

adidas Group to accelerate growth until 2020

- Group currency-neutral sales to grow at a high-single-digit rate on average per year until 2020
- Growth strategy with clear focus on speed, cities and open source
- Net income to increase around 15% per year on average
- Group increases targeted dividend payout ratio to 30%-50%

Herzogenaurach, Germany – At its Investor Day in Herzogenaurach, the adidas Group today presented its new strategic business plan until the year 2020. By ‘creating the new’, the strategy aims at further accelerating growth by significantly increasing brand desirability. This is expected to spur top- and bottom-line growth, with revenues projected to increase at a high-single-digit rate on average per year on a currency-neutral basis until 2020 compared to the expected 2015 results. The Group’s net income is expected to grow at a considerably higher rate than the top line and is projected to expand by around 15% on average in each of the next five years.

The new business plan is built around three major strategic choices: speed, cities and open source.

Speed

With adidas NEO, the Group has already set new standards with regard to speed to market by significantly reducing production lead times and increasing in-season creation. Drawing on these successful experiences, the company intends to roll out this mantra of ‘speed’ across the entire Group. To complement this, the adidas Group will further increase its sales through controlled space activities to above 60% of sales. At the same time, the Group aims to expand its eCommerce business to above € 2 billion by 2020, by implementing a true omni-channel approach. Further, the company is going

to evolve production capabilities to dramatically expand product customisation options for its consumers.

“We are living in a fast-changing world. Only what is new is relevant to the consumer. Therefore, we have to relentlessly focus on ‘creating the new’ for our consumers. And we have to constantly re-invent ourselves as an organisation to lead the change in our industry,” said Herbert Hainer, adidas Group CEO. “Going forward, speed will be a key competitive advantage for us as we transform the adidas Group into the first true fast sports company.”

Cities

With 80% of global GDP generated in cities and global trends being increasingly shaped in metropolitan areas, the adidas Group aims to continue its growth in all relevant geographic markets with a focus on six global key cities: Los Angeles, New York, London, Paris, Shanghai and Tokyo. Across these cities, the adidas Group will over-proportionally invest in talent, attention and marketing spend.

“Global brands are created in global cities,” said Roland Auschel, Executive Board Member responsible for Global Sales. “If we win running in New York and Los Angeles, we will win running in the US. Therefore, we are committed to win market and mind share in key cities around the globe.”

Open source

In order to capture growth opportunities even more effectively than before, the adidas Group will focus investments across its core brand portfolio: adidas, Reebok and TaylorMade. Further, the Group unleashed open source, a strong commitment to further strengthen the company’s ties with its consumers. By increasing consumer desire in how the Group creates, designs and presents products, the adidas Group will engage with consumers, athletes, retailers and partners more than ever before, make them become part of its brands and, as a result, increasingly build brand advocacy.

“We are closest to every consumer with our unique brand portfolio,” said Eric Liedtke, Executive Board Member responsible for Global Brands. “In the future, we will not only talk to and talk with our consumers. We will be the first sports company that invites athletes, consumers and partners to be part of its brands. We will open up so that they

can co-create the future together with us.” Already today, the adidas Group is working together with some of the world’s most creative and innovative influencers and organisations such as Stella McCartney, Kanye West, BASF or Google.

Accelerated growth

With the three strategic choices driving a surge in brand desirability, the adidas Group expects to generate high-single-digit currency-neutral sales growth per year on average over the next five years. By outperforming the sporting goods industry, the Group’s brands will increase market share over the period and thus expand its ability to generate attractive margin expansion and operating leverage. As a result, the bottom line is expected to grow at a faster rate than the top line, with net income forecasted to increase by around 15% on average per year until 2020 compared to the expected 2015 results.

In addition, due to the continued focus on cash creation, the Group’s cash flow is anticipated to grow at a faster rate compared to the operating profit in each of the next five years. As a result of the company’s already very healthy financial position, the expected strong cash generation as well as Management’s commitment to sustainable value creation, the Group has increased the corridor for future dividend payments. Going forward, the company intends to pay out between 30% and 50% of its net income attributable to shareholders (previously: 20%-40%). Furthermore, the adidas Group will continue its multi-year shareholder return programme of up to € 1.5 billion, launched in the fourth quarter of 2014.

“Our new strategy is built on speed, focus and openness,” said Herbert Hainer. “As a result, we will accelerate our growth story and deliver superior returns to our shareholders. I am very much looking forward to ‘creating the new’ together with the adidas Group’s more than 53,000 employees across the globe.”



About the adidas Group

The adidas Group is a global leader in the sporting goods industry, offering a broad portfolio of footwear, apparel and hardware for sport and lifestyle around the core brands adidas, Reebok, TaylorMade and Reebok-CCM Hockey. Headquartered in Herzogenaurach/Germany, the Group employs more than 53,000 people across the globe and generated sales of € 14.5 billion in 2014.

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