

adidas

Q3 2021 RESULTS

NOVEMBER 10, 2021



AGENDA

- 1 INTRODUCTION**
- 2 BUSINESS UPDATE**
- 3 FINANCIAL UPDATE**
- 4 OPERATIONAL UPDATE**
- 5 OUTLOOK**

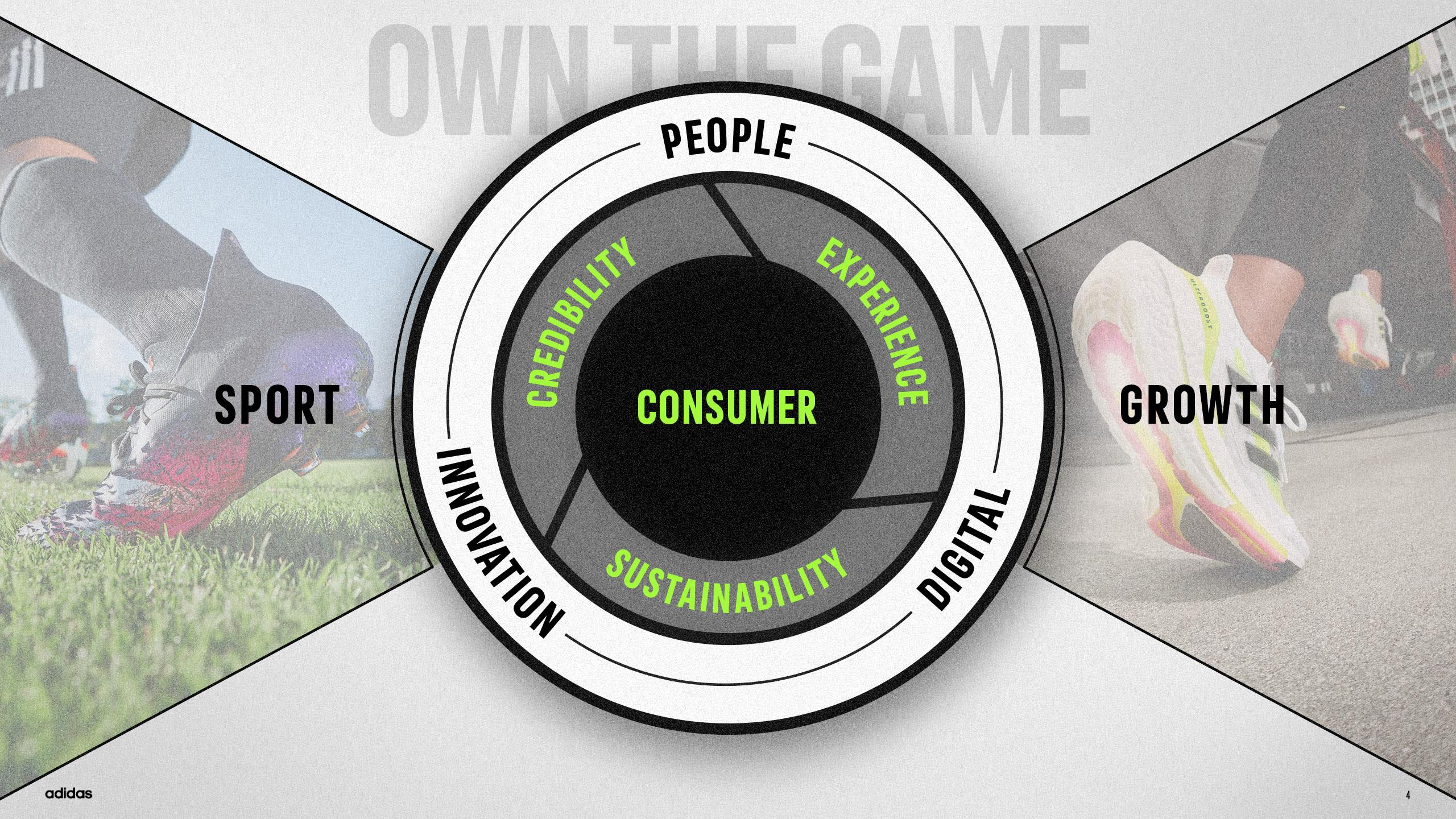


INTRODUCTION

KASPER RORSTED
CEO



OWN THE GAME



OUR PEOPLE OWN THE GAME

Forbes **2021**
**WORLD'S BEST
EMPLOYERS**



>40%

**WOMEN SHARE IN LEADERSHIP POSITIONS
BY 2025**

OUTSTANDING ESG RATING AWARDED

S&P Global
Ratings



85_{/100}



CROSS-SECTOR ANALYSIS OF GLOBAL COMPANIES



EVALUATION AFTER EXTENSIVE DUE DILIGENCE AND DIALOGUE

STRONG FOCUS ON SUSTAINABILITY REFLECTED IN
OUTSTANDING ESG RATING RESULT

ONE OF THE HIGHEST EVER AWARDED ESG PROFILE
SCORES

OVERALL **PREPAREDNESS CONSIDERED STRONG**

RANKED IN GLOBAL **TOP TEN**

BUSINESS UPDATE

KASPER RORSTED
CEO



CONSUMER HIGHLIGHTS



CREDIBILITY

EXPERIENCE

SUSTAINABILITY

CREDIBILITY



BERLIN



LONDON



BOSTON



NYC



MORE WORLD RECORDS, MORE WINS, MORE PODIUMS IN TOP 50 ROAD RACES THAN ALL OTHERS COMBINED

EXPERIENCE

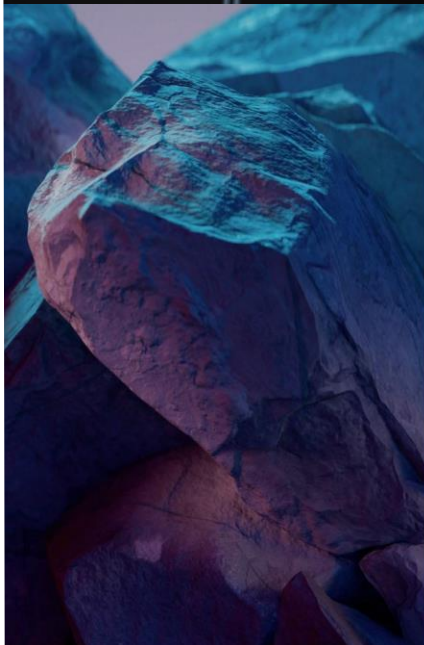
FIND YOUR FOOTWEAR

Let us help you find the right shoe for your next outdoor adventure!

GET STARTED



MEMBERS WEEK MEMBERS WEEK



MEMBERS WEEK MEMBERS WEEK



ADDING 3 MILLION NEW MEMBERS TO OUR DIGITAL ECOSYSTEM DURING MEMBERS WEEK ALONE

SUSTAINABILITY



Opod



INNOVATING WITH NEW MATERIALS AND BUSINESS MODELS

STRENGTHS & WEAKNESSES

STRENGTHS



TOP-LINE MOMENTUM IN EMEA, NORTH AMERICA AND LATIN AMERICA

Double-digit increase across these regions

DTC FOCUS PAYING OFF

Double-digit growth in EMEA, North America and Latin America

DOUBLE-DIGIT GROWTH IN FOOTBALL AND OUTDOOR

New products resonating well with consumers

STRONG DOUBLE-DIGIT OPERATING MARGIN

Despite significantly higher marketing spend and supply chain costs

WEAKNESSES



SALES DECREASE IN GREATER CHINA

Challenging market environment delaying recovery

LOWER DEMAND IN ASIA-PACIFIC

Covid-related lockdowns weighing on sales in the region

SUPPLY CHAIN CONSTRAINTS

Shipping & handling delays impacting sales in EMEA and North America

GROSS MARGIN RECOVERY MASKED

Unfavorable FX development and higher supply chain costs

P&L AT A GLANCE

REVENUES INCREASE 3% CURRENCY-NEUTRAL

Challenging market environment in China, Covid-related lockdowns and supply-chain constraints reducing top-line by around € 600 million

