

Q1 2022 RESULTS

MAY 06, 2022

adidas

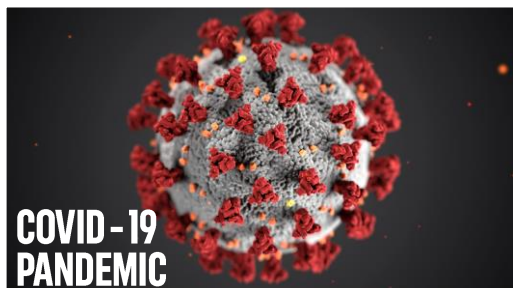


AGENDA

- 1 BUSINESS UPDATE
- 2 FINANCIAL UPDATE
- 3 OUTLOOK



FACING HEIGHTENED UNCERTAINTY



**Q1 2022
RESULTS**

**FY 2022
OUTLOOK**

KEY TAKEAWAYS

- 1 **STRONG UNDERLYING MOMENTUM IN WESTERN MARKETS** DRIVEN BY BRAND STRENGTH AND SUCCESS OF RECENT PRODUCT LAUNCHES
- 2 **FULL-YEAR OUTLOOK REFLECTS SIGNIFICANT NEGATIVE IMPACT** FROM COVID-19-RELATED LOCKDOWNS IN GREATER CHINA
- 3 **MORE THAN 80% OF THE BUSINESS** EXPECTED TO GROW STRONG DOUBLE-DIGITS IN 2022
- 4 **FOCUS ON DELIVERING 2022** WITHOUT COMPROMISING LONG-TERM TARGETS



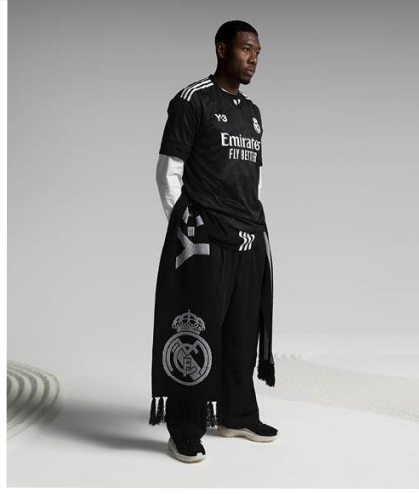
BUSINESS UPDATE

KASPER RORSTED
CEO

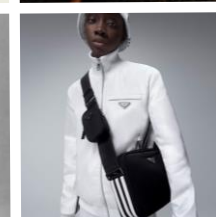
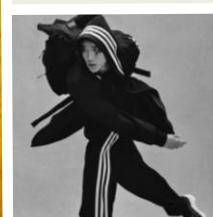
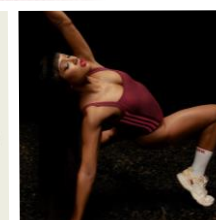
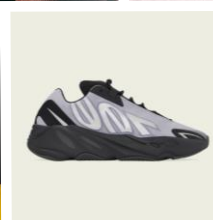
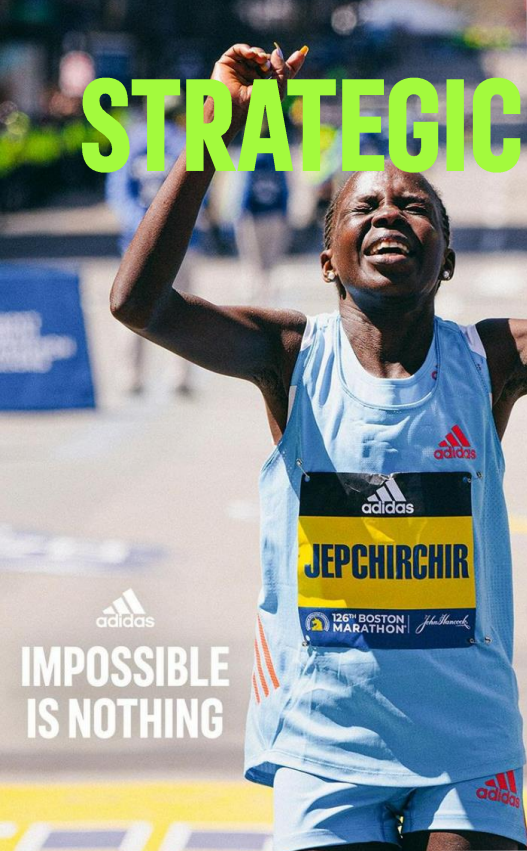




CONSUMER HIGHLIGHTS



STRATEGIC FOCUS



CREDIBILITY

EXPERIENCE

SUSTAINABILITY

STRENGTHS & WEAKNESSES

STRENGTHS



DOUBLE-DIGIT INCREASE IN WESTERN MARKETS

Strong momentum in North America (+13%), EMEA (+9%) and Latin America (+38%)

ELEVATED CONSUMER EXPERIENCE DRIVES GROWTH IN DTC

Double-digit increases in EMEA and North America

NEW PRODUCTS FUEL DOUBLE-DIGIT GROWTH IN PERFORMANCE

Strong increases in Football, Outdoor and Running

CONTINUED INVESTMENTS INTO BRAND HEAT

€100m increase in marketing spend to support new product launches

WEAKNESSES



SUPPLY CHAIN CONSTRAINTS LIMIT TOP-LINE GROWTH

Particularly affecting sales in EMEA and North America

SALES DECLINE IN GREATER CHINA AND ASIA-PACIFIC

Challenging market environment and difficult prior year comparables

GROSS MARGIN RECOVERY MUTED

Due to higher supply chain costs and unfavorable mix effects

OPERATING OVERHEAD LEVERAGE MASKED

€100m additional investments into DTC and digital

P&L AT A GLANCE

REVENUES DECREASE 3% CURRENCY-NEUTRAL

Up 1% in Euro terms to € 5,302 million

GROSS MARGIN DOWN 1.9PP TO 49.9%

Lower discounts and better pricing mix offset by higher supply chain costs

OPERATING PROFIT OF € 437 MILLION

Reflecting €200m of additional investments into the brand, DTC and digital

NET INCOME FROM CONTINUING OPERATIONS OF € 310 MILLION

Amid gross margin pressure and increased investments



OUR STRATEGIC GROWTH **MARKETS**

GREATER CHINA

Challenging market environment
and difficult prior year comparables

-35%

NORTH AMERICA

Reflecting more than 20%
growth in DTC

+13%

EMEA

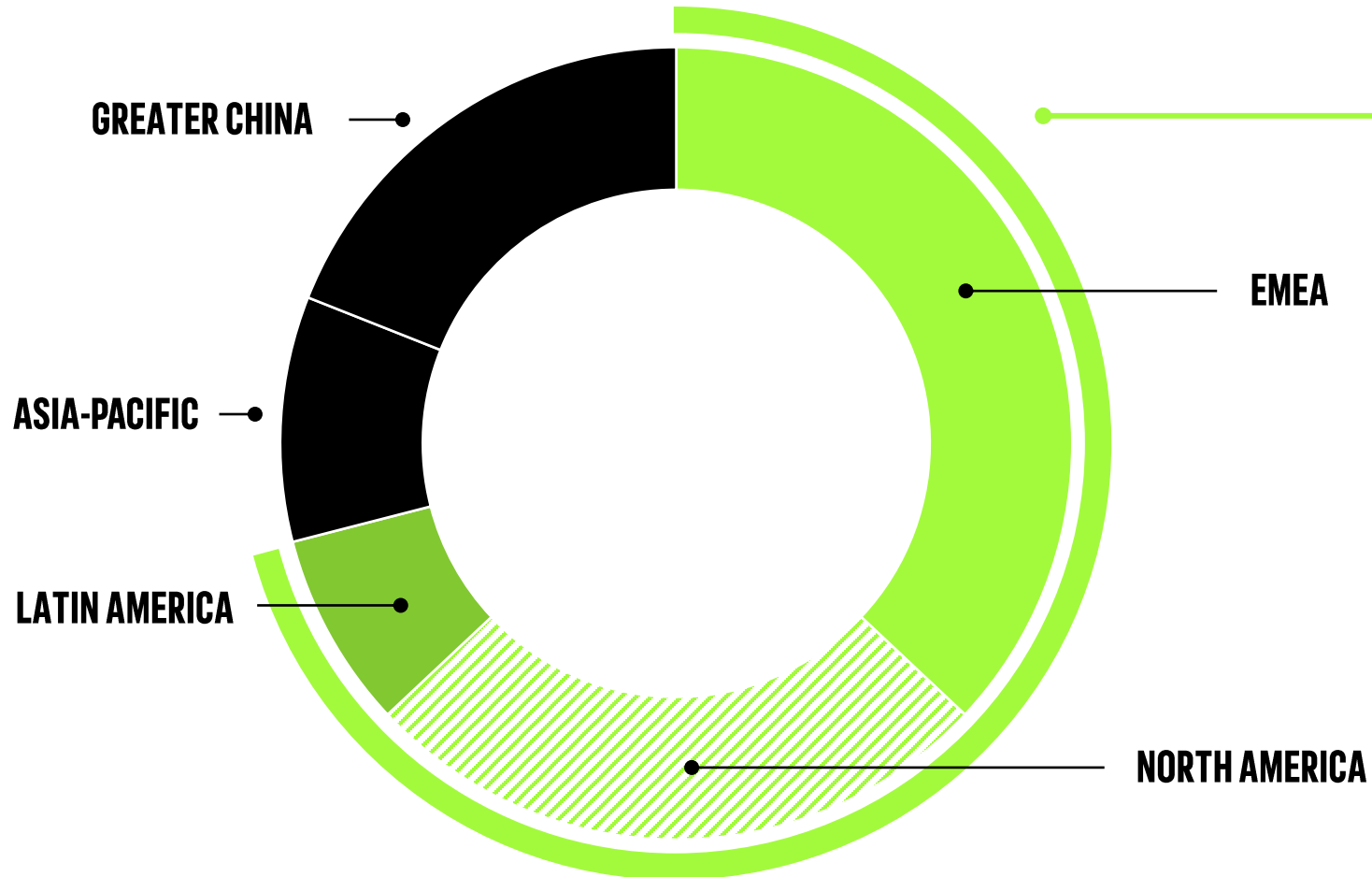
Driven by more than 50% growth
in Own Retail

