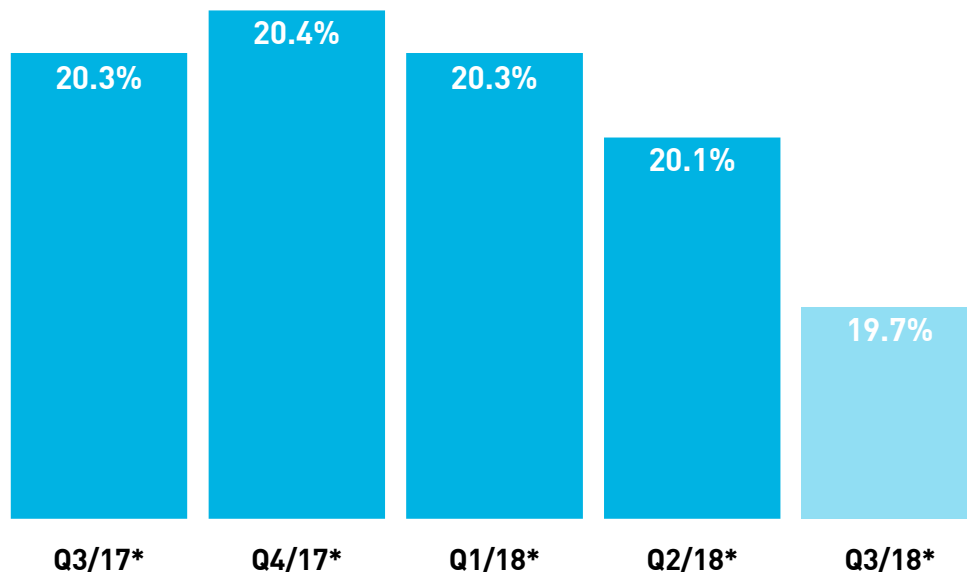
- Gross margin expansion continues**
Up 1.4pp in Q3
- Despite stronger drag from FX**
1.3pp headwind in Q3
- Strong underlying improvement**
Reflecting brand strength and healthy inventories



AVERAGE OPERATING WORKING CAPITAL

IN % OF SALES DOWN 0.6PP YOY TO 19.7%

- Inventories**
Down 4% currency-neutral
- Receivables**
Up 11% currency-neutral
- Payables**
Up 11% currency-neutral



Average operating working capital in % of sales at quarter-end.

* Figures reflect net sales and OWC from continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.