GROSS MARGIN DOWN 0.2PP TO 50.1%

Due to unfavorable FX development and higher supply chain costs

OPERATING PROFIT OF € 672 MILLION

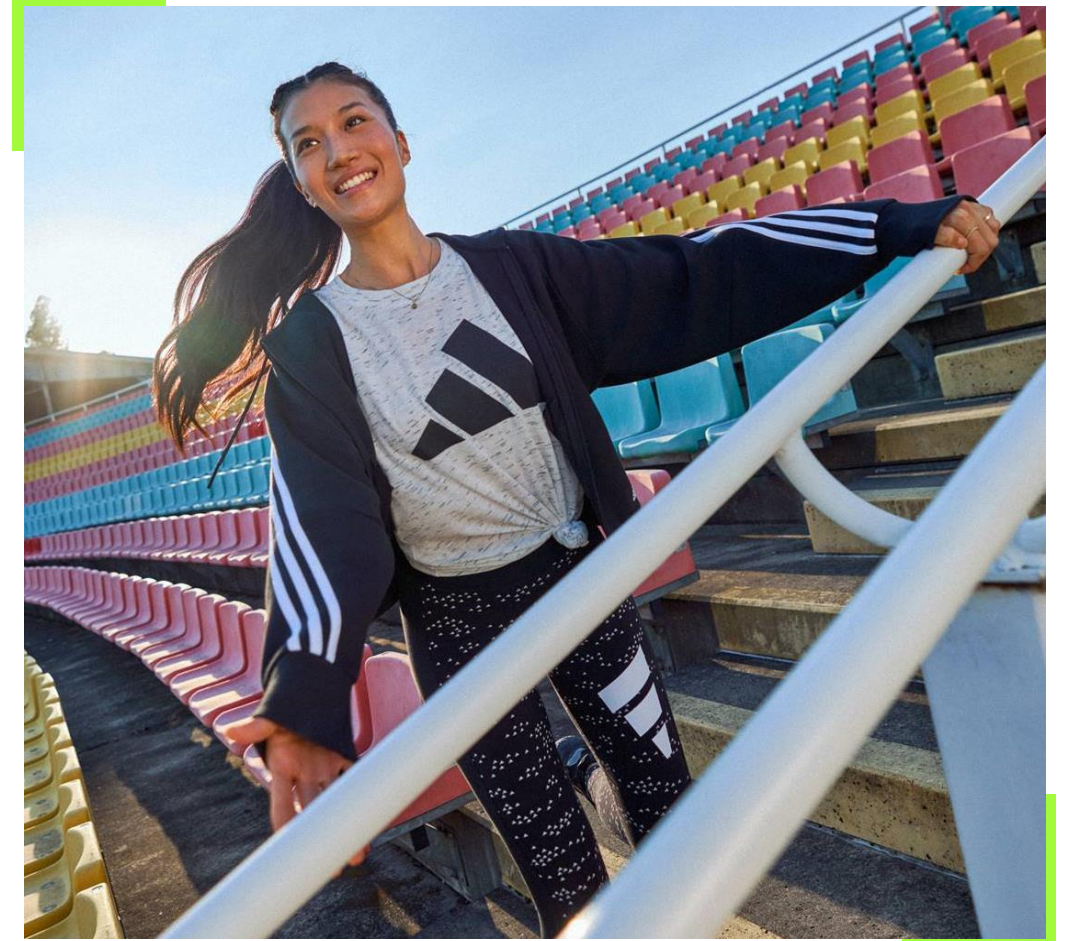
Reflecting operating margin of 11.7%

NET INCOME FROM CONTINUING OPERATIONS

Of € 479 million

BASIC EPS FROM CONTINUING OPERATIONS

Of € 2.34



OUR STRATEGIC GROWTH **MARKETS**

GREATER CHINA

Challenging market environment
delaying recovery

-15%

NORTH AMERICA

+7% increase vs. 2019 level

+9%

EMEA

+11% increase vs. 2019 level

+9%



OUR GROWTH CHANNELS

SUCCESSFUL PRODUCT SELL-THROUGH DRIVES OWN RETAIL GROWTH

Double-digit increases in EMEA, North America and Latin America

DOUBLE-DIGIT E-COM GROWTH IN EMEA AND NORTH AMERICA

Global full price share up by 15pp

MEMBERSHIP AND MOBILE FIRST ELEVATE CONSUMER EXPERIENCE

More than 220 million members globally

E-COM GROWTH (C.N.)