+9%



STRONG GROWTH MOMENTUM IN WESTERN MARKETS

MARKET SEGMENT NET SALES SPLIT Q1 2022 (IN % OF TOTAL NET SALES)



>70%
WESTERN MARKETS

+13% C.N.
**SALES GROWTH IN
WESTERN MARKETS**

OUR GROWTH CHANNELS

STRONG PRODUCT SELL-THROUGH DRIVES OWN RETAIL GROWTH

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

E-COM LED BY EXCELLENT GROWTH IN NORTH AMERICA

Lowest level of markdowns ever in NAM and global full-price share up by 11pp

SUCCESSFUL REBRANDING OF MEMBERSHIP PROGRAM

Expanded value proposition for now more than 250 million members globally

E-COM GROWTH (C.N.)

+2% VS. 2021

+50% VS. 2020

DTC SHARE

36%

+2PP VS. 2021
+3PP VS. 2020



OUR STRATEGIC GROWTH CATEGORIES

EXCEPTIONAL INCREASE IN FOOTBALL

Latest iterations of key footwear franchises and launch of World Cup match ball spark excitement

STRONG GROWTH IN OUTDOOR AND RUNNING CONTINUES

Technical product launches create credibility and drive top-line improvement

PARTNERSHIPS ELEVATE LIFESTYLE OFFERING

New product drops drive strong double-digit growth in Yeezy



FINANCIAL UPDATE

HARM OHLMEYER
CFO



WESTERN MARKETS WITH STRONG GROWTH IN Q1 2022

DESPITE NEGATIVE IMPACT OF AROUND € 400 MILLION FROM SUPPLY CHAIN CONSTRAINTS

NORTH AMERICA

+13%

VS. 2021

Operating margin: 18.3% (+0.5pp vs. 2021)

EMEA

+9%

VS. 2021

Operating margin: 22.0% (+0.3pp vs. 2021)

GREATER CHINA

-35%

VS. 2021

Operating margin: 22.5% (-9.7pp vs. 2021)

ASIA-PACIFIC

-16%

VS. 2021

Operating margin: 21.9% (-4.5pp vs. 2021)

LATIN AMERICA

+38%

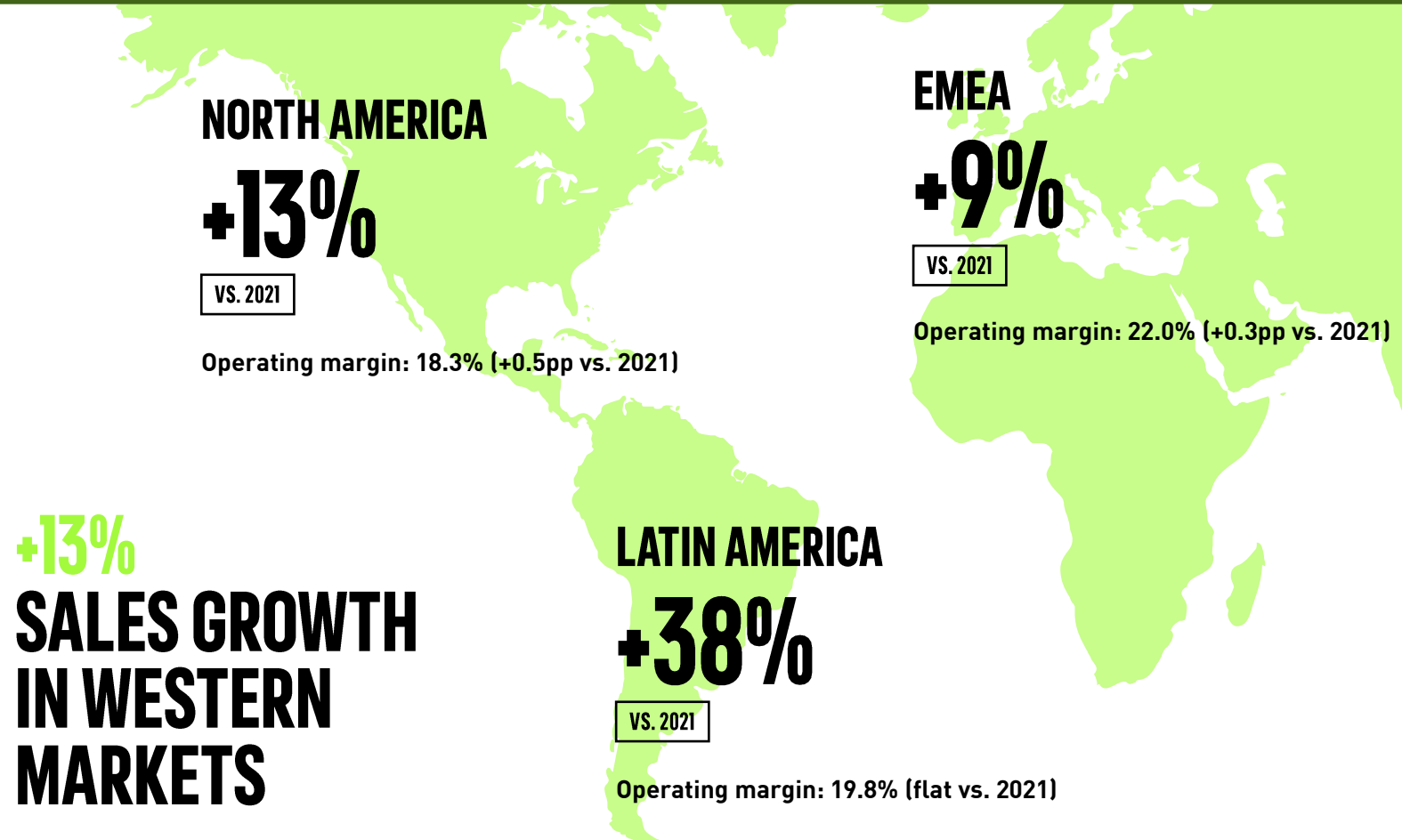
VS. 2021

Operating margin: 19.8% (flat vs. 2021)

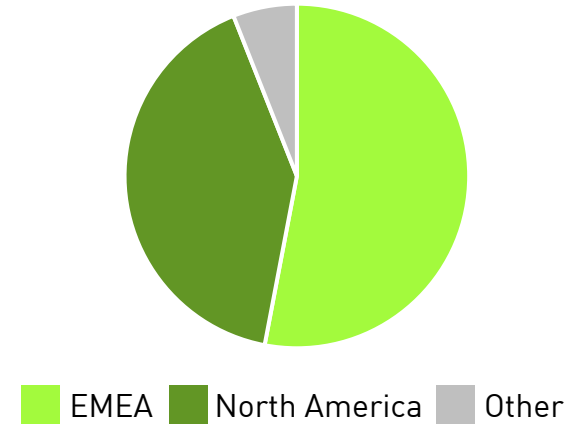
+13%
**SALES GROWTH
IN WESTERN
MARKETS**