NET CASH AND EQUITY POSITION

EQUITY RATIO AT 41.8%

Net cash position

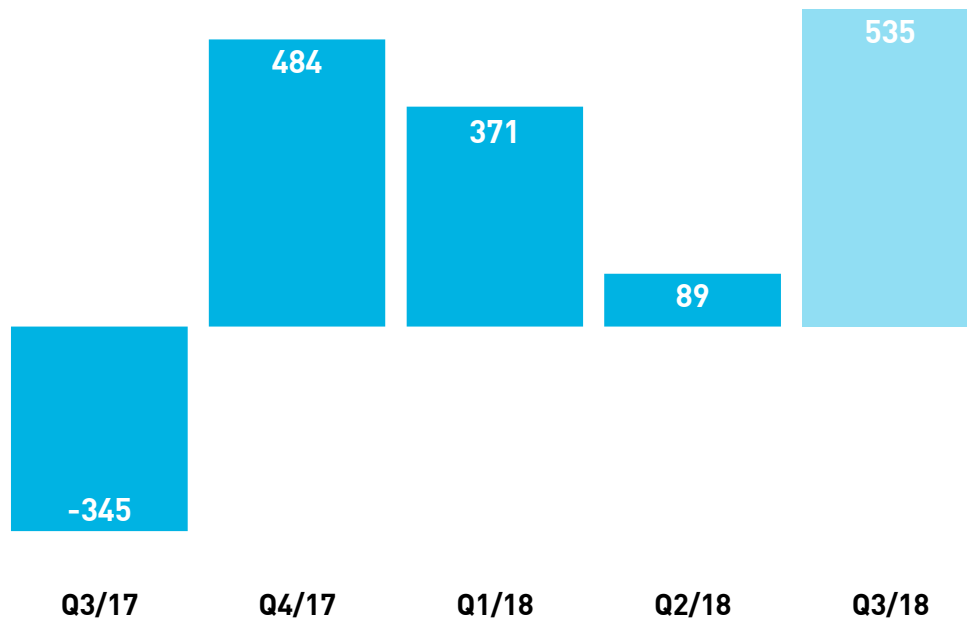
At € 535 million

Equity position

Increases € 456 million year-on-year

Equity ratio

Decreases 0.3pp year-on-year to 41.8%



SHAREHOLDER RETURN

SHARE BUYBACK UPDATE

1

TOTAL SIZE

Up to € 3 billion (up to € 1 billion in 2018)