+8% VS. 2020

+64% VS. 2019

DTC SHARE

35%

+0PP VS. 2020

+5PP VS. 2019



OUR STRATEGIC GROWTH CATEGORIES

FOOTBALL REVENUES GROW DOUBLE DIGITS

Key footwear franchises and major club jerseys spark excitement

EXCEPTIONAL GROWTH IN OUTDOOR CONTINUING

Sustainable and technical product launches drive credibility

LIFESTYLE OFFERING RESONATING WELL

Successful DTC-exclusive launches

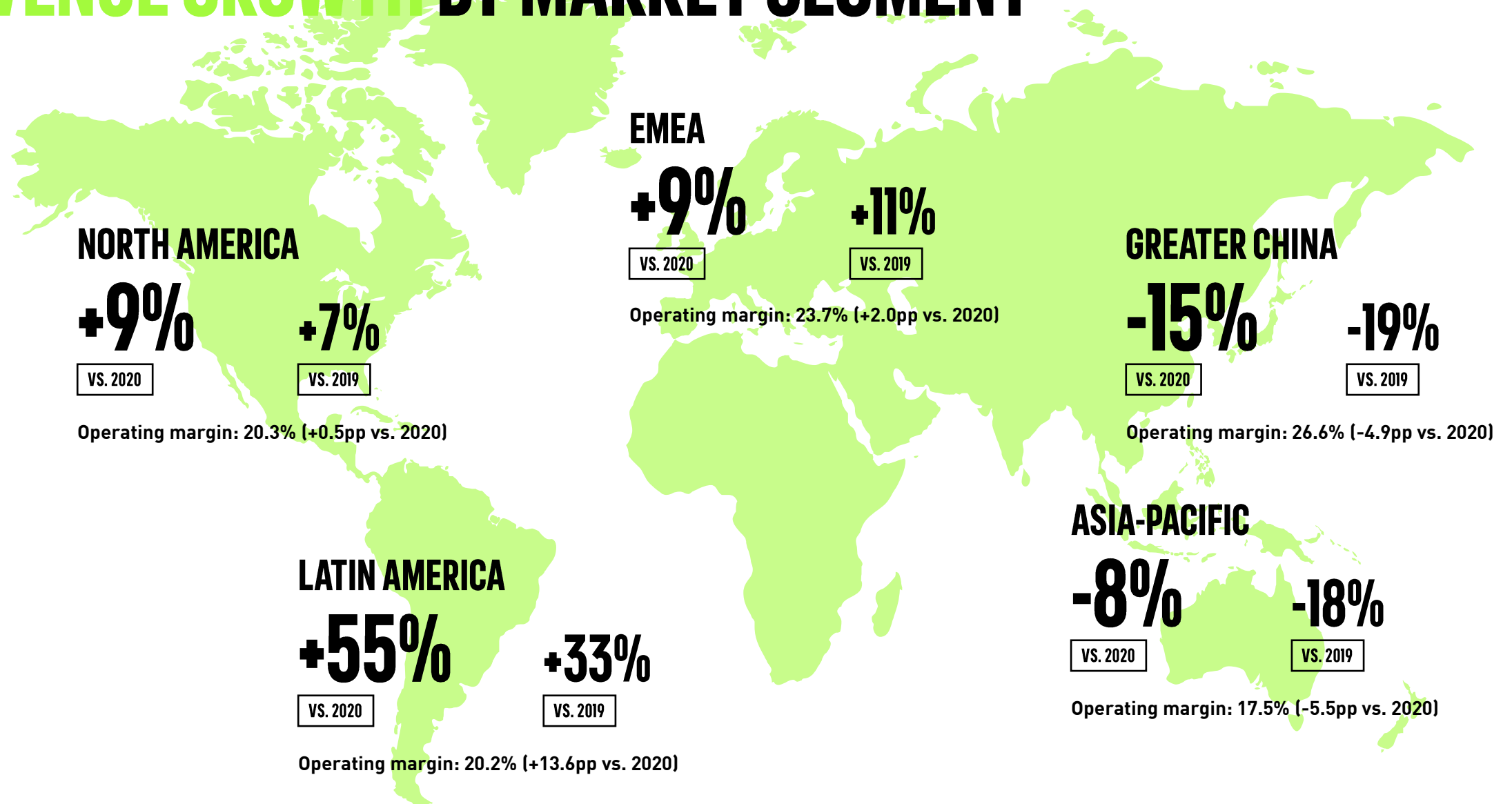


FINANCIAL UPDATE

HARM OHLMEYER
CFO



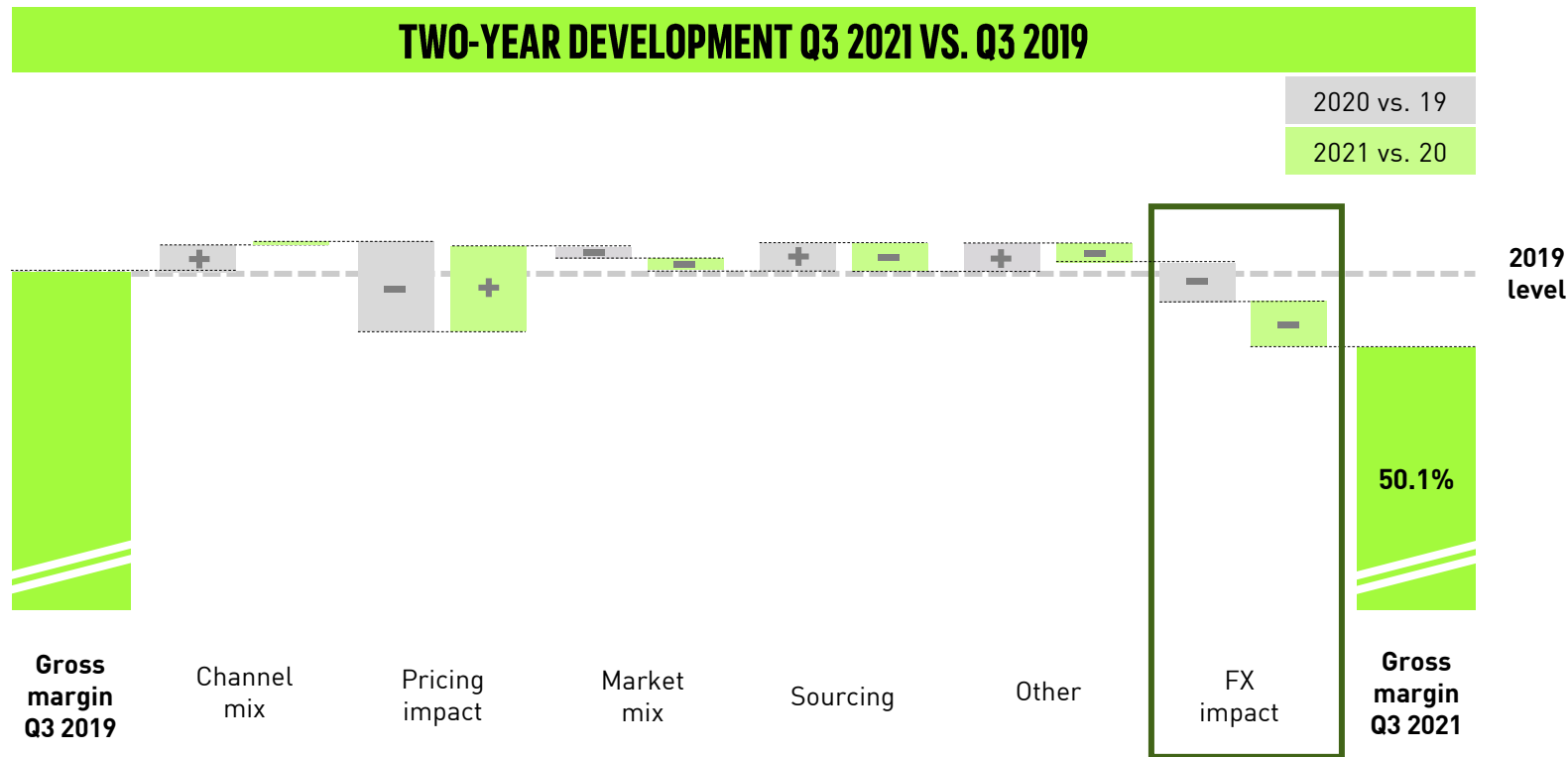
REVENUE GROWTH BY MARKET SEGMENT



P&L OVERVIEW

€ IN MILLIONS	Q3 2021	Q3 2020	Y-0-Y	
Net Sales	5,752	5,561	+3%	+3% currency-neutral Challenging market environment in China, Covid-related lockdowns and supply chain constraints reducing top-line by around € 600 million
Gross Margin	50.1%	50.3%	-0.2pp	
Other Operating Expenses (in % of sales)	2,237 38.9%	2,092 37.6%	+7% +1.3pp	
Marketing and Point-of-Sale Expenses (in % of sales)	674 11.7%	538 9.7%	+25% +2.1pp	
Operating Overhead Expenses (in % of sales)	1,562 27.2%	1,554 27.9%	1% -0.8pp	Including around € 60 million of stranded costs related to the Reebok divestiture
Operating Profit/Loss	672	735	-9%	
Operating Margin	11.7%	13.2%	-1.5pp	
Net Income/Loss from continuing operations	479	535	-10%	
Basic EPS from continuing operations	2.34	2.58	-9%	

GROSS MARGIN DEVELOPMENT DECOMPOSED



- Channel mix: Higher DTC sales within the channel mix
- Pricing impact: Drag from higher discounting in 2020 almost fully recovered in 2021
- Market mix: Lower contribution from China
- Sourcing: Significant increase in supply chain costs in 2021
- FX impact: Headwind of more than 2.5pp over two-year period



