



adidas

Q2 2017 RESULTS PRESENTATION

HERZOGENAURACH
AUGUST 3, 2017



AGENDA

BUSINESS HIGHLIGHTS
FINANCIAL HIGHLIGHTS
OUTLOOK

BUSINESS HIGHLIGHTS

KASPER RORSTED
CEO



EXECUTING 'CREATING THE NEW'

ORGANISATIONAL CHANGES TO DRIVE OPERATIONAL IMPROVEMENTS

TAYLORMADE AND CCM HOCKEY BUSINESSES SOLD

DIVESTITURES EXPECTED TO CLOSE IN THE COURSE OF H2/17

'ONE ADIDAS' INITIATIVES KICKED OFF

TO INCREASE OPERATIONAL EFFICIENCY

CHANGES TO THE EXECUTIVE BOARD

KAREN PARKIN AND GIL STEYAERT APPOINTED TO THE BOARD

STRENGTHS AND WEAKNESSES

IN Q2 2017

ONGOING BRAND MOMENTUM

DOUBLE-DIGIT GROWTH IN ALL KEY REGIONS

EXCEPTIONAL GROWTH IN ECOM

WITH ACCELERATING MOMENTUM

HEALTHY INVENTORY POSITION

REFLECTING STRONG SELL-THROUGH

STRONG PROFITABILITY IMPROVEMENTS

DESPITE FX HEADWINDS AND 2016 ONE-OFFS

SALES DECLINE IN RUSSIA/CIS

REFLECTING MACROECONOMIC CHALLENGES

CHALLENGES IN LATIN AMERICA PERSIST

DESPITE STRONG TOP-LINE GROWTH

TOP-LINE GROWTH IN APPAREL

LAGGING BEHIND FOOTWEAR

LIMITED OPERATING OVERHEAD LEVERAGE

DESPITE STRONG TOP-LINE GROWTH

MAJOR P&L DEVELOPMENTS

IN Q2 2017

REVENUES INCREASE 19% CURRENCY-NEUTRAL

AND 20% IN EURO TERMS TO € 5.0 BILLION

GROSS MARGIN UP 0.7PP TO 50.1%

DUE TO A MORE FAVOURABLE PRICING, CHANNEL AND PRODUCT MIX

UNDERLYING OPERATING MARGIN UP 1.4PP TO 10.0%

SUPPORTED BY DIFFERENT TIMING OF MARKETING SPEND IN 2017 ACROSS ALL REGIONS

NET INCOME FROM CONTINUING OPERATIONS INCREASES 16%

TO € 347 MILLION

BASIC EPS FROM CONTINUING OPERATIONS UP 14%

TO € 1.72

EXCELLENT GROWTH AT ADIDAS BRAND

UNPARALLELED BRAND HEAT CONTINUES

+21%

**DOUBLE-DIGIT SALES GROWTH ON TOP
OF A 25% INCREASE IN THE PRIOR YEAR PERIOD**

**EXCELLENT GROWTH IN
NORTH AMERICA AND GREATER CHINA**

**WOMEN'S BUSINESS OUTPERFORMING
WITH GROWTH OF MORE THAN 30%**

WOMEN'S BUSINESS OUTPERFORMS

FOCUS ON THE FEMALE CONSUMER PAYING OFF

QUARTERLY REVENUE GROWTH



SPORT PERFORMANCE INCREASES 7%

DESPITE DIFFICULT PRIOR YEAR COMPARISONS RELATED TO MAJOR SPORTS EVENTS

QUARTERLY REVENUE GROWTH (2-YEAR STACKS)