IMPACT FROM SUPPLY CHAIN CONSTRAINTS **DECOMPOSED**

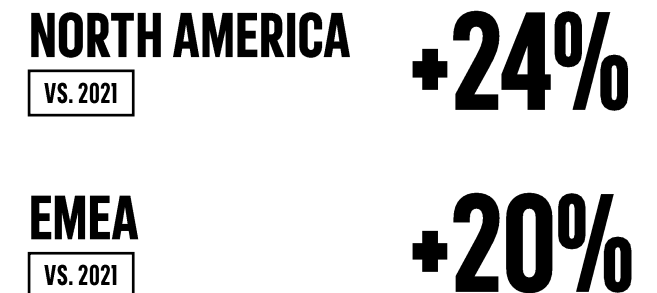
DESPITE NEGATIVE IMPACT OF AROUND € 400 MILLION FROM SUPPLY CHAIN CONSTRAINTS



REGIONAL SPLIT OF NEGATIVE IMPACT



UNDERLYING GROWTH
EXCLUDING VIETNAM IMPACT

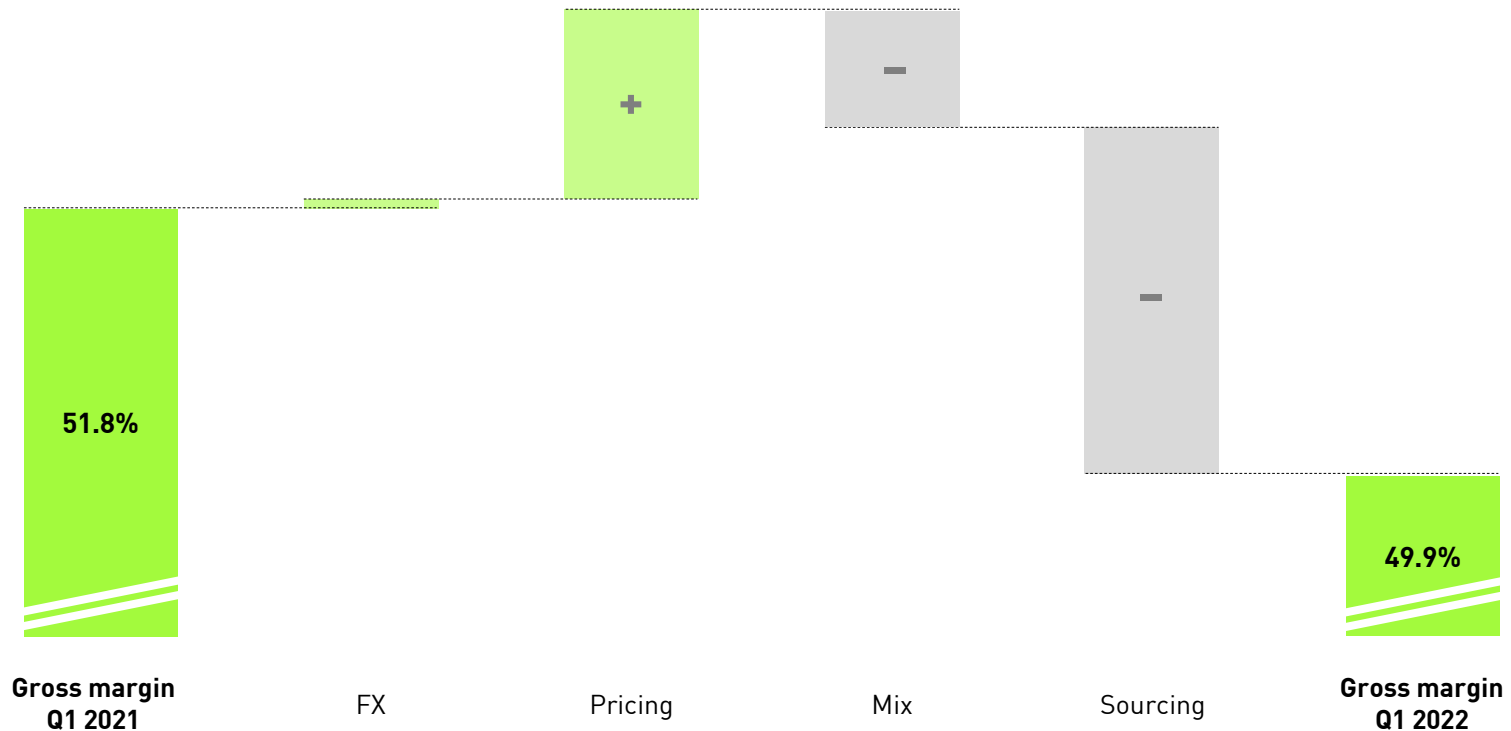


P&L OVERVIEW

€ IN MILLIONS	Q1 2022	Q1 2021	Y-O-Y	
Net Sales	5,302	5,268	+1%	-3% currency-neutral Supply chain constraints reducing top-line by around € 400 million
Gross Margin	49.9%	51.8%	-1.9pp	
Other Operating Expenses (in % of sales)	2,258 42.6%	2,047 38.9%	+10% +3.7pp	
Marketing and Point-of-Sale Expenses (in % of sales)	641 12.1%	541 10.3%	+19% +1.8pp	
Operating Overhead Expenses (in % of sales)	1,617 30.5%	1,506 28.6%	+7% +1.9pp	
Operating Profit/Loss	437	704	-38%	Includes other operating income of around € 20 million related to the Reebok divestiture
Operating Margin	8.2%	13.4%	-5.1pp	
Net Income/Loss from continuing operations	310	502	-38%	
Basic EPS from continuing operations	1.60	2.60	-38%	

GROSS MARGIN DEVELOPMENT Q1 2022
















MAJOR GROSS MARGIN DRIVERS Q1 2022



- FX impact: No major impact in Q1
- Pricing: Positive impact from lower discounting and selective price increases on DTC exclusives
- Mix: Negative impact due to sales decline in China and tough prior year comparables in e-com
- Sourcing: Significant increase in sourcing and freight costs not yet compensated

Gross margin recovery muted due to higher sourcing costs and unfavorable mix

QUARTERLY GROSS MARGIN DRIVERS FY 2022

	FY 2022 EXPECTED	Q1 2022 REPORTED	Q2 2022 EXPECTED	H2 2022 EXPECTED
SOURCING	 Supply chain costs to rise strongly	 Supply chain costs to rise strongly	 Supply chain costs to rise strongly	 Supply chain costs to rise strongly
MIX	 Continued focus on DTC	 Sales decline in China and tough prior year e-com comps	 Sales decline in China	 Strong e-com growth and sequential improvement in China
FX	 Favorable FX	 Flat	 Favorable FX	 Favorable FX
PRICING	 Significant price increases	 Only selective price increases on DTC exclusives	 Only selective price increases on DTC exclusives	 Broad-based price increases (mid-to high-single-digit rate)

AVERAGE OPERATING WORKING CAPITAL

INVENTORIES UP 12% C.N. YEAR-ON-YEAR

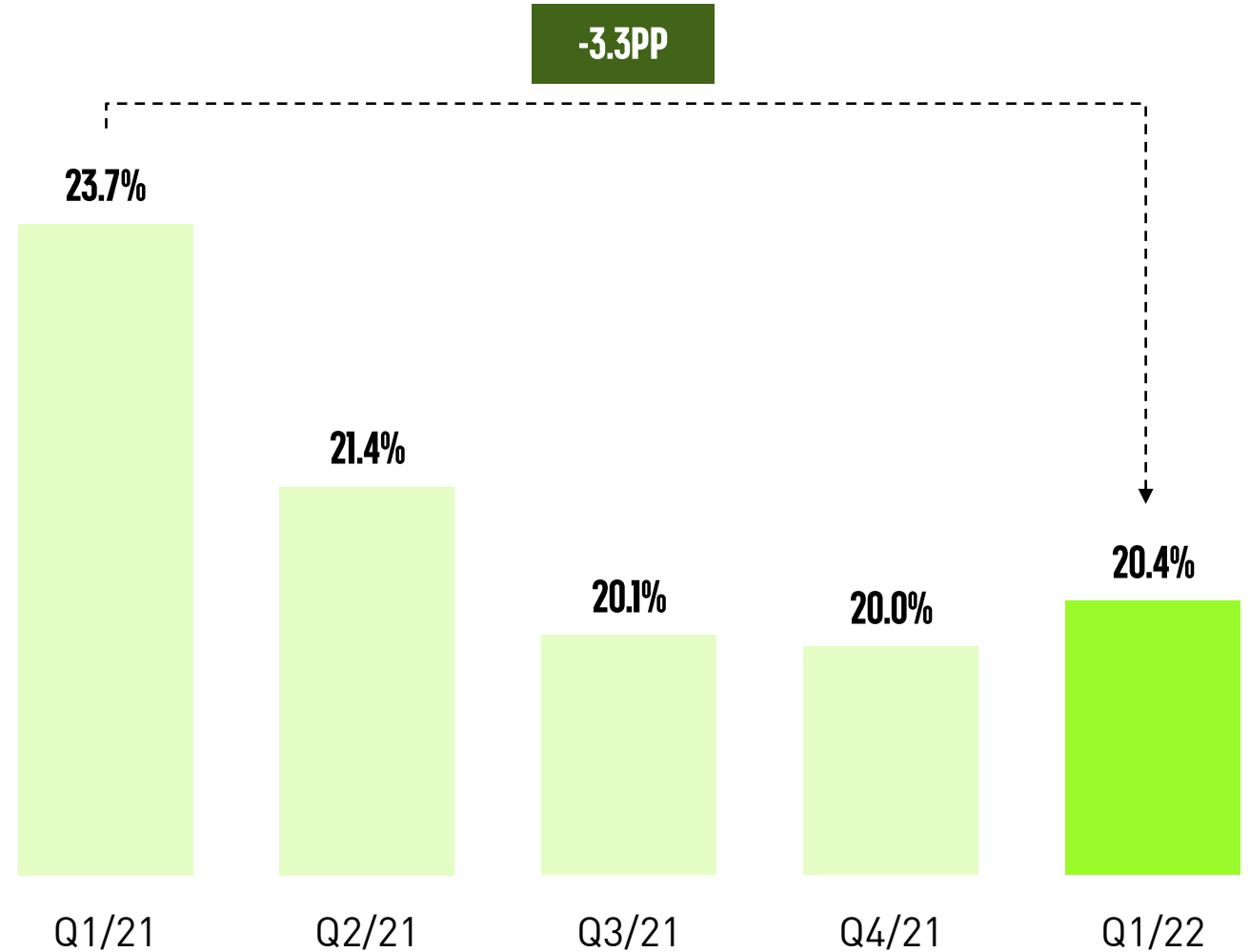
Still reflecting higher goods in transit