2

TIMEFRAME

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

3

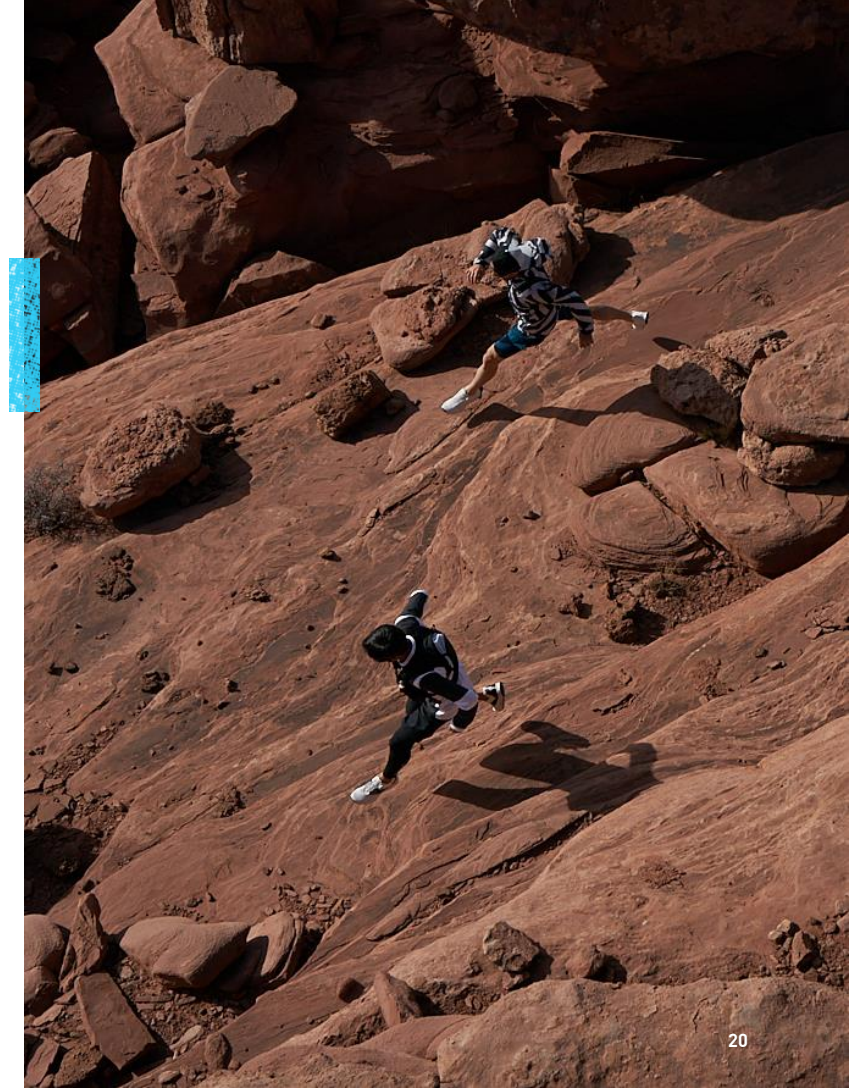
NUMBER OF SHARES PURCHASED*

3.8 million adidas AG shares

4

AMOUNT PURCHASED*

€ 733 million



**As at September 30, 2018.*

OUTLOOK

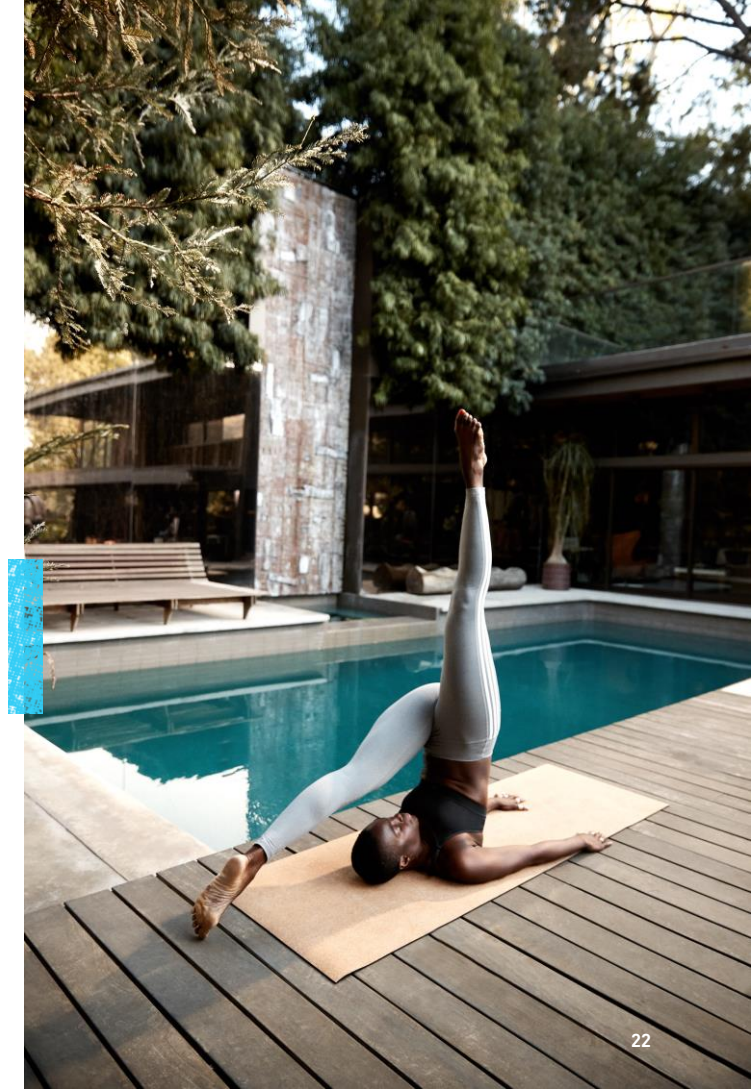
KASPER RORSTED
CEO



2018

BALANCING MARKET SHARE GROWTH AND MARGIN IMPROVEMENT

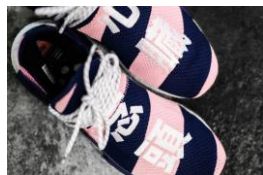
- 1 High-quality revenue growth**
- 2 Product pipeline to support planned top-line expansion**
- 3 Overproportionate investments in brands and products**
- 4 Continuing to implement scalable business model**
- 5 Margin expansion and overproportionate net income growth**



OUR POWERFUL ENGINE

DRIVING BRAND DESIRABILITY AS WELL AS TOP-LINE GROWTH

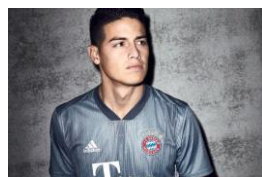
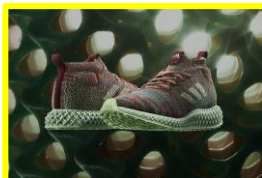
ITERATING EXISTING PRODUCT SUCCESSSES