**RUNNING REVENUES UP 27%, DRIVEN BY
SUCCESS AROUND BOOST FRANCHISES**

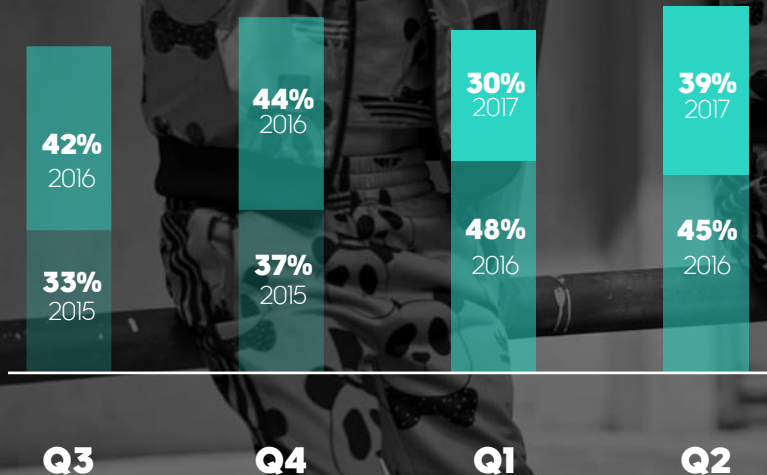
**TRAINING SALES GROW 9%, REFLECTING
EXCEPTIONAL GROWTH IN ATHLETICS**

**FOOTBALL AND BASKETBALL SALES DECLINE,
DESPITE DOUBLE-DIGIT GROWTH IN FOOTWEAR**

ORIGINALS & NEO ENJOY BRAND HEAT

EXCEPTIONAL GROWTH AT ADIDAS ORIGINALS AND NEO

QUARTERLY REVENUE GROWTH (2-YEAR STACKS)



**ORIGINALS UP 36%, DRIVEN BY STRONG
DOUBLE-DIGIT GROWTH IN ALL KEY REGIONS**

**MODERN FRANCHISES INCREASE MORE THAN
60%, REPRESENTING AROUND HALF OF
ORIGINALS FOOTWEAR BUSINESS**

**NEO BUSINESS GROWS 45%, REFLECTING MORE
THAN 50% IMPROVEMENT IN FOOTWEAR**

GROWTH AT REEBOK CONTINUES

ROBUST TOP- AND BOTTOM-LINE IMPROVEMENTS

+5%

**SALES INCREASE DRIVEN BY STRONG
DOUBLE-DIGIT GROWTH IN CLASSICS**

**SIGNIFICANT REVENUE DECLINE IN NORTH
AMERICA REFLECTING CLEAN-UP OF LOW-
MARGIN BUSINESS**

**MUSCLE-UP PROGRESS DELIVERS FIRST
OPERATIONAL AND FINANCIAL IMPROVEMENTS**

GROWTH IN ECOM ACCELERATES

DIRECT CONSUMER ENGAGEMENT PROPELS BRAND MOMENTUM

A person's hands are holding a smartphone. The screen shows a video of a person climbing a structure. A large green rectangular overlay is positioned over the lower half of the phone's screen, containing the text '+66%' in white. The background is a blurred image of a person's face and hands.

+66%

FINANCIAL HIGHLIGHTS

HARM OHLMEYER
CFO



BROAD-BASED TOP-LINE MOMENTUM

DOUBLE-DIGIT SALES GROWTH IN ALL REGIONS EXCEPT RUSSIA/CIS

NORTH AMERICA

+26%

WESTERN EUROPE

+19%

RUSSIA/CIS

(11%)