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

Due to strong net sales in Western markets

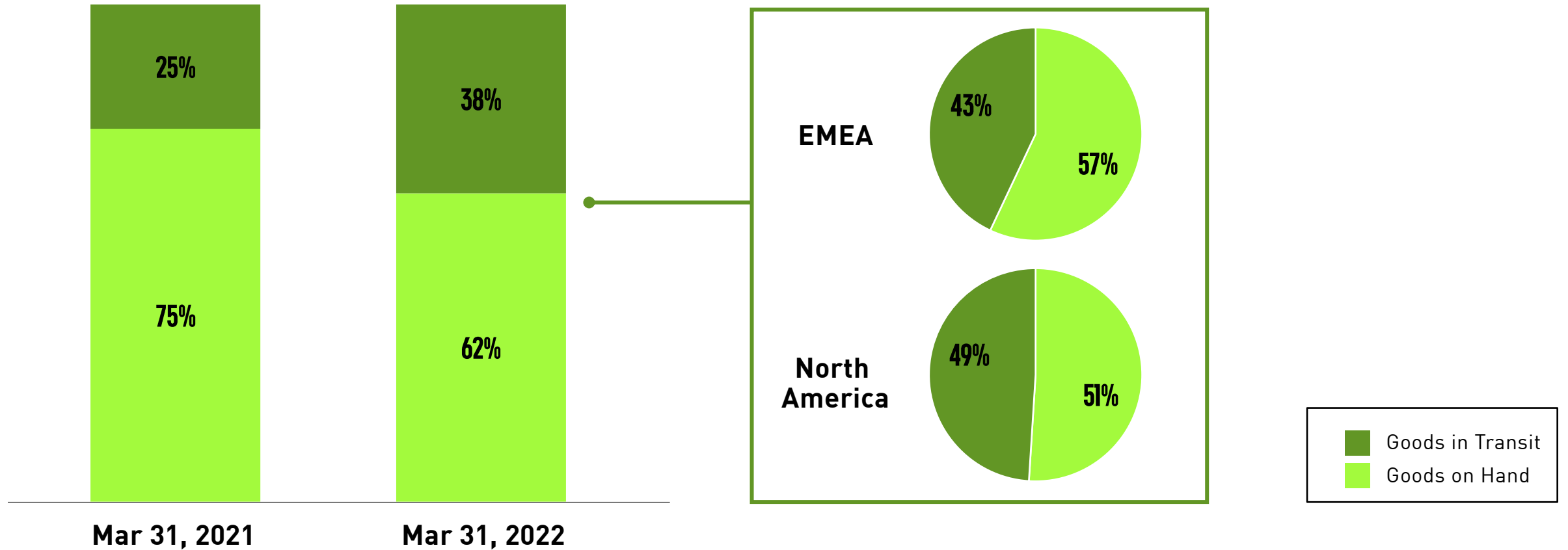
PAYABLES UP 29% C.N. YEAR-ON-YEAR

Driven by significantly higher sourcing volume

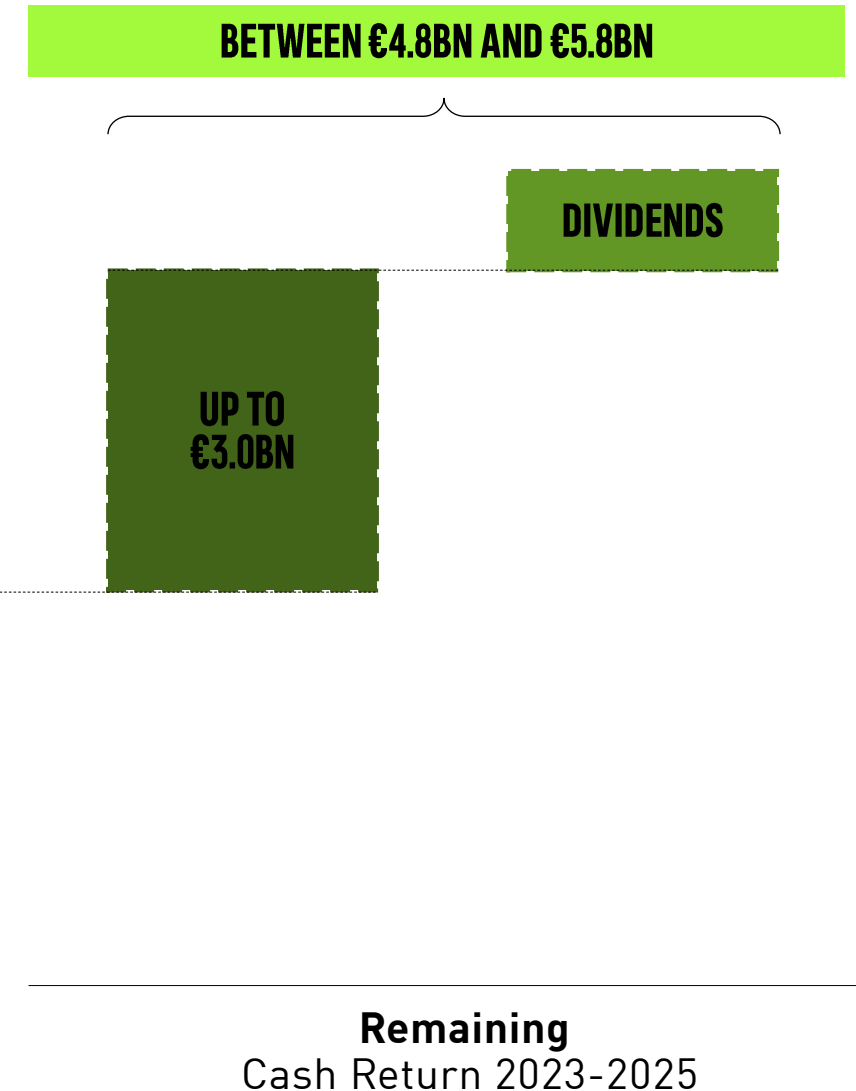
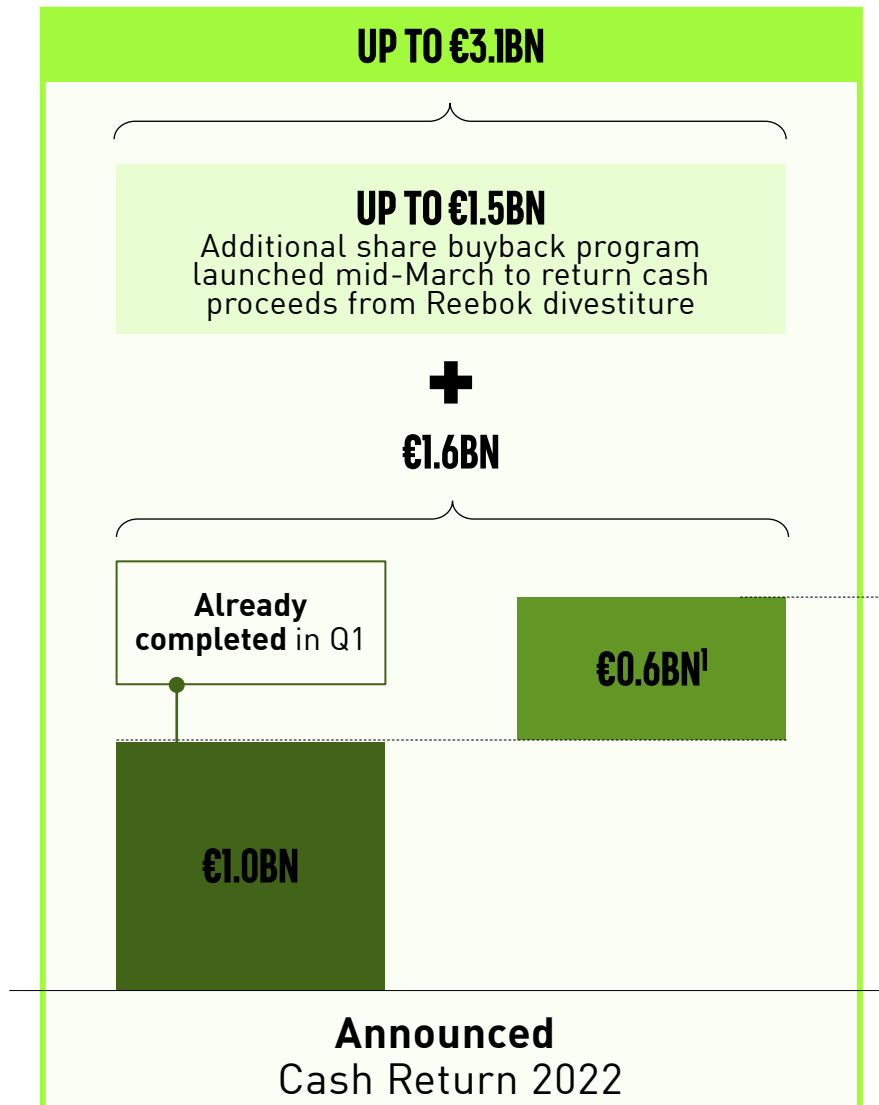