Gross margin slightly above 2019 level excluding unfavorable FX

AVERAGE OPERATING WORKING CAPITAL

INVENTORIES DOWN 23% C.N. YEAR-ON-YEAR

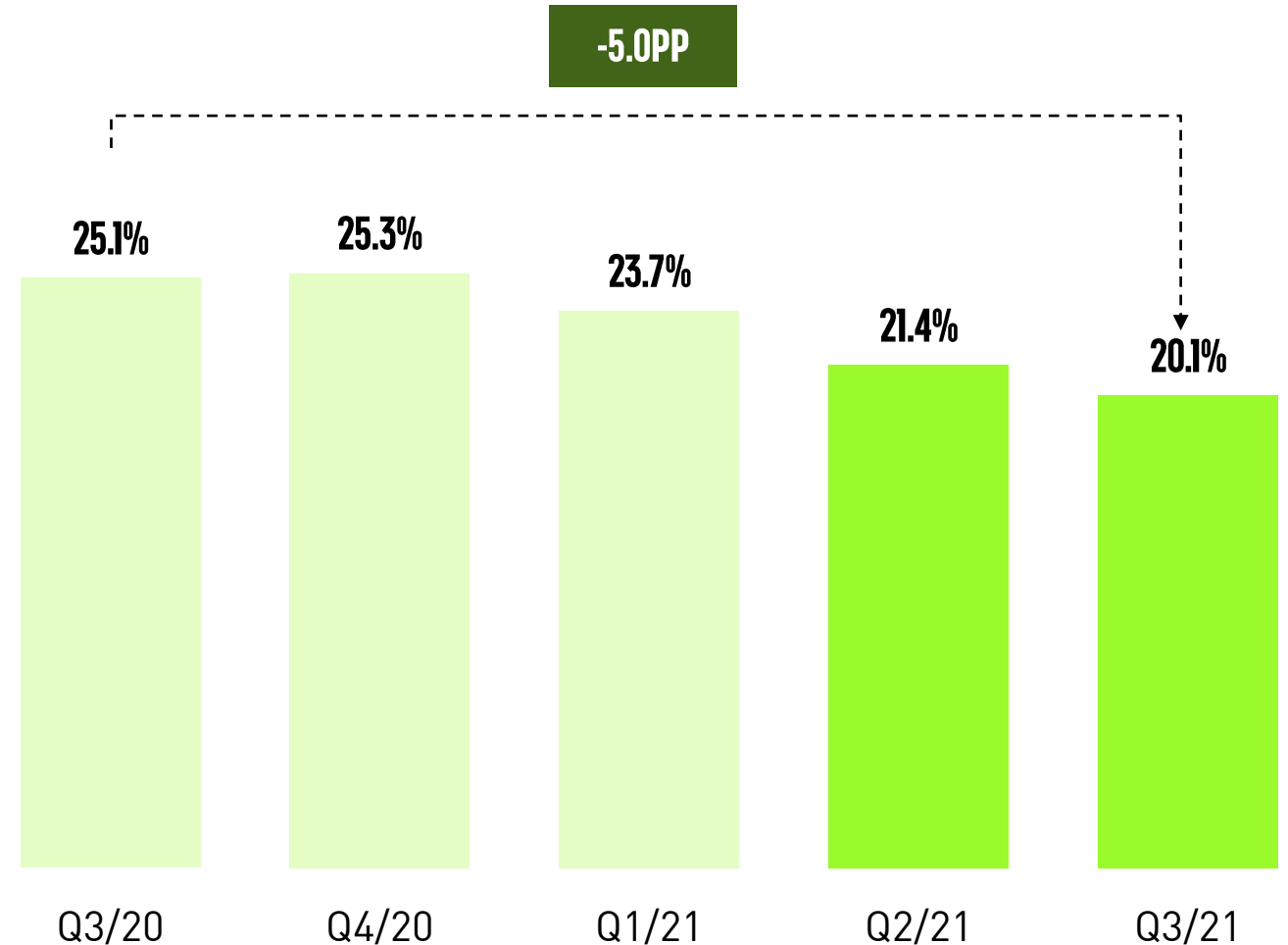
Due to supply chain constraints

RECEIVABLES UP 9% C.N. YEAR-ON-YEAR

Mainly driven by higher net sales in EMEA and Latin America

PAYABLES UP 13% C.N. YEAR-ON-YEAR

Reflecting normalization of payment terms in prior year period



UPDATE ON **REEBOK**

ENTERED INTO A DEFINITIVE AGREEMENT TO SELL REEBOK

To Authentic Brands Group for a total consideration of up to € 2.1 billion

CLOSING OF THE TRANSACTION EXPECTED IN Q1 2022

While subject to customary closing conditions

MAJORITY OF CASH PROCEEDS TO BE RETURNED TO SHAREHOLDERS

Upon closing of the transaction

RECORDED WRITE-UP OF PREVIOUSLY IMPAIRED REEBOK TRADEMARK

In an amount of € 402 million net of tax within discontinued operations in Q3

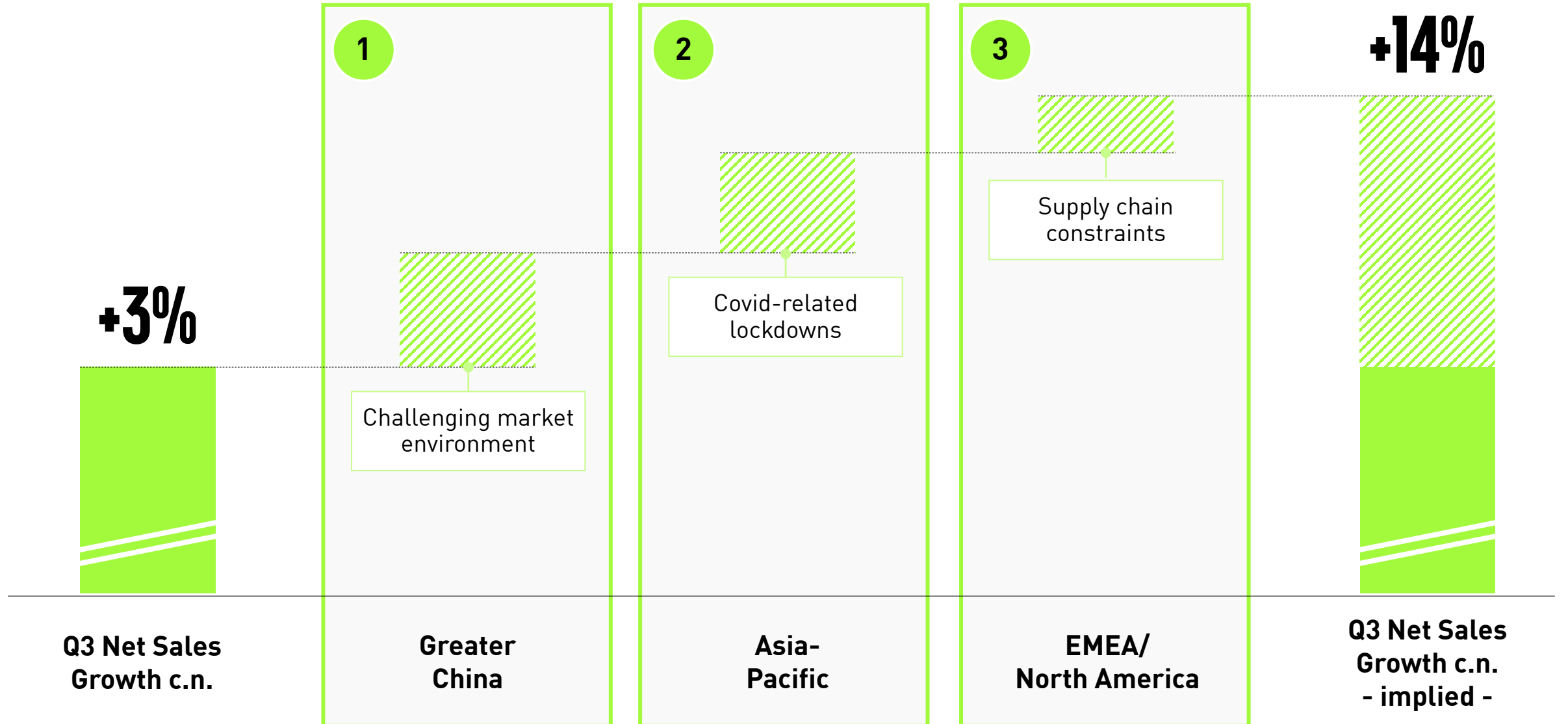


OPERATIONAL UPDATE

HARM OHLMEYER
CFO



Q3 TOP-LINE HEADWIND DECOMPOSED



1

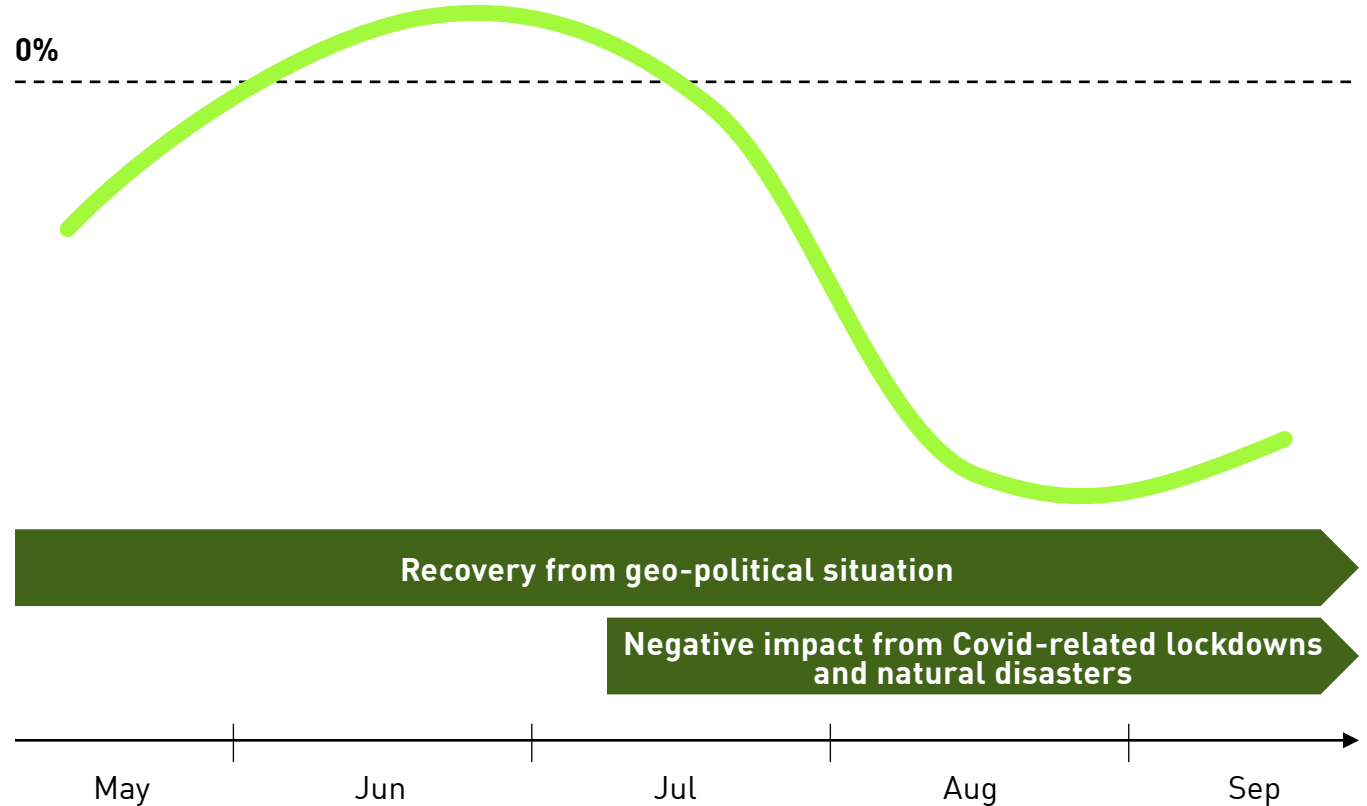
EXTERNAL CHALLENGES WEIGHING ON TOP-LINE IN GREATER CHINA



MONTHLY OWN RETAIL SALES GROWTH IN GREATER CHINA Y-O-Y

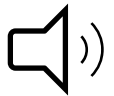
*Own retail sales up
y-o-y in June and into July*

0%



1 ACTION PLAN DEVELOPED AND IN EXECUTION

