



FOR IMMEDIATE RELEASE

Herzogenaurach, April 30, 2024

adidas brand momentum drives better-than-expected results in the first quarter of 2024

Major developments:

- **Currency-neutral sales up 8% driven by growth in all regions except North America**
- **Double-digit DTC growth reflects strong adidas sell-through**
- **Gross margin improves 6.4pp to 51.2%, reflecting healthier inventory levels, reduced discounting, lower sourcing costs and a more favorable business mix**
- **Operating profit of € 336 million compared to € 60 million in the prior-year period**
- **Inventories down more than € 1.2 billion versus the prior year to € 4.4 billion**
- **Top- and bottom-line guidance upgraded on April 16 due to successful start to the year**

adidas CEO Bjørn Gulden:

"I am very happy to see that the business in Q1 developed better than we had expected. Sales, gross margin, and operating profit were all better than initially planned. Our full-price sales in our DTC channels were strong and our sell-out with our retail partners was higher than the sell-in. This means lower inventories, less discounts, and better gross margins both for our retail partners and for us.

The growth is of course driven by our Lifestyle business right now, especially Originals footwear, but we also see that the higher end of our Running, Football and Basketball product is doing well. The demand for our footwear franchises Samba, Gazelle, Spezial, and Campus is still very strong and growing, but we also see new franchises like SL72 starting to become high in demand. We feel we have a very strong pipeline of product for the next quarters.

The markets are still volatile and not easy, but we feel we are making progress everywhere. The increased brand heat and the improved sell-through is supporting us in building better relationships with our retail partners and it buys us time to continue to invest in making adidas again a better brand and company. We will continue to 'over invest' into the product, into the brand, into sales and marketing to ensure continued growth. We will not try to optimize short-term profit. We know we are not as good as we should be, but I feel that we are making the progress that we had hoped for.

We now look forward to celebrate the great sports events like the Euro 2024, Copa América, the Olympics and Paralympics. It is a great year for sports – let us all enjoy it!"



First-quarter results

Currency-neutral revenue growth driven by strong brand momentum

In the first quarter of 2024, **currency-neutral revenues** increased 8% versus the prior-year level. The better-than-expected performance was driven by the strong momentum of the underlying adidas business, which grew 5% in Q1. In addition, the sale of parts of the remaining Yeezy inventory generated revenues of around € 150 million during the first quarter. **In euro terms**, the company's revenues grew 4% to € 5.458 billion in the first quarter (2023: € 5.274 billion), as currency developments led to an unfavorable translation impact.

Footwear revenues grew 13% during the quarter on a currency-neutral basis, driven by the strong brand momentum, particularly in the Originals and Football categories. **Apparel** sales were up 2% in Q1. High apparel inventories, particularly in the North American marketplace, still led to lower sell-in into the Wholesale channel. Although adidas started to see improving sell-out trends in apparel as well, especially in the Originals category apparel growth was still lower than growth in footwear. In Football, the company recorded double-digit growth in apparel in both Wholesale and DTC as a result of the successful jersey launches ahead of the UEFA Euro 2024 and the CONMEBOL Copa América. **Accessories** declined 1% during the quarter.

On a currency-neutral basis, **Lifestyle** revenues were up strong double digits during the quarter. The company continued to fuel demand for its highly popular Samba, Gazelle, Spezial, and Campus franchises. While scaling the supply of these bestsellers, adidas also started to extend the Terrace momentum into Running with the successful introduction of the SL72. In addition, the company launched new colorways of its Anthony Edwards and James Harden signature shoes in Basketball, which have quickly become popular silhouettes on and off the court. The company's **Performance** categories benefited from the success of new product launches such as latest iterations of the iconic Predator football boot, the Agravic Speed Ultra outdoor shoe, as well as the newly introduced Supernova franchise in Running. In addition, the Adizero Adios Pro Evo 1 enabled further record-breaking performances at marathon races across the globe, driving visibility and desire for the entire Adizero product family.

Strong double-digit growth in Own Retail and E-commerce

From a channel perspective, the top-line development was driven by the company's **Direct-to-Consumer (DTC)** business, which grew 20% on a currency-neutral basis during the quarter. Sales in adidas' **Own Retail** stores increased 11%, reflecting strong double-digit growth across the company's full-price concept store fleet. **E-commerce** revenues grew 34% in Q1. While the Yeezy sales contributed to this increase, the company's revenues across its own digital platforms also increased at a double-digit rate, if adjusted for the Yeezy effect.