LEAD TIMES STILL ELEVATED FOR KEY MARKETS

GOODS IN TRANSIT VS. GOODS ON HAND | TOTAL COMPANY



ATTRACTIVE SHAREHOLDER RETURNS



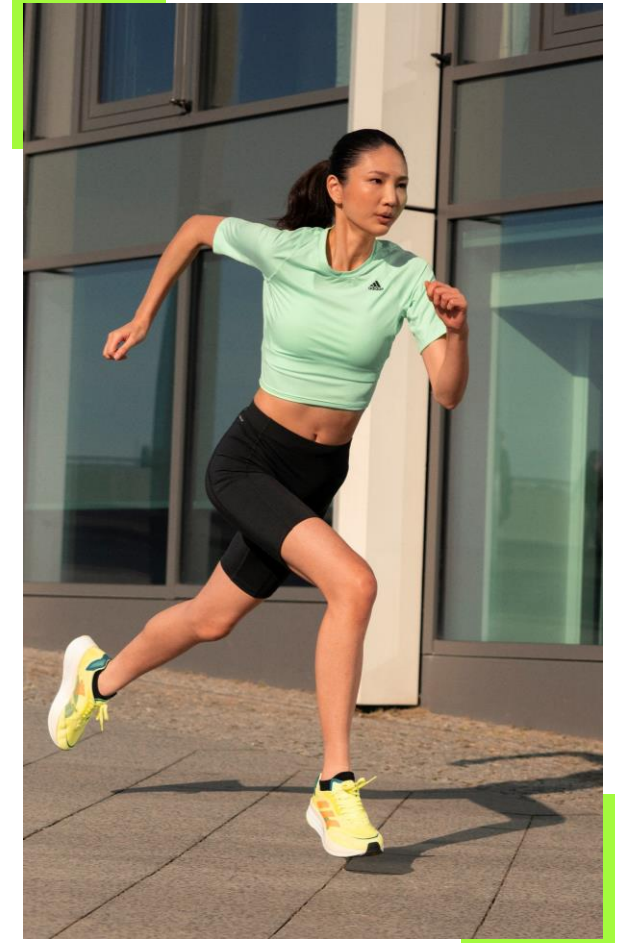
OUTLOOK

KASPER RORSTED
CEO

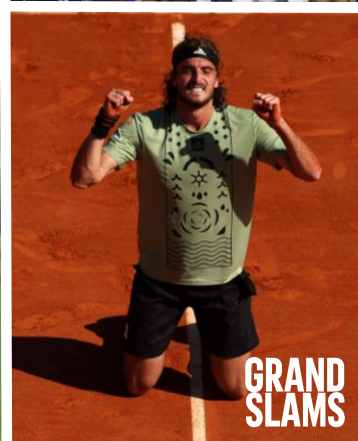
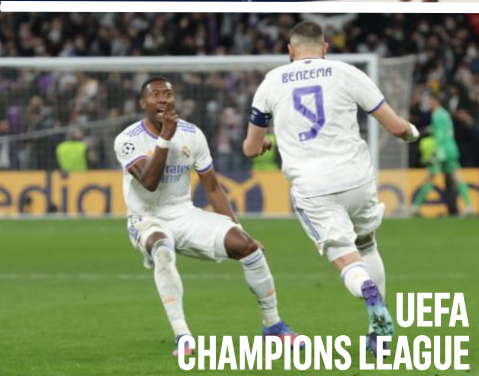
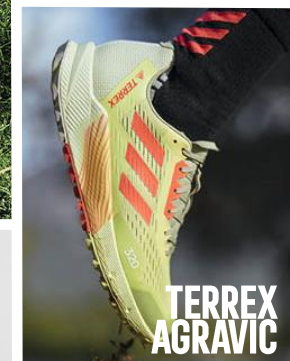
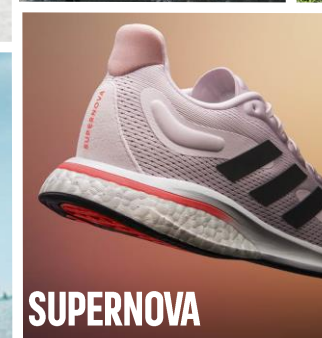


OUR FOCUS

- 1 **LEVERAGING NEW PRODUCTS, UNIQUE STRATEGIC PARTNERS AND KEY EVENTS**
- 2 **DILIGENTLY EXECUTING OUR COMPREHENSIVE ACTION PLAN IN GREATER CHINA**
- 3 **ACCELERATING MOMENTUM IN WESTERN MARKETS AND RETURNING TO GROWTH IN APAC**
- 4 **CONTINUING TO INVEST WHILE THOROUGHLY MANAGING COSTS**



ACCELERATING BRAND MOMENTUM



EVENTS

MARKETING

PRODUCTS

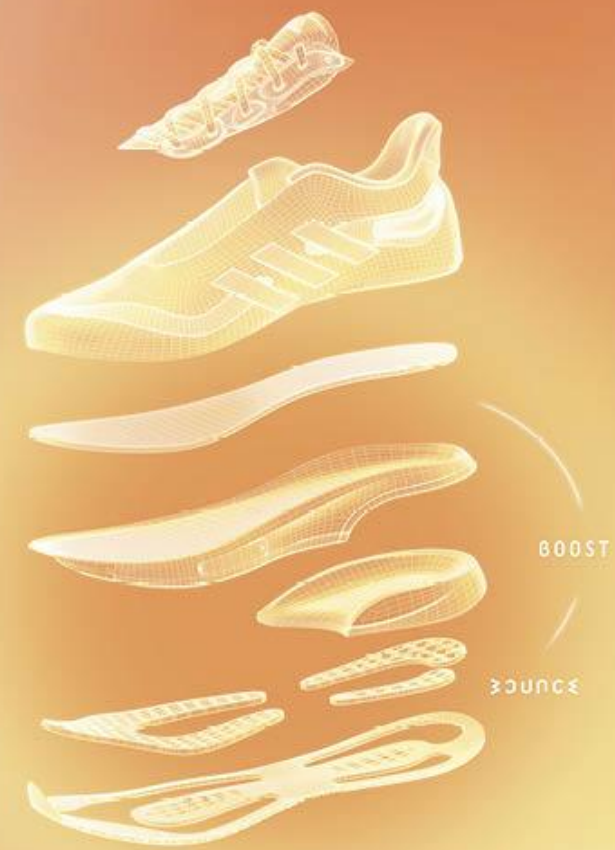
FOOTBALL



X COPA PREDATOR

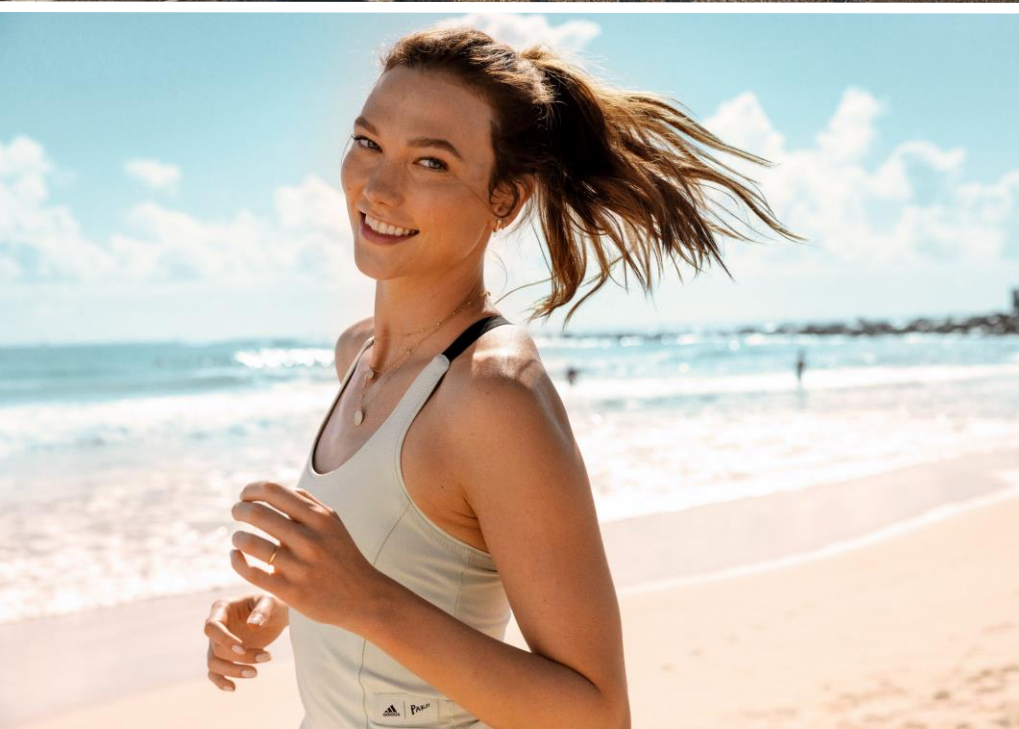


SUPERNOVA



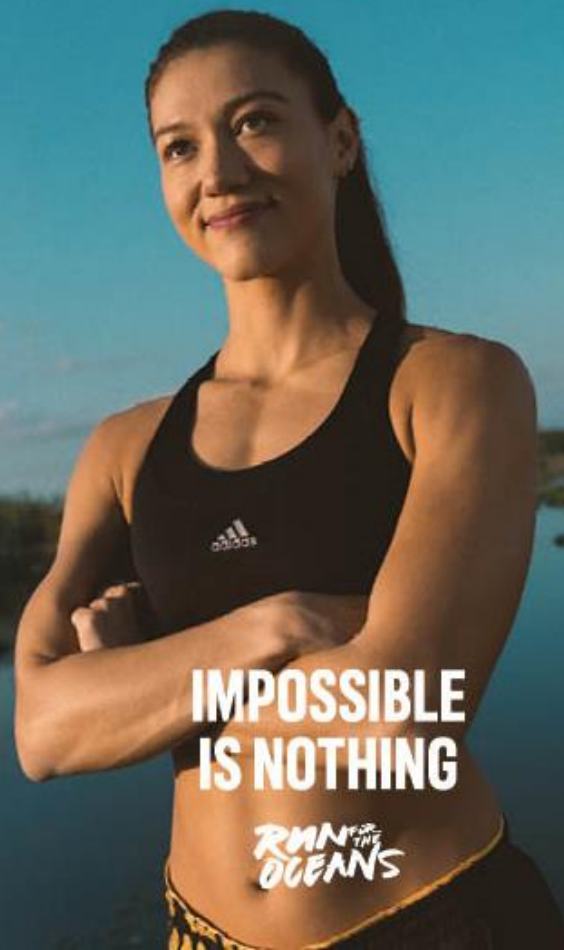
SUPERNOVA

RUN FOR THE OCEANS



TOGETHER,
WE CAN HELP END
PLASTIC WASTE.