KEY MITIGATION LEVERS



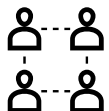
Strengthen **brand heat**



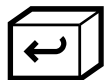
Create **more commercial impact**



Improve **range and activation plan**



Optimize **store network**



Take **excess product out of the market**



MAKING PROGRESS

1,000+

Dedicated studio enabling fast content creation and local storytelling with more than 1,000 short stories created so far

~1/3

Significant ramp-up of China-for-China product creation with about 1/3 of new products coming from local creation center

>300

Scaling up digital capabilities by accelerating investments into infrastructure and hiring more than 300 digital & tech talents

>100

Marketplace expansion with more than 100 new Terrex, Y-3 and Stella points of sale in key cities such as Shanghai

>10M

Re-purposing China inventory with more than 10 million units already re-allocated to other markets

Executed by global and local task force

1

SHOWING COMMITMENT AND CREATING EXCITEMENT



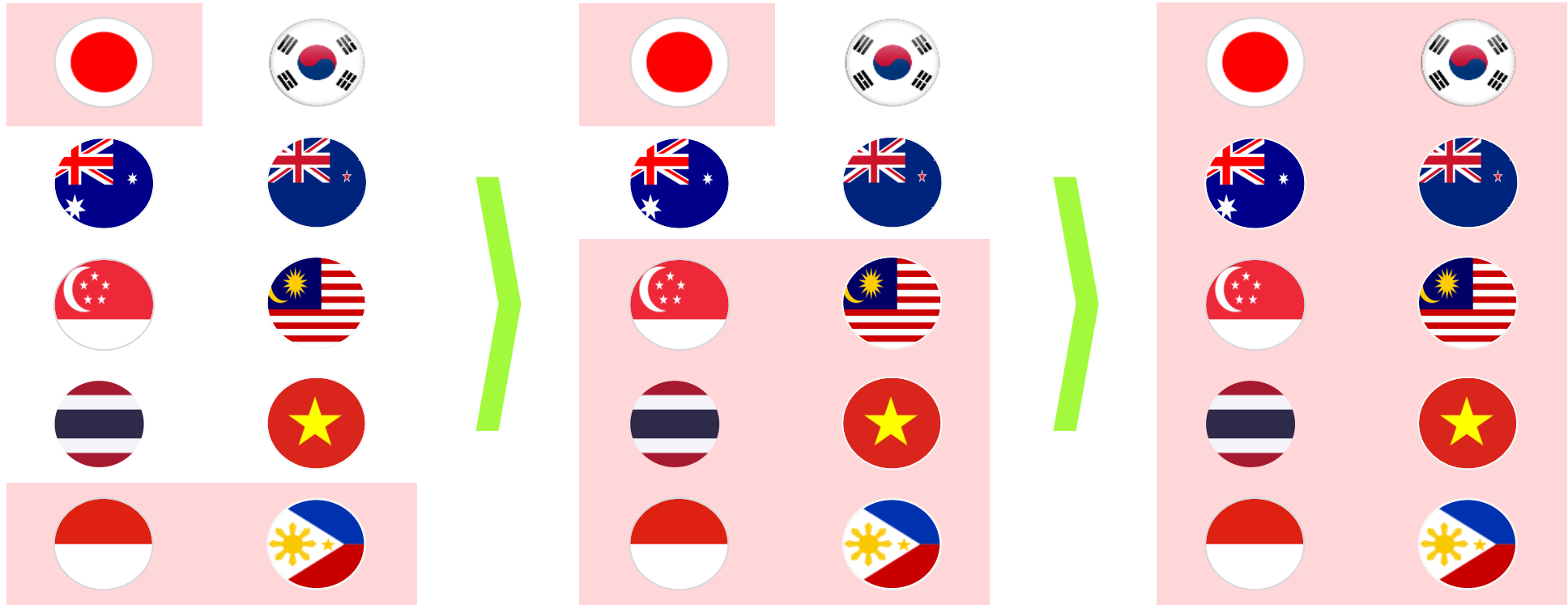
**SHOWCASING THE BEST OF ADIDAS
AT THE CHINA INTERNATIONAL
IMPORT EXPO IN SHANGHAI WITH A
FOCUS ON SUSTAINABILITY AND
INNOVATION**

2 DEVELOPMENT OF COVID CHALLENGES IN APAC

Q1: "RECOVERY"

Q2: "DETERIORATION"

Q3: "WORSE THAN 2020"