LAUNCHING NEW PRODUCTS AND FRANCHISES



SCALING INNOVATION AND NEW TECHNOLOGIES



LEVERAGING THE INDUSTRY'S DEEPEST ARCHIVE



CELEBRATING SPORTS ASSETS AND EVENTS



CALLING CREATORS AND COMMUNITIES



FLAWLESS EXECUTION OF BIGGEST DIGITAL RELEASE

YEEZY BOOST 350 V2 TRIPLE WHITE

Large-scale activation

Executing perfectly in sync across all functions around the globe

Taking over social media

Media mentions and search interest surpassing past Yeezy releases

Driving e-commerce traffic

Launch generating millions of adidas.com site visits

Major commercial success

Sell-through and margin metrics above expectations

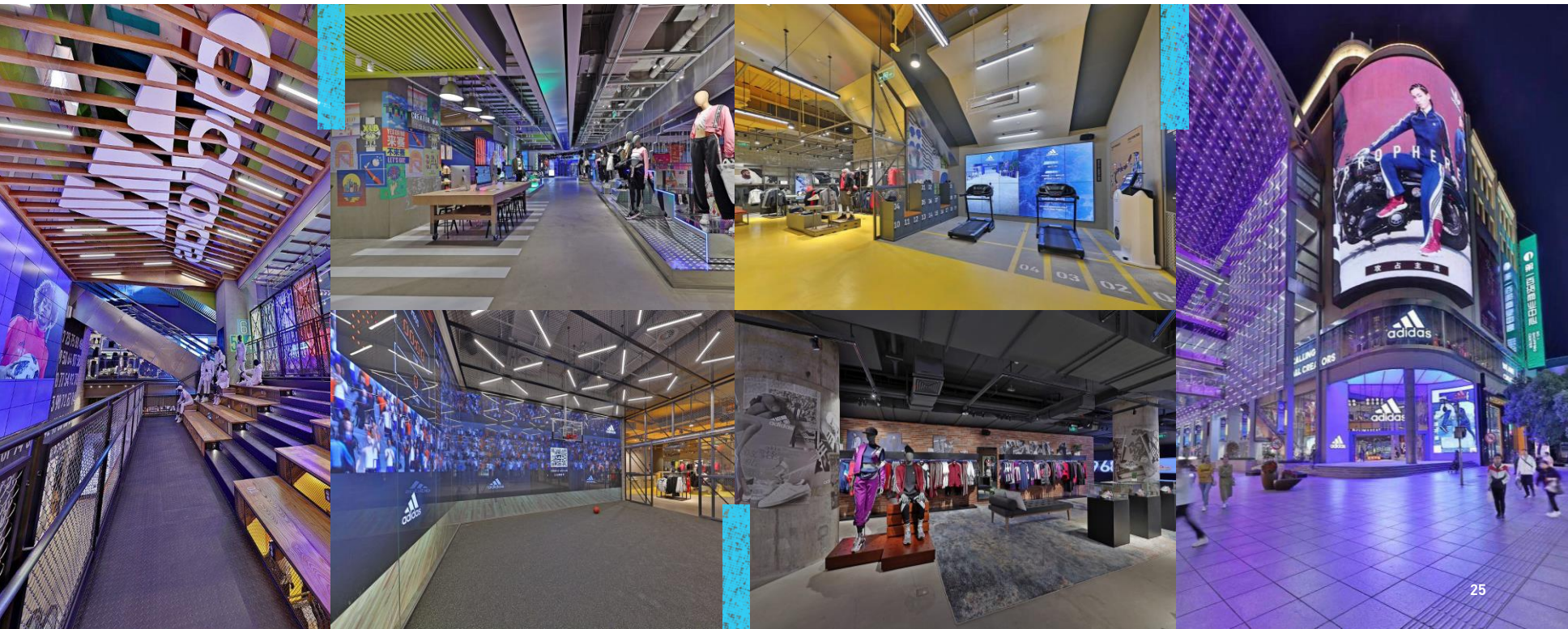
Sticking to the plan

Democratizing Yeezy while preserving the hype



MOVING FAST IN ORDER TO WIN IN PHYSICAL RETAIL

NEW BRAND CENTER SHANGHAI EAST NANJING ROAD



OUTLOOK 2018 INCREASED

STRONGER BOTTOM-LINE IMPROVEMENT EXPECTED

Net sales*	Increase of around 10%	LOWER END	Increase of 8% – 9%
Gross margin	Increase up to 0.3pp to up to 50.7%	INCREASED	Increase up to 1.0pp to up to 51.4%