郑妮娜力
ZHENG NINALI



TOGETHER,
WE CAN HELP END
PLASTIC WASTE.



RUN FOR THE OCEANS RANGE

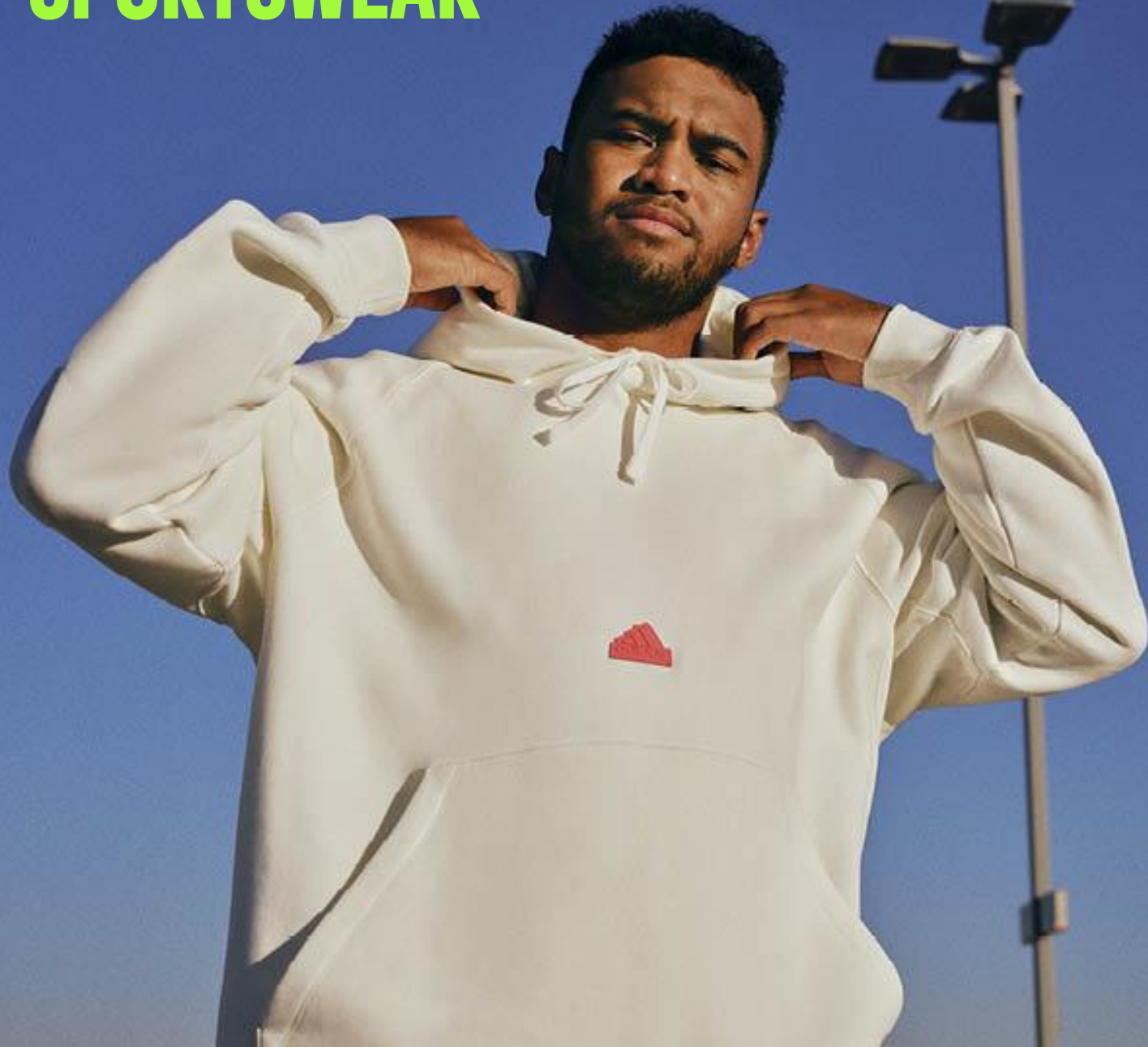
TERREX AGRAVIC FLOW 2



YOGA



SPORTSWEAR



ORIGINALS BY PARLEY



NMD S1



CURRENT MARKET BACKDROP IN GREATER CHINA

WORST COVID OUTBREAK EVER

More than 4x the daily cases
vs. Wuhan outbreak

AVERAGE DAILY CASES

20k
(4x 2020 outbreak)

CITIES LOCKED DOWN

45
(representing ~40%
of Chinese GDP)

ACTIVE COVID PROVINCES

27 out of 31

IMPACTED POPULATION

>180 million

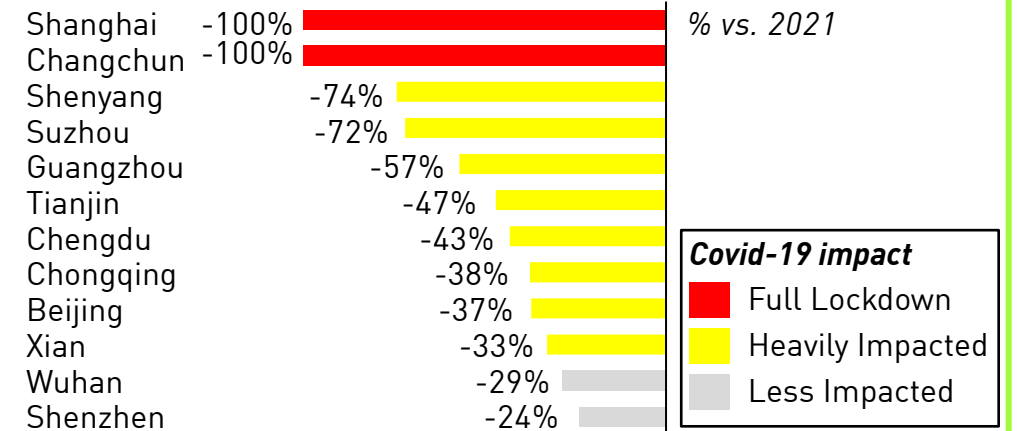
SUDDEN REBOUND UNLIKELY

Drastic countermeasures
lead to drop in consumer
spending

CONSUMER SENTIMENT HEAVILY IMPACTED

Significant traffic decline
even in cities not impacted

TRAFFIC IN APRIL



NO SPIKE IN E-COM

Online more impacted
vs. 2020

EXCESS INVENTORY IN MARKETPLACE

Imbalance of sell-in and sell-out
with excess inventory in
marketplace

ACTIONS TAKEN DURING CURRENT LOCKDOWN

OFFLINE



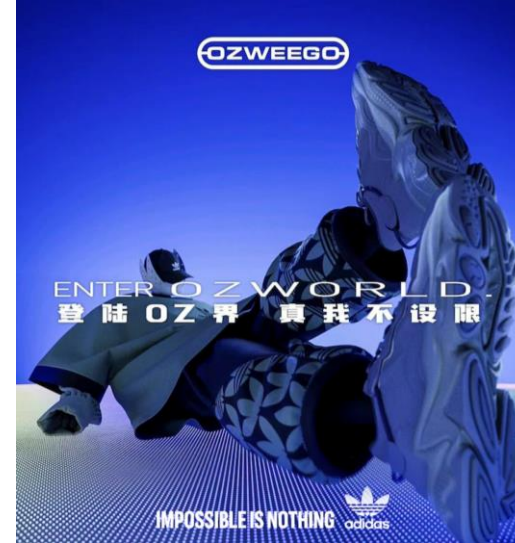
- Thoroughly managing **excess product**
- **Special sales events** executed and extended
- **Offering additional incentives** to drive sell-out

ONLINE



- Driving sales with **WeChat mini program and livestreaming**
- Livestream April reached **300+ rounds per key account**
- **Extending livestreaming time** to 5 hours/round on average

MARKETING



- Launched **digital OZ campaign** for consumer lockdown behavior
- Increasing **key franchise demand generation**
- Enhancing **“always on” content** on Douyin and Red

PEOPLE



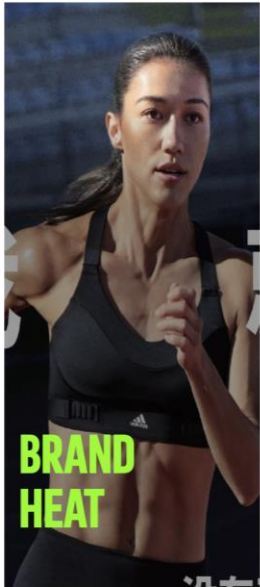
- Offering **“food supply packs”** to employees in Shanghai
- Conducting **online virtual gym classes** to help employees exercise







FOCUS ON DRIVING CONSUMER ENGAGEMENT, CONVERSION AND EMPLOYEE WELL-BEING

DILIGENT EXECUTION OF ACTION PLAN

CONTINUED PROGRESS ON
GREATER CHINA ACTION PLAN...