Government restrictions

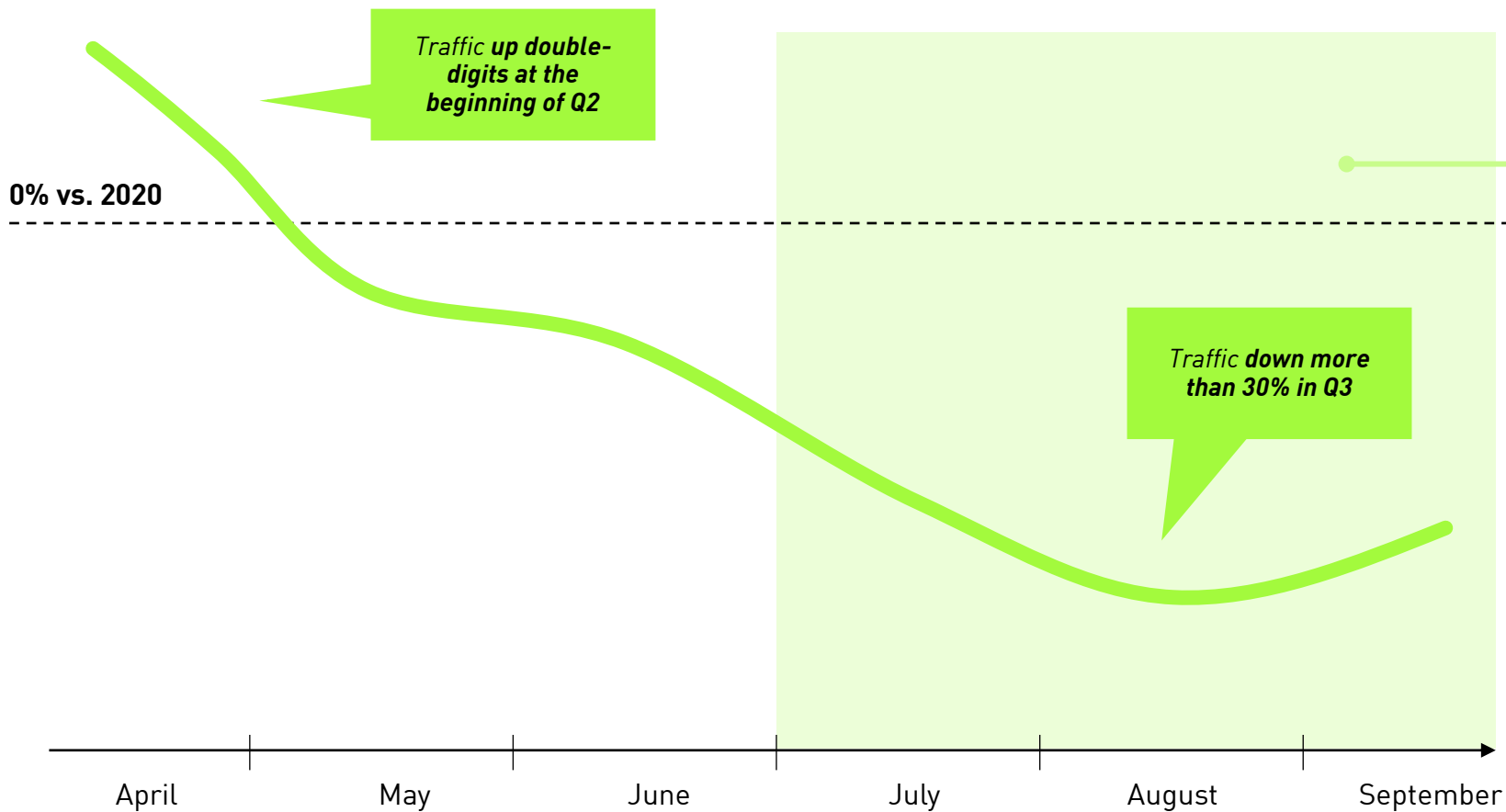
January 2021

Progressive introduction of **government restrictions** throughout 2021

September 2021

APAC RETAIL ENVIRONMENT IMPACTED BY LOCKDOWNS

APAC OWN RETAIL TRAFFIC TREND Q2 AND Q3 2021



CHALLENGES

- **Unique consumer behavior** in APAC reflecting disciplines to comply with government regulations
- **Continued lockdowns** and other covid-related restrictions impacting traffic in wholesale and retail
- **Limited travel and tourism** impacting business in key cities across the entire region

3

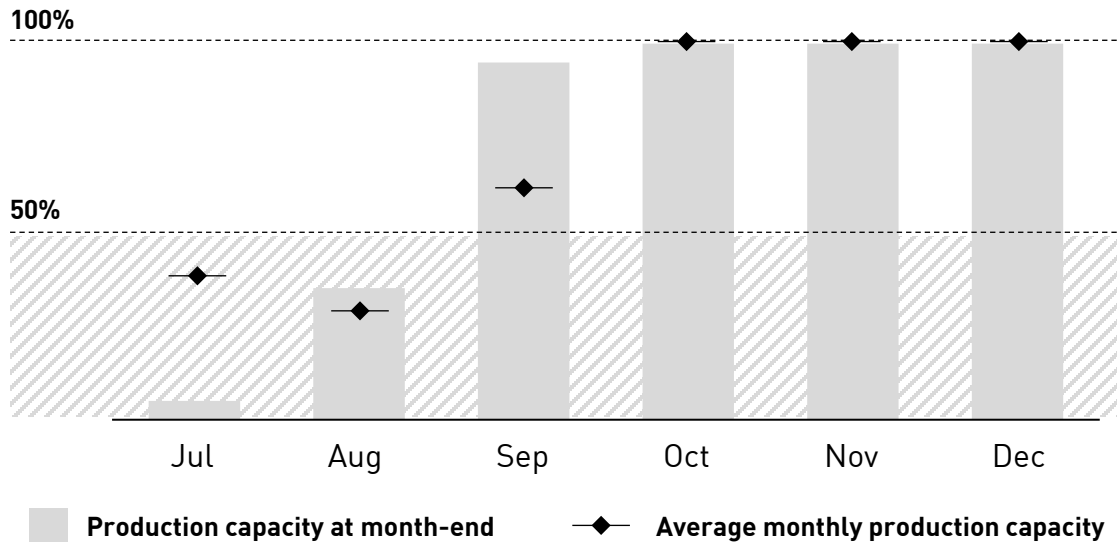
GLOBAL SUPPLY-CHAIN CONSTRAINTS WEIGHING ON TOP- AND BOTTOM-LINE



3

SIGNIFICANT DELAY IN PRODUCTION CAPACITY RAMP-UP IN VIETNAM

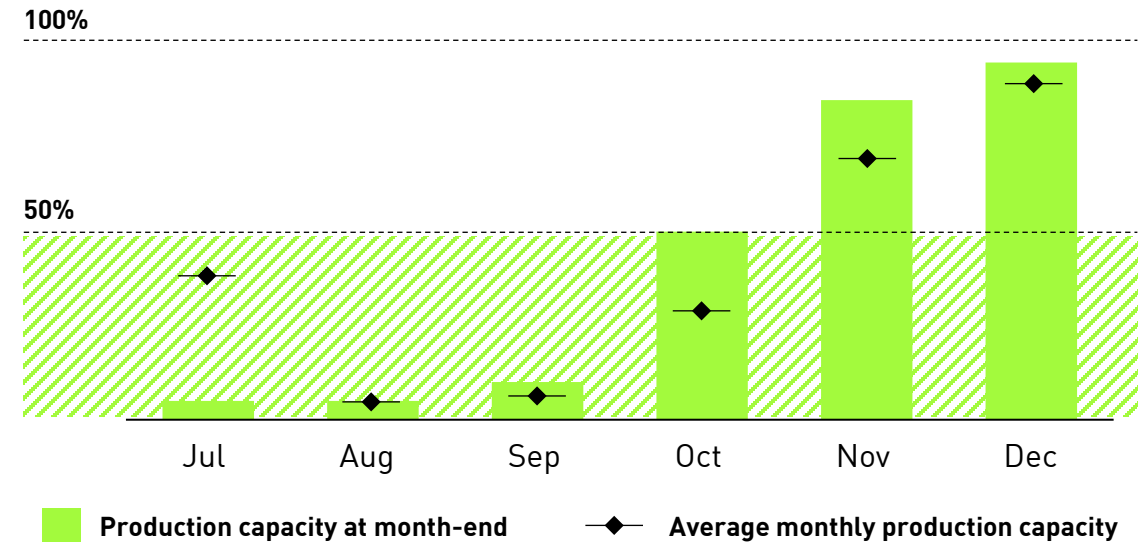
AUGUST 5 | RECAP OF PREVIOUS Q3 AND Q4 ASSUMPTION



KEY ASSUMPTIONS

- Temporary disruptions in Vietnam throughout Q3 only
- Fast ramp-up to regular capacity toward the end of Q3
- Largely operational sourcing network expected by end of Q3

TODAY | ACTUAL DEVELOPMENT Q3 AND Q4 ASSUMPTION



KEY ASSUMPTIONS

- Ongoing disruptions in Vietnam throughout Q4
- Steady ramp-up to regular capacity throughout Q4
- Largely operational sourcing network expected by end of Q4