JAPAN

+11%

GREATER CHINA

+28%

MEAA

+13%

LATIN AMERICA

+14%

STRONG PERFORMANCE DESPITE TOUGH PRIOR YEAR COMPARISON

WESTERN EUROPE

CURRENCY-NEUTRAL SALES INCREASE 19% IN Q2
DOUBLE-DIGIT GROWTH IN MOST COUNTRIES

ADIDAS BRAND REVENUES UP 18%
ON TOP OF A 30% INCREASE IN Q2/16

REEBOK BRAND SALES INCREASE 33%
DOUBLE-DIGIT GROWTH IN ALL KEY CATEGORIES

GROSS MARGIN GROWS (+0.8PP)
DESPITE SEVERE FX HEADWINDS

OPERATING MARGIN UP (+2.8PP)
REFLECTING GROSS MARGIN INCREASE AND OPEX LEVERAGE

BRAND HEAT FOR ADIDAS BRAND CONTINUES

NORTH AMERICA

CURRENCY-NEUTRAL SALES INCREASE 26% IN Q2

ONGOING MOMENTUM AT ADIDAS BRAND (+33%)
ON TOP OF A 32% INCREASE IN Q2/16

REEBOK BRAND SALES DOWN 16%
REFLECTING CLEAN-UP OF LOW-MARGIN BUSINESS

GROSS MARGIN EXPANDS FURTHER (+2.6PP)
REFLECTING IMPROVEMENTS IN BRAND STRENGTH

OPERATING MARGIN UP (+3.5PP)
DRIVEN BY GROSS MARGIN INCREASE AND OPEX LEVERAGE

EXCELLENT MOMENTUM FOR BOTH ADIDAS AND REEBOK BRANDS

GREATER CHINA

CURRENCY-NEUTRAL SALES INCREASE 28% IN Q2

SALES AT ADIDAS BRAND UP 28%
DOUBLE-DIGIT GROWTH IN KEY CATEGORIES

REEBOK BRAND REVENUES UP 20%
GROWTH IN THE RUNNING AND TRAINING CATEGORIES

GROSS MARGIN DOWN (-0.7PP)
REFLECTING A LESS FAVOURABLE PRICING MIX

OPERATING MARGIN DECLINES (-1.4PP)
DUE TO A DECREASE IN GROSS MARGIN AND HIGHER OPEX

STRONG GROWTH DESPITE MACROECONOMIC CHALLENGES

LATIN AMERICA

CURRENCY-NEUTRAL SALES GROW 14% IN Q2
DESPITE DIFFICULT ENVIRONMENT IN ARGENTINA AND BRAZIL

REVENUES AT ADIDAS BRAND UP 14%
DOUBLE-DIGIT GROWTH IN RUNNING, ORIGINALS AND NEO

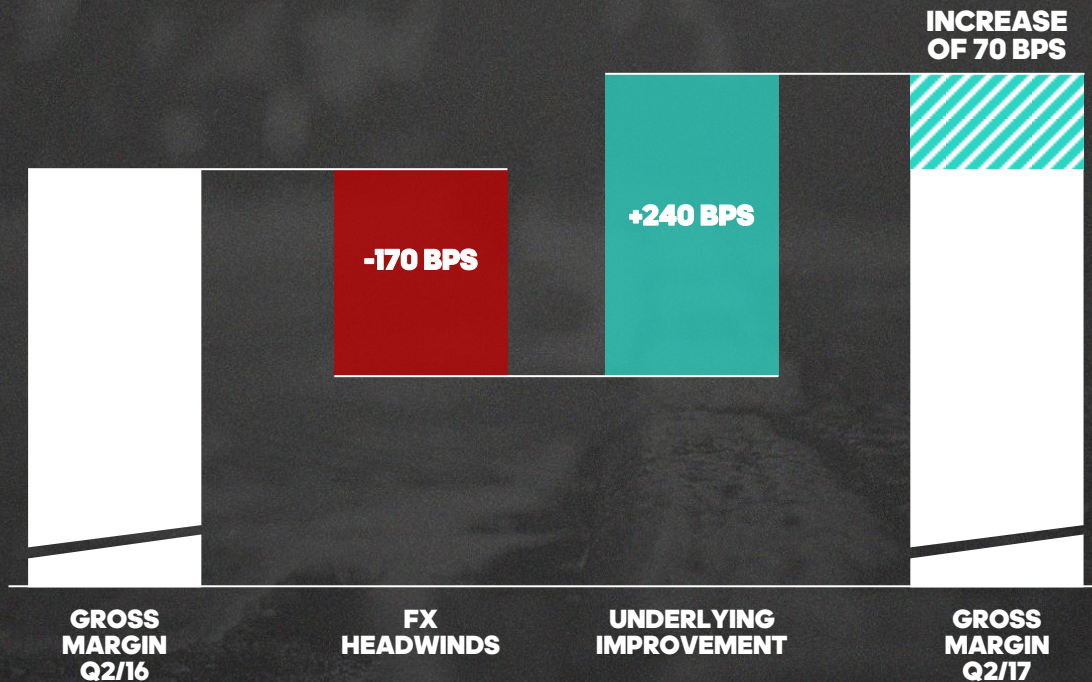
REEBOK BRAND REVENUES UP 10%
DOUBLE-DIGIT GROWTH IN CLASSICS AND
HIGH-SINGLE-DIGIT INCREASES IN TRAINING