...WHILE DOUBLING DOWN ON FOCUS
INITIATIVES



-  **Drive product newness** in key footwear franchises
-  Strengthen **localized campaigns**
-  **Drive retail excellence** and tactical traffic generation
-  **Leverage membership** program
-  Increase in-season **sell-through**
-  **Manage discounting** and pricing framework



IMPACTFUL ACTIONS TO CONNECT WITH CONSUMERS POST LOCKDOWN

NORTH AMERICA

CONTINUE TO DRIVE BRAND MOMENTUM

- **Drive Women's** across all strategic growth categories by inclusive storytelling and broadened range
- **Land key product launches** (NMD V3, Ivy Park, Yeezy)
- **Launch** new consumer propositions in **Sportswear and Basketball** (focus on Gen Z, Jerry Lorenzo)
- **Celebrate bold brand moments** (Impossible is Nothing, Run for the Oceans)
- **Leverage major upcoming sports events** for commercial success (U.S. Sports, Marathon Season)

MAXIMIZE CHANNEL OPPORTUNITY

DTC

- **Elevate physical retail experience** to drive traffic & conversion
- Invest in **digital experiences**, focused on personalization
- Grow revamped **membership program adiclub**

WHOLESALE

- **Win key selling moments** (BTS, holiday season)
- Take advantage of **restocking opportunity**
- **Expand strategic partnerships** with key accounts

GAIN MARKET SHARE



NORDSTROM

KOHL'S



FOOT LOCKER STRATEGIC PARTNERSHIP UNTIL 2025

PRODUCT INNOVATION

- Foot Locker to become **adidas** lead partner for basketball
- Both companies will drive **adidas Originals** key franchises and hype products
- Prominent role for Foot Locker in launch of **new sportswear offering**
- Partnership on product development focused on **women's, kids and apparel**

ELEVATED EXPERIENCES AND DEEPER CONSUMER CONNECTIVITY

- **Dedicated team at adidas** to deliver elevated experiences online and offline
- **Premium presence for adidas** across Foot Locker's entire portfolio of banners
- **Special focus on key cities and communities** jointly served
- **Acceleration of adidas partner program rollout** at Foot Locker

NEARLY TRIPLE NET SALES

FOR BOTH COMPANIES
TO MORE THAN \$2BN
RETAIL SALES BY 2025

UP TO €100M
INCREMENTAL
NET SALES
FOR ADIDAS IN 2022

ACROSS ALL
FOOT LOCKER
BANNERS IN
NORTH
AMERICA,
EMEA, AND
ASIA-PACIFIC

NEW PRODUCT LAUNCHES AND STRONGER BRAND STORYTELLING...

GEN Z

Target Gen Z with investments in key product launches and activations

KEY CITIES

Increase traction in Key Cities with elevated culture marketing

WOMEN

Intensify Women focus in brand storytelling

HYPE TO SCALE

Drive hype to scale with key collabs and new Lifestyle product drops

FOOTWEAR

Scale key franchises in Originals and Running

FOOTBALL

Leverage consumer excitement leading up to key events

...COMBINED WITH AN ELEVATED CONSUMER EXPERIENCE

- Double-down on e-com and implement **Home of Sports retail concept**
- **Scale adiclub** with new member propositions and additional countries
- Increase allocations and resources for **key Wholesale accounts** to drive market share gains



BUILD ON MOMENTUM TO ACCELERATE TOP-LINE AND GAIN MARKET SHARE

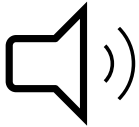
BUILDING BLOCKS TO ACCELERATE TOP-LINE IN 2022



BUILD ON CONTINUED **STRONG UNDERLYING MOMENTUM**



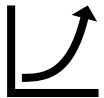
LAUNCH EXCITING PIPELINE OF **NEW AND INNOVATIVE PRODUCTS**



LEVERAGE **MAJOR UPCOMING SPORTS EVENTS** FOR COMMERCIAL SUCCESS



TAKE ADVANTAGE OF **WHOLESALE RESTOCKING OPPORTUNITY**



DRIVE **SHARE GAINS WITH STRATEGIC ACCOUNTS IN WESTERN MARKETS**

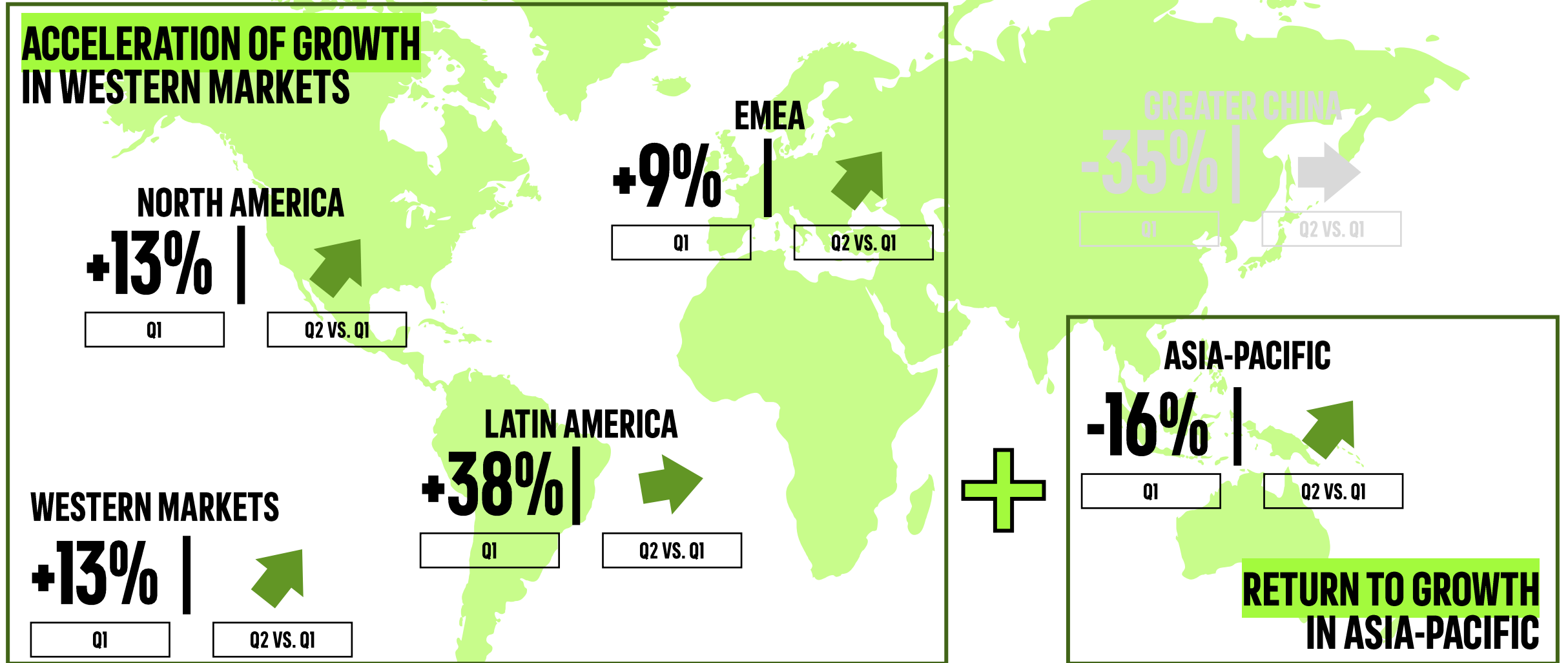


CONTINUE TO **DOUBLE-DOWN ON DTC AND DIGITAL**



**STRONG GROWTH IN
WHOLESALE
AND DTC THROUGH
ORDERBOOK
CONVERSION
AND ELEVATED
CONSUMER
EXPERIENCE**

STRONG GROWTH IN WESTERN MARKETS TO CONTINUE **IN Q2**



QUARTERLY TOP-LINE DEVELOPMENT FY 2022

ESTIMATED NET SALES IMPACT FROM VIETNAM CAPACITY LOSS

	MAR 09	MAY 06 UPDATED
Q1 2022	~€600m	~€400m
Q2 2022	None	~€200m
TOTAL	~€600m	~€600m



Q1 2022

Supply chain constraints reducing top-line by **around €400m**

-3%

Q2 2022

Returning to growth

Despite significant drag from China and **around €200m** negative impact from supply chain constraints

H2 2022

More than 20% growth

Backed by **extraordinarily strong order book**

No major impact beyond Q2 2022 expected

STRONG ORDERBOOK FOR 2022

ORDERBOOK FY 2022

UP MORE THAN 20%



FY 2022

QUARTERLY ORDERBOOK COMPOSITION FY 2022

- **Broad-based orderbook strength across** North America, EMEA, Latin America and APAC
- **Strong momentum** with alliance accounts