Operating profit	Increase of 9% – 13%	INCREASED	Increase of 12% – 16%
Operating margin	Increase of 0.5pp – 0.7pp to 10.3% – 10.5%	INCREASED	Increase of around 1.0pp to around 10.8%
Net income from continuing operations**	Increase of 13% – 17% to € 1.615 – € 1.675 billion	INCREASED	Increase of 16% – 20% to € 1.660 – € 1.720 billion
Basic EPS from continuing operations**	Increase of 12% – 16%	INCREASED	Increase of 15% – 19%

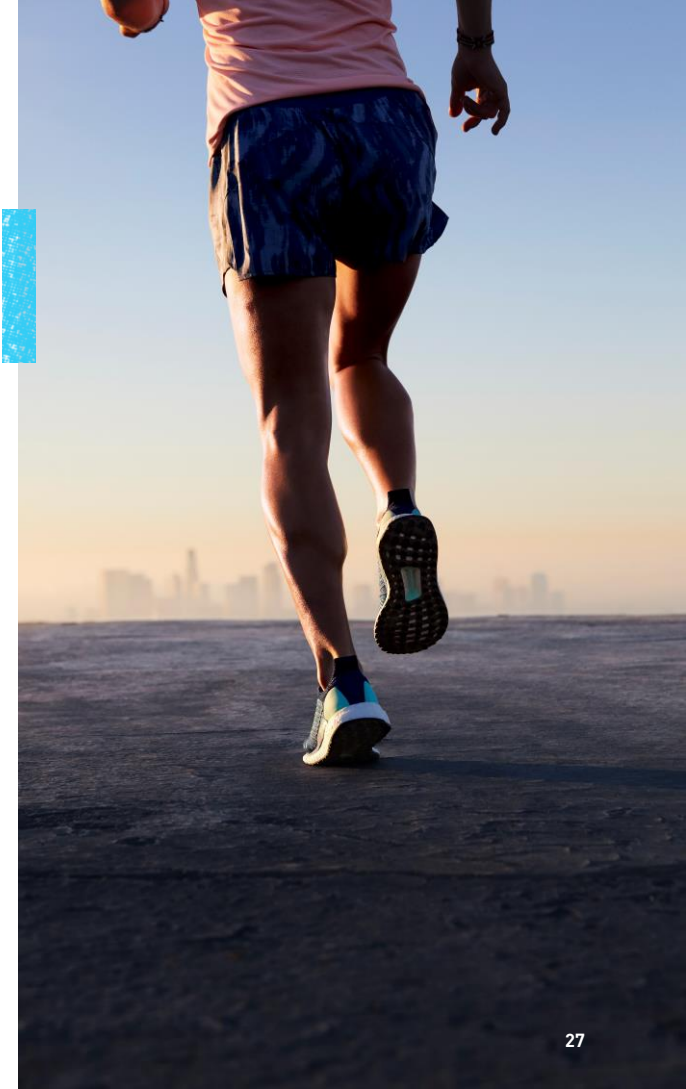
* Currency-neutral.

** Excluding negative one-time tax impact of € 76 million in 2017; not taking into account any decrease in the number of shares outstanding due to the company's share buyback program.



SUMMARY

- 1 2018 ahead of plan, full-year outlook increased
- 2 Progress across strategic growth areas, acting on Western Europe
- 3 Higher marketing investments to support brand and product
- 4 Strong profitability improvements despite investment into brand and business
- 5 Focus on executing the second half of 'Creating the New'



Q&A