GROSS MARGIN DOWN (-1.9PP)
DUE TO SEVERE FX HEADWINDS

OPERATING MARGIN UP (+0.1PP)
REFLECTING OPEX LEVERAGE

GROSS MARGIN INCREASES TO 50.1%

DUE TO STRONG IMPROVEMENTS IN PRICING, PRODUCT AND CHANNEL MIX EFFECTS



FINANCIAL RESULTS OVERVIEW

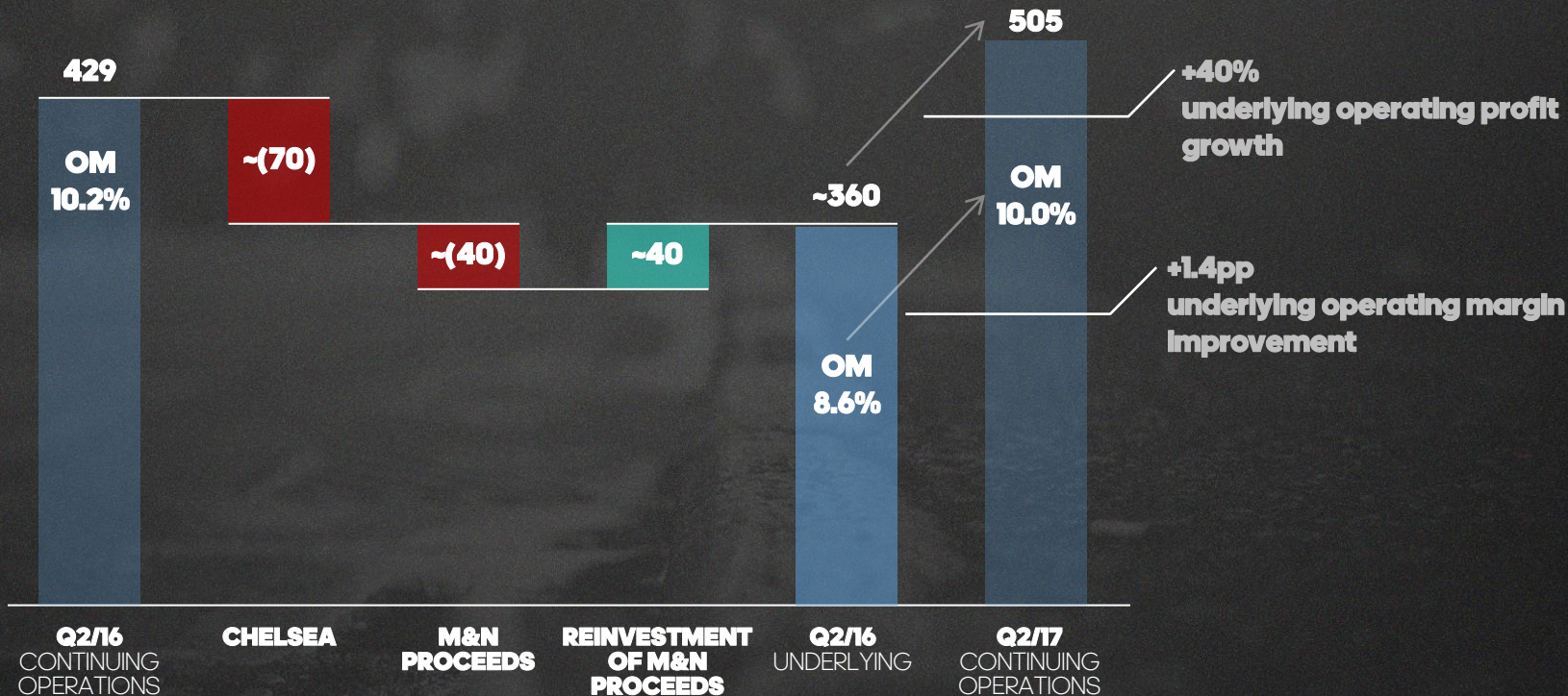
PRIOR YEAR FIGURES ADJUSTED TO REFLECT DIVESTITURE OF TM/CCM

	AS REPORTED IN 2016 INCLUDING TM/CCM	CONTINUING OPERATIONS * REFLECTING DIVESTITURE OF TM/CCM		
	Q2/16	Q2/16	Q2/17	Y-O-Y CHANGE
SALES (€ IN MILLIONS)	4,422	4,199	5,038	+20%
GROSS MARGIN	48.8%	49.4%	50.1%	+0.7PP
OTHER OPERATING INCOME (€ IN MILLIONS)	159	159	24	(85%)
OTHER OPERATING EXPENSES (€ IN MILLIONS)	1,935	1,833	2,072	+13%
OPERATING PROFIT (€ IN MILLIONS)	414	429	505	+18%
OPERATING MARGIN	9.4%	10.2%	10.0%	(0.2PP)
NET INCOME FROM CONTINUING OPERATIONS (€ IN MILLIONS)	291	301	347	+16%