Q1 2022



Q2 2022

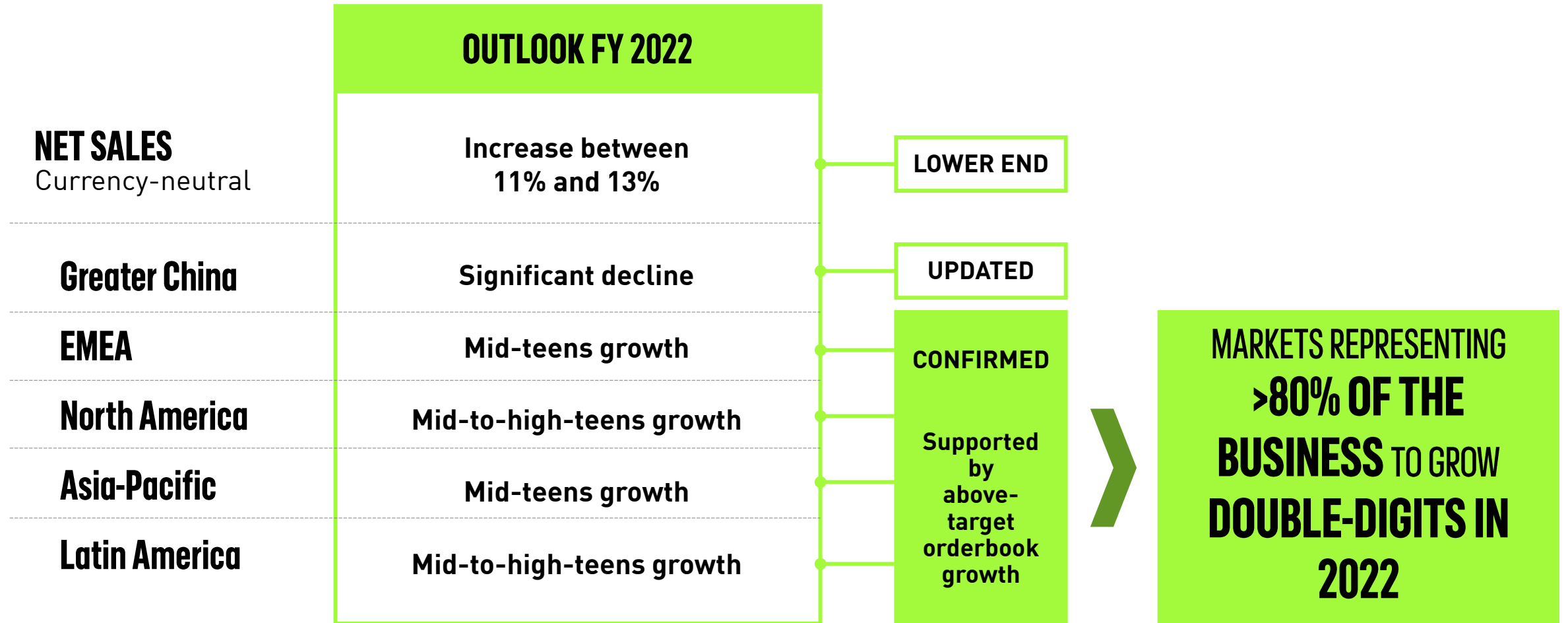


Q3 2022



Q4 2022

OUTLOOK FY 2022 BY MARKET



OUTLOOK FY 2022 UPDATED

	FY 2022 OUTLOOK MARCH 9	FY 2022 OUTLOOK MAY 6	
Net sales ¹	Increase between 11% and 13%	Increase between 11% and 13%	CONFIRMED
Gross margin	Increase to between 51.5% and 52.0%	Around prior year level of 50.7%	UPDATED
Operating margin	Increase to between 10.5% and 11.0%	Around prior year level of 9.4%	UPDATED
Net income ²	Increase to between €1.8bn and €1.9bn	Increase to between €1.8bn and €1.9bn	CONFIRMED

LOWER END

LOWER END

KEY ASSUMPTIONS ON BUSINESS DEVELOPMENT IN GREATER CHINA

- Steady recovery from negative impact of geo-political situation
- No lockdowns in major cities as of Q3
- Sequential improvements from strong double-digit traffic decline in Q2



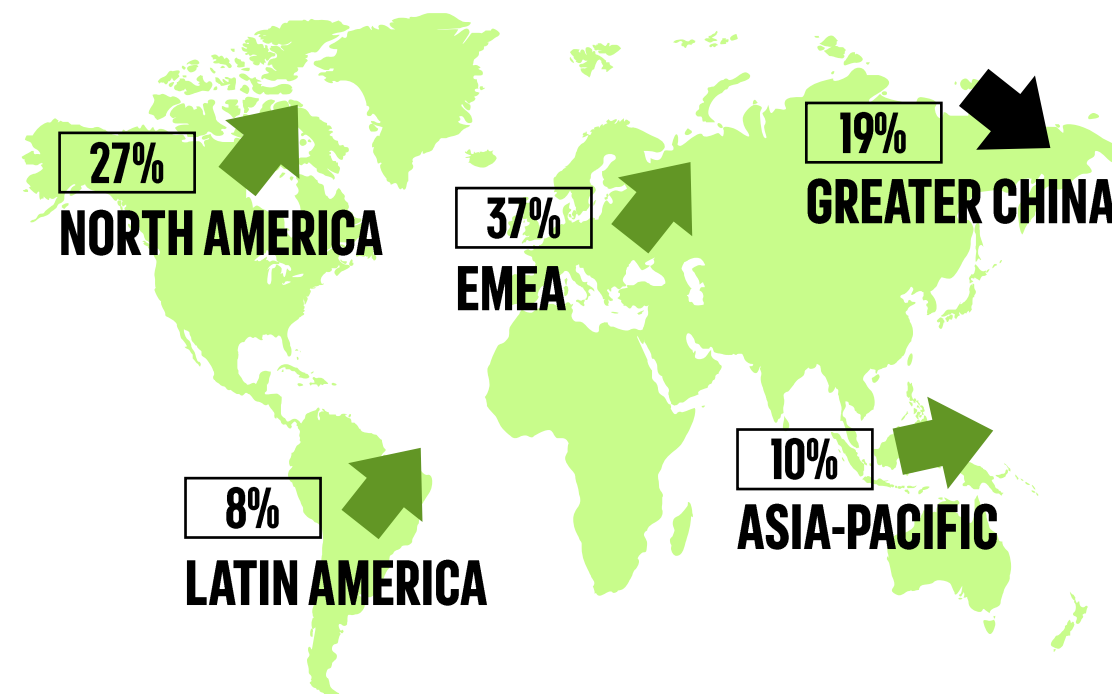
FOCUSED ON EXECUTING OUR 2025 STRATEGY **OWN THE GAME**

**NOT COMPROMISING
ON THE LONG-TERM DEVELOPMENT...**

**...SUPPORTED BY A MORE BALANCED TOP- AND BOTTOM-LINE
CONTRIBUTION ACROSS MARKETS**

	2025
NET SALES Currency-neutral	8-10% CAGR 2021-2025
GROSS MARGIN % of net sales	53-55%
OPERATING MARGIN % of net sales	12-14%
NET INCOME From continuing operations	16-18% CAGR 2021-2025

SHARE OF BUSINESS IN Q1 2022



SUMMARY

1

**PRODUCT INNOVATION DRIVING CONTINUED STRONG DEMAND
IN WESTERN MARKETS AND RETURN TO GROWTH IN APAC IN Q2**

2

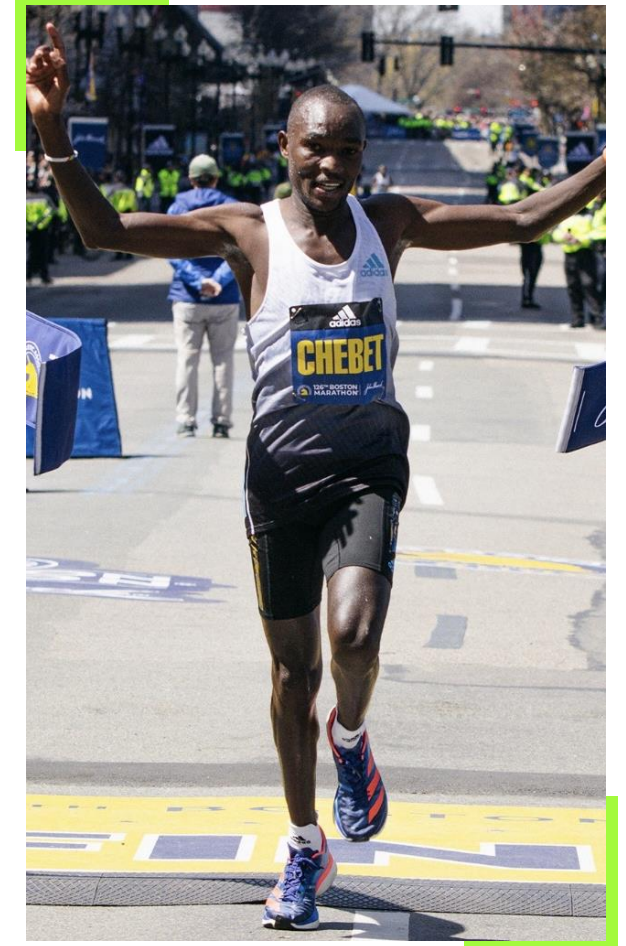
**BUILDING BLOCKS IN PLACE TO ACCELERATE TOP-LINE
MOMENTUM GOING FORWARD**

3

**THOROUGHLY MANAGING INDUSTRY-WIDE DEMAND
AND SUPPLY CHALLENGES**

4

**2022 TO BE SUCCESSFUL SECOND YEAR OF OWN THE GAME
WITH STRONG TOP- AND BOTTOM-LINE GROWTH**



Q&A

