adidas increases sales and earnings guidance until 2020

- Strategy execution to be accelerated
- Currency-neutral revenues to increase between 10% and 12% on average per year between 2015 and 2020
- Net income expected to grow between 20% and 22% on average per year
- E-commerce revenues projected to reach € 4 billion by 2020

Herzogenaurach – Following an exceptionally successful 2016 financial year, adidas is significantly increasing its long-term guidance. The company intends to strongly accelerate sales and earnings growth until 2020 as part of its long-term strategic business plan, ‘Creating the New’. adidas announced this update on the occasion of today’s annual results presentation. The company now expects currency-neutral sales to increase at a rate between 10% and 12% on average per year between 2015 and 2020 (previously: to increase at a high-single-digit rate). Net income from continuing operations is projected to grow between 20% and 22% on average per year in the five-year period (previously: to increase by around 15% on average).

“Our 2016 results and our positive outlook for 2017 are proof that our strategy is paying off. After the first full year of ‘Creating the New’, we have exceeded our original plan,” said Kasper Rorsted, CEO of adidas AG. “Now we have developed additional initiatives which will accelerate the execution of ‘Creating the New’ and enable us to significantly increase our targets for 2020.”

The focus of adidas’ strategy ‘Creating the New’, which was presented in March 2015, remains on significantly elevating brand desirability and thus achieving strong improvements in sales and profitability. ‘Creating the New’ is based on the three strategic pillars Speed, Cities and Open Source, with which the company has made significant progress in the past two years. As part of the plan to accelerate sales and earnings growth, these three strategic pillars have now been supplemented with a special focus on the topics Corporate Culture, Digital, One adidas, North America and Portfolio.
Company culture:
Further developing adidas’ unique culture plays a central role for the company in achieving its long-term goals until 2020. The company’s culture is based on the core belief that, through sport, all adidas employees have the power to change lives. As part of the accelerated growth plan until 2020, adidas is focusing its HR initiatives on leadership, talent development and performance management. A group consisting of 18 top leaders across the most important geographies and functions has already been set up, with an expanded leadership team to be established in the first quarter of 2017. adidas intends to promote the development of talents as future leaders, in particular also female talents, in a ‘high-potentials’ circle within the company. Long-term remuneration for senior executives will be linked to the development of the share price, in order to align the interests of the company’s senior leaders with the interests of adidas AG shareholders.

Digital:
The www.adidas.com and www.reebok.com websites are already today the brands’ largest and most profitable own points of sale globally. As part of a digitalisation offensive, the company plans to significantly drive direct sales through the company’s e-commerce platforms. E-commerce revenues from these two distribution channels are projected to increase to € 4 billion by 2020, compared to € 1 billion in 2016. Initially, the strategic plan forecasted an increase to € 2 billion by 2020. In addition, improvements in digitalisation processes at every stage of the value chain are targeted to accelerate building direct relationships with the consumer. Digital technologies such as 3-D creation, 3-D printing and smart manufacturing methods, as in the ‘Speedfactory’ for example, are already used in the development and production of adidas products. These technologies will be expanded even further.

One adidas:
The set of measures under the roof of ‘One adidas’ encompasses numerous initiatives aimed at harmonising and simplifying business processes within the company. This includes standardising processes, further reducing the number of articles offered and harmonising marketing activities. Altogether, these measures are expected to significantly improve the company’s operational efficiency.
North America:
In 2016, adidas was the fastest-growing brand in the USA. Nevertheless, adidas remains under-represented in the world’s largest sporting goods market. Therefore the company will continue to invest over-proportionately into its US business. Areas of focus will be personnel, infrastructure, marketing and point-of-sale. Together with the regions Western Europe and Greater China, North America will contribute over-proportionately to the company’s targeted growth in the period until 2020.

Portfolio:
The company will sharpen the focus of its brand portfolio, concentrating even more strongly on the adidas and Reebok brands and its core competencies in the development and marketing of sports and sports-inspired footwear and apparel. Following the divestiture of Rockport in 2015 and Mitchell & Ness in 2016 and with the sales process currently underway for the golf brands TaylorMade, Adams Golf and Ashworth, the company is now also seeking a buyer for the ice hockey brand CCM Hockey. At the same time, an extensive action plan was developed for Reebok last year, targeting significant top- and bottom-line improvements, particularly in the US market, by 2020.

Speed:
adidas has set itself the goal to become the first true fast sports company. Key milestones were achieved on the road to this goal in 2016. For example, in 2016, a pilot ‘Speedfactory’ was set up in Ansbach (Germany) and mass production will commence in 2017. In addition, the second adidas Speedfactory will open in Atlanta (USA). Altogether, in 2016, around 15% of total sales were generated with products manufactured on Speed programmes. It is the company’s ambition to increase the share of ‘speed-enabled’ products to at least 50% of net sales by 2020. As the share of full-price sales with these ‘speed-enabled’ products is targeted to be 20% higher compared to the regular range, increased speed is also expected to have a positive impact on the company’s profitability.
Cities:
adidas is focusing its sales and marketing activities on six metropolitan centres: New York, Los Angeles, London, Paris, Shanghai and Tokyo. Above-average volumes of sporting goods are purchased there, and these mega cities also play an influential role in shaping trends, both nationwide and globally. In 2016, adidas increased brand desirability, revenues and market share in all these cities. The company’s goal is to double revenues in these cities by 2020 compared to 2015.

Open Source:
‘Open Source’ is a model based on open collaboration between adidas and external partners from the worlds of industry, sport and entertainment as well as consumers. This includes, for example, the company’s partnership with chemical company BASF in the development of the Boost sole technology. Thanks to Boost, adidas succeeded in gaining significant market share in 2016, in particular in the running footwear category. The company’s unique collaboration with Kanye West has also been exceptionally successful, generating additional brand heat, particularly in social media. The same is true for the sustainability initiative ‘Parley for the Oceans’, as part of which adidas contributes to cleaning up the world’s oceans. This year, adidas plans to bring to market one million pairs of shoes made from ocean plastic.

Kasper Rorsted: “The way forward is clear: Through the accelerated execution of ‘Creating the New’, we will enhance the desirability of the adidas and Reebok brands. At the same time, we as a company will become better and more efficient. This, in turn, will help us to grow even faster than originally planned and to achieve over-proportionate bottom-line improvements for our shareholders. I am looking forward to executing our strategy consistently and successfully, together with all our employees.”

About adidas AG
adidas is a global leader in the sporting goods industry with the core brands adidas and Reebok. Headquartered in Herzogenaurach/Germany, the Group employs more than 60,000 people across the globe and generated sales of € 19 billion in 2016.

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