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

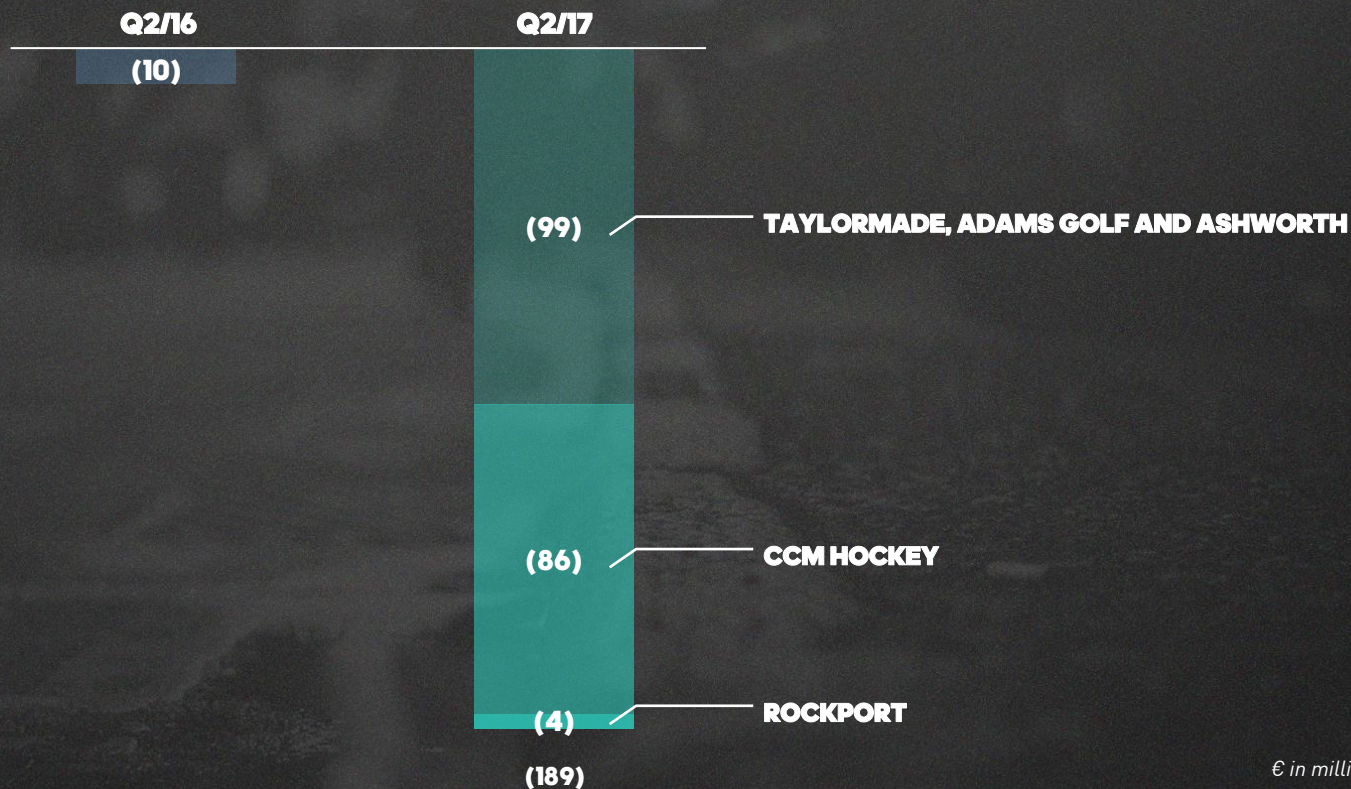
OPERATING PROFIT GROWS STRONGLY

DESPITE DIFFICULT PRIOR YEAR COMPARISONS



DISCONTINUED OPERATIONS

REFLECTING P&L IMPACT OF DIVESTED NON-CORE BUSINESSES



FINANCIAL RESULTS OVERVIEW

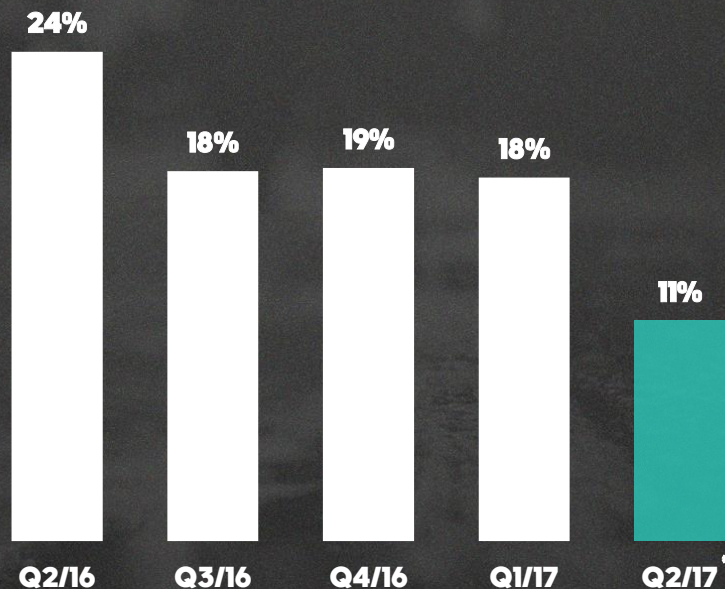
REFLECTING DIVESTITURES

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GAINS/(LOSSES) FROM DISCONTINUED OPERATIONS (€ IN MILLIONS)	0	(10)	(189)	n/a
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS (€ IN MILLIONS)	291	291	158	(46%)

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

INVENTORY GROWTH SLOWS DOWN

REFLECTING STRONG SELL-THROUGH AT THE POINT OF SALE



*Currency-neutral inventories at quarter-end.
* Figure reflects continuing operations as a result of the divestiture of the Rockport business and the planned divestiture of TaylorMade, Adams Golf, Ashworth and CCM Hockey.*