ESTIMATED NET SALES IMPACT FROM CAPACITY LOSS AFTER MITIGATION ACTIONS

KEY MITIGATION LEVERS AND ACTION ITEMS

CAPACITY CHASE



SUPPLY MANAGEMENT



COMMERCIAL LEVERS



SECURE CAPACITY

Optimize existing capacity and secure additional capacity

SUPPLY REDUCTION

Phase and cut supply for reduced rolling impact

AIR FREIGHT

Ensure on-time delivery of high-margin product

INVENTORY RE-DEPLOYMENT

Manage customer relations and re-deployment of existing inventory

PRICING REVIEW

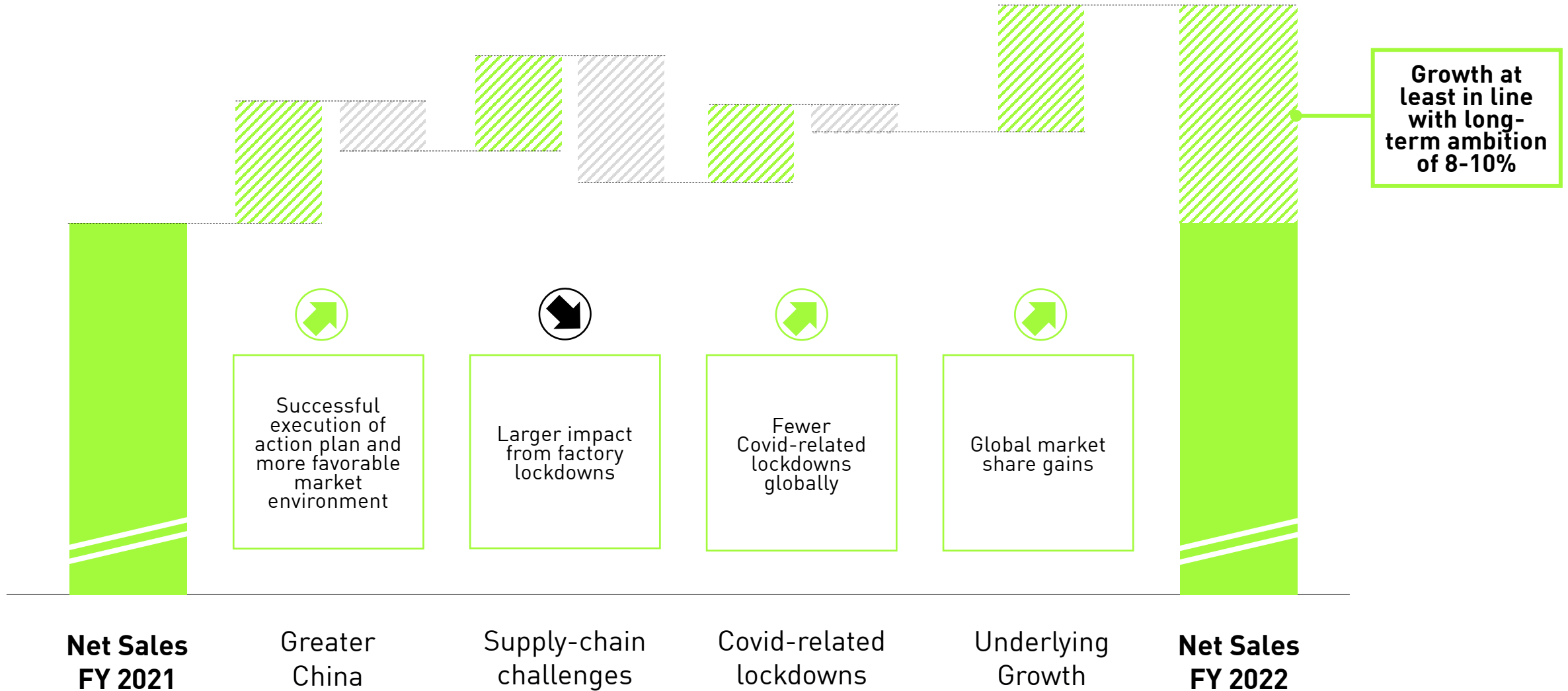
Review discount strategy for commercial moments and consider price increases

ESTIMATED NET SALES IMPACT AFTER MITIGATION

	AUG 5	NOV 10
Q4 2021	~ €250m	~ €400m
Q1 2022	~ €100m	~ €600m
TOTAL	~ €350m	~ €1,000m

No significant impact beyond Q1 2022 expected

2022 TOP-LINE GROWTH LEVERS



OUTLOOK

KASPER RORSTED
CEO

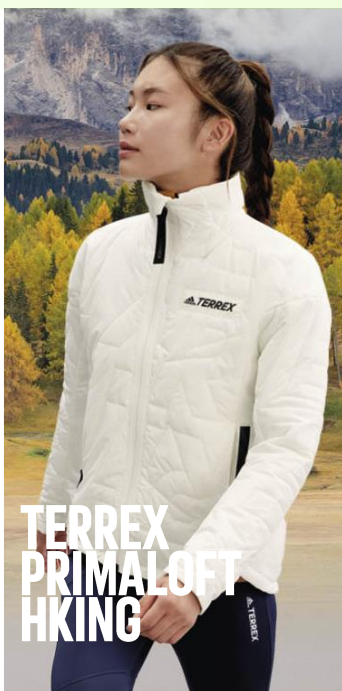
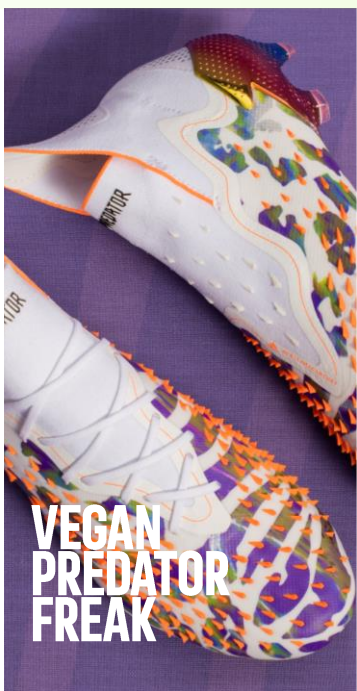
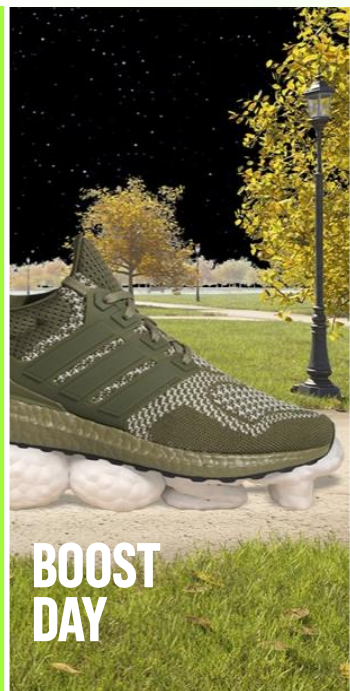


EVENTS & CAMPAIGNS



2022

PRODUCTS



INNOVATION DAY DECEMBER 13/14



- **Two-day event** at our headquarters in Herzogenaurach, **physical participation only**
- Focus on **2022 PRODUCT HIGHLIGHTS** across strategic growth categories Running, Football, Outdoor, Training, Originals and Sportswear
- **Presenters** include:
 - Executive Board members
 - General Managers of strategic growth categories
 - Designers
 - SVP Marketing
 - SVP Merchandising
 - Special guests
- **No trading or financial update**
- **Official invite** which has been shared earlier this week

2021 TOP- AND BOTTOM-LINE OUTLOOK SPECIFIED

	FY 2021 OUTLOOK AUGUST 5	FY 2021 OUTLOOK NOVEMBER 10	
Net sales ¹	Increase of up to 20%	Increase of up to 20%	CONFIRMED
Gross margin	Increase to around 52%	Increase to 50.5% - 51.0%	LOWERED
Operating margin	Increase to 9.5% - 10%	Increase to 9.5% - 10%	CONFIRMED
Net income ²	Increase to € 1.4 - € 1.5 bn	Increase to € 1.4 - € 1.5 bn	CONFIRMED

Lower end
due to longer-than-expected
sourcing disruptions and
challenging market
environment in China

KEY ASSUMPTIONS

- Global store opening rate of at least 95% ✓
- Largely operational sourcing network at the end of Q3 ✗
- Continued steady recovery in China ✗

STRONG RESULTS IN FIRST NINE MONTHS OF 2021

9M 2021

NET SALES

+24% C.N.