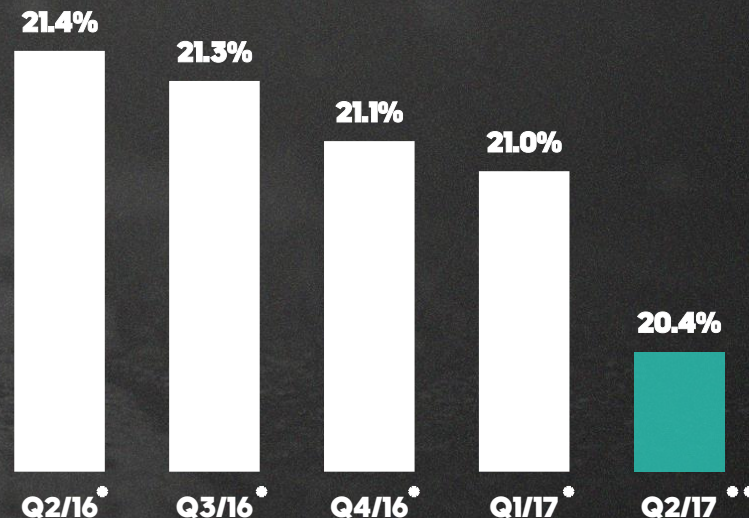
OPERATING WORKING CAPITAL

CONTINUED FOCUS ON TIGHT WORKING CAPITAL MANAGEMENT

RECEIVABLES FROM CONTINUING OPERATIONS
UP 22% (CURRENCY-NEUTRAL), AS A RESULT OF
THE STRONG TOP-LINE DEVELOPMENT

PAYABLES FROM CONTINUING OPERATIONS
GROW 6% (CURRENCY-NEUTRAL),
REFLECTING HIGHER INVENTORIES

AVERAGE OWC IN % OF SALES
DOWN 1.0PP TO 20.4%



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

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

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

OUTLOOK

KASPER RORSTED
CEO



CREATING THE NEW

FOCUS ON DRIVING BRAND DESIRABILITY



STRONG GROWTH TO CONTINUE IN H2

ELEVATED MARKETING SPEND TO SUPPORT MOMENTUM

SUSTAIN BRAND HEAT

THROUGH ACCELERATED BRAND ACTIVATION

SUPPORT SELL-THROUGH OF NEW PRODUCT LAUNCHES

THROUGH HIGHER INVESTMENTS IN POINT-OF-SALE INITIATIVES

CAPITALISE ON WORLD CUP 2018 PLATFORM

THROUGH EVENT-RELATED PRODUCT AND BRAND ACTIVATION

LEVERAGE TOP-LINE GROWTH

THROUGH OPERATING OVERHEAD EFFICIENCY

OUTLOOK INCREASED

FOR THE FULL YEAR 2017

SALES

CURRENCY-NEUTRAL

INCREASE OF 17% – 19%

NET INCOME

FROM CONTINUING OPERATIONS

**INCREASE OF 26% – 28%
TO € 1.360 – € 1.390 BILLION**

OUTLOOK INCREASED

FOR THE FULL YEAR 2017

	AS REPORTED IN 2016 INCLUDING TM/CCM		CONTINUING OPERATIONS REFLECTING DIVESTITURE OF TM/CCM		
	2016 RESULTS REPORTED	2017 OUTLOOK MARCH 2017	2016 RESULTS ADJUSTED	2017 OUTLOOK MARCH 2017	2017 OUTLOOK AUGUST 2017
SALES (€ in millions)	19,291	increase of 11% - 13%*	18,483	increase of 12% - 14%*	increase of 17% - 19%*
GROSS MARGIN	48.6%	increase up to 0.5pp to up to 49.1%	49.2%	increase up to 0.3pp	increase up to 0.8pp to up to 50.0%
OPERATING PROFIT (€ in millions)	1,491	increase of 18% - 20%	1,582	increase of 13% - 15%	increase of 24% - 26%
OPERATING MARGIN	7.7%	increase of 0.6pp - 0.8pp to 8.3% - 8.5%	8.6%	increase of 0.2pp - 0.4pp	increase up to 0.6pp to up to 9.2%
NET INCOME FROM CONTINUING OPERATIONS (€ in millions)	1,019	increase of 18% - 20% to € 1.200 - € 1.225 billion	1,082	increase of 13% - 15%	increase of 26% - 28% to € 1.360 - € 1.390 billion
BASIC EPS FROM CONTINUING OPERATIONS (in €)	5.08	increase of 18% - 20%	5.39	increase of 13% - 15%	increase of 25% - 27%

* Currency-neutral.

Q2 2017 KEY TAKEAWAYS

ONGOING MOMENTUM IN KEY GROWTH AREAS

PROFITABILITY GAINS DESPITE FX HEADWINDS AND DIFFICULT COMPS

FULL YEAR OUTLOOK INCREASED

FURTHER PROGRESS ON PORTFOLIO INITIATIVES

RELENTLESS FOCUS ON SHORT- AND LONG-TERM GOALS