Added more than € 3 billion

OPERATING MARGIN

11.9%

Returned to strong double-digit operating margin

NET INCOME

€1.37BN

Added more than € 1 billion

ATTRACTIVE CASH RETURNS TO SHAREHOLDERS

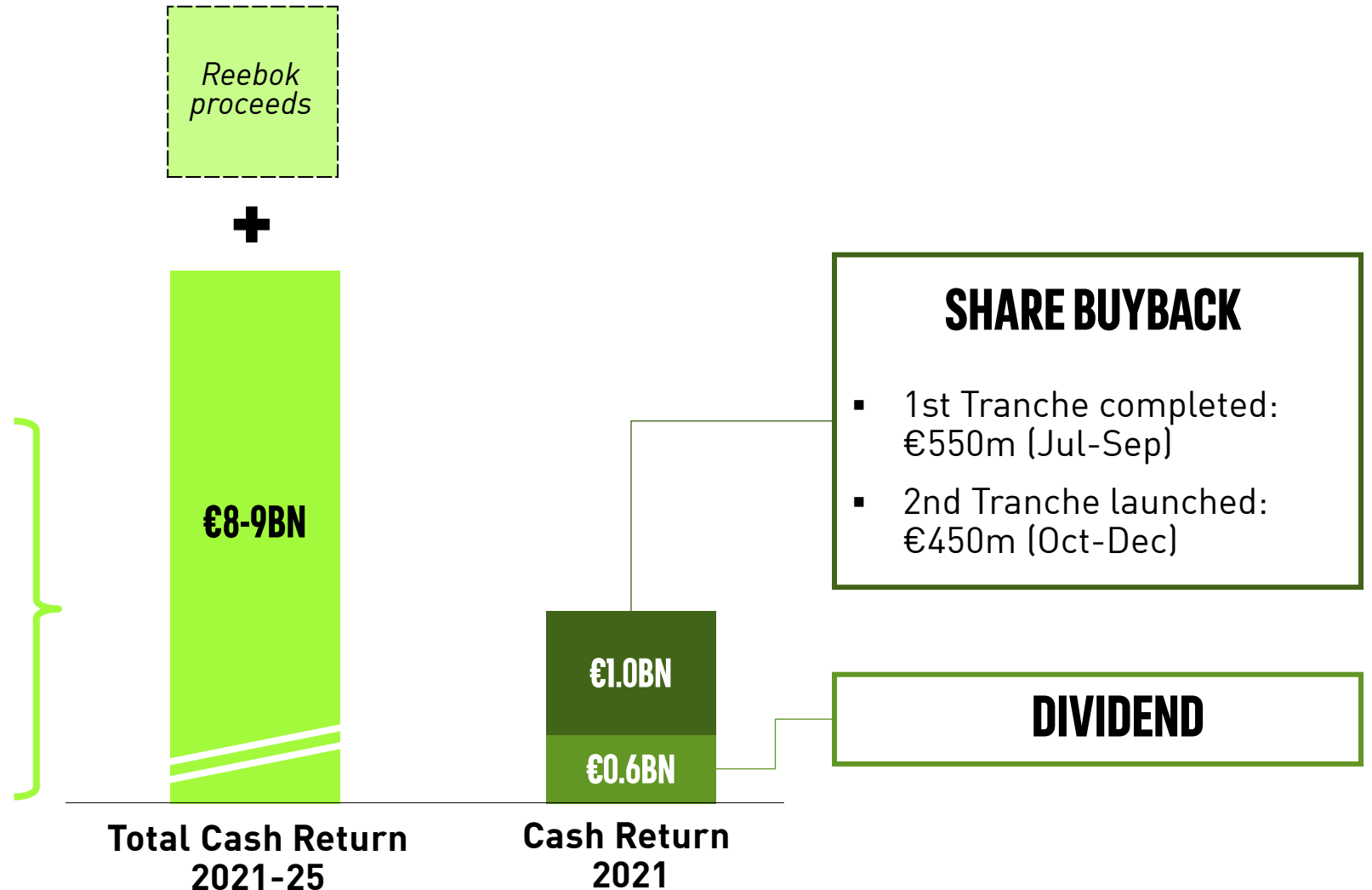
PRIORITIZATION OF USE OF CASH

➤ **FINANCIAL STABILITY**
Maintain current rating levels

➤ **CAPEX**
3-4% of net sales

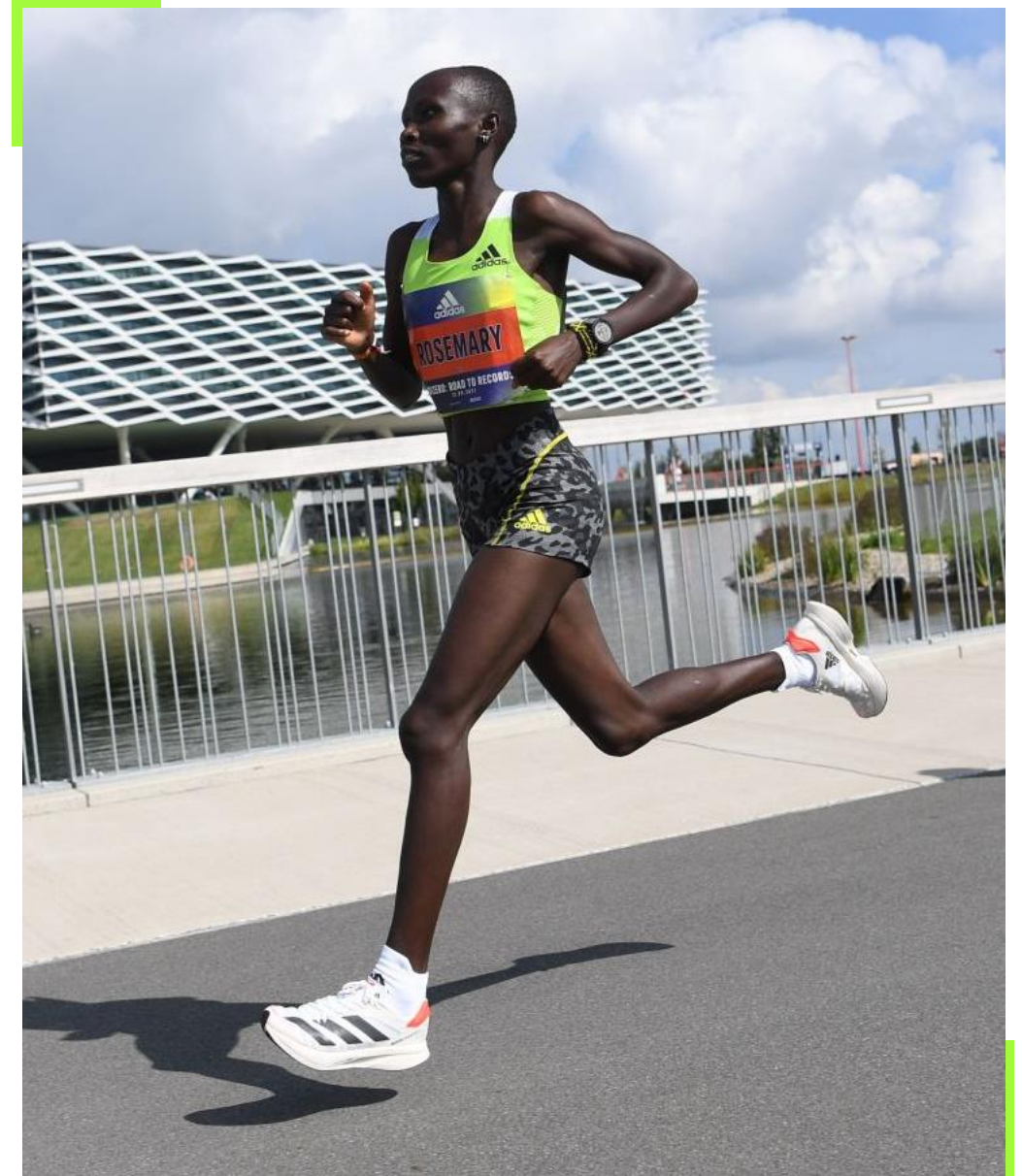
➤ **DIVIDENDS**
30-50% of net income¹

➤ **SHARE BUYBACK**
Use of surplus cash flow



SUMMARY

- 1 **NEW PRODUCT LAUNCHES DRIVING STRONG DEMAND IN EMEA, NORTH AMERICA AND LATIN AMERICA**
- 2 **THOROUGHLY MANAGING SUPPLY CHAIN CONSTRAINTS**
- 3 **OPERATING MARGIN RECOVERY CONTINUING AS OWN THE GAME IN FULL EXECUTION ACROSS THE ENTIRE COMPANY**
- 4 **2021 TO BE SUCCESSFUL FIRST YEAR OF THE NEW STRATEGIC CYCLE DESPITE NEGATIVE IMPACT OF MORE THAN €1.5BN ON TOP-LINE**



Q&A

UE VERD