This growth was driven by a strong double-digit increase in full-price sales as adidas continues to focus on reducing discounting activity and improving the overall business mix on its own online platforms. Currency-neutral sales in **Wholesale** increased 2%. Double-digit growth in Europe, Emerging Markets, and Greater China was partly offset by a decline in North America, reflecting the conservative sell-in approach in response to still elevated inventory levels in this market.

Strong growth in all markets except North America

Currency-neutral sales in **Europe** increased 14% during the quarter driven by double-digit growth in both DTC and Wholesale as the current product is selling through very well across all channels. Revenues in **Emerging Markets** and **Latin America** also grew at double-digit rates (17% and 18%, respectively). Sales in **Greater China** were up 8%, with double-digit growth in Wholesale and E-com. **Japan/South Korea** posted revenue growth of 7% driven by a double-digit increase in DTC. Revenues in **North America** declined 4% during the quarter, reflecting a double-digit decline in the Wholesale channel as the company continued its disciplined sell-in approach.

Gross margin increases significantly to 51.2%

The company's first-quarter **gross margin** was up 6.4 percentage points to 51.2% (2023: 44.8%). This increase was driven by the company's much healthier inventory levels, reduced discounting, lower sourcing costs, and a more favorable business mix. At the same time, negative currency developments weighed strongly on the gross margin development. While the Yeezy drop in Q1 contributed positively to the gross margin development, the company's first quarter gross margin was also above 50%, if adjusted for the Yeezy impact.

Operating profit of € 336 million compared to € 60 million in the prior-year period

Other operating expenses were up 5% to € 2.478 billion (2023: € 2.367 billion). As a percentage of sales, other operating expenses increased 0.5 percentage points to 45.4% (2023: 44.9%). This development was mainly driven by an increase in **marketing and point-of-sale expenses**, which were up 9% to € 657 million (2023: € 601 million) in the quarter. The increase reflects investments into the newly introduced global adidas brand campaign 'You Got This', a strong brand presence at major sports events such as the Super Bowl, as well as impactful activations related to product launches like the brand-new Supernova running franchise, the latest Predator football boot and jerseys for both the Euro 2024 and Copa América. As a percentage of sales, marketing and point-of-sale expenses increased 0.6 percentage points to 12.0% (2023: 11.4%). **Operating overhead expenses** were up 3% to € 1.822 billion (2023: € 1.766 billion), partly due to investments aimed at strengthening the company's sales activities. As a percentage of sales, operating overhead expenses decreased 0.1 percentage points to 33.4% (2023: 33.5%). The company's **operating profit** amounted to



€ 336 million (2023: € 60 million) in the quarter, reflecting an **operating margin** of 6.2% (2023: 1.1%).

Net income from continuing operations of € 171 million

After taxes, the company's **net income from continuing operations** amounted to € 171 million (2023: net loss from continuing operations of € 24 million), while **basic EPS from continuing operations** were € 0.96 (2023: negative € 0.18).

Inventories improve by more than € 1.2 billion

Inventories decreased 22% or more than € 1.2 billion year over year to € 4.427 billion (2023: € 5.675 billion), reflecting the company's successful initiatives to significantly reduce inventory levels. On a currency-neutral basis, inventories declined 20% compared to the prior year, with particularly strong improvements in North America and Greater China. **Operating working capital** was down 26% to € 4.745 billion (2023: € 6.391 billion). On a currency-neutral basis, operating working capital declined 23%. Average operating working capital as a percentage of sales decreased 2.5 percentage points to 23.5% (2023: 26.0%). This development reflects the inventory decrease as well as a mid-single-digit currency-neutral decline in receivables due to a more effective collection compared to the prior year. At the same time, payables increased at a double-digit currency-neutral rate, driven by business growth as well as improved payment terms.

Adjusted net borrowings down almost € 1.7 billion

Adjusted net borrowings at March 31, 2024 amounted to € 4.958 billion (March 31, 2023: € 6.630 billion), representing a year-over-year decrease of 25% or almost € 1.7 billion. This development mainly reflects a decline in short- and long-term borrowings as well as lease liabilities and an increase in cash and cash equivalents.

Full-year outlook

adidas expects revenues to increase at a mid- to high-single-digit rate in 2024

On April 16, adidas upgraded its full-year financial guidance as a result of the better-than-expected performance in the first quarter. adidas now expects **currency-neutral revenues** to increase at a mid- to high-single-digit rate in 2024 (previously: increase at a mid-single-digit rate). Within this guidance, it is assumed that the remaining Yeezy inventory will be sold on average at cost, resulting in sales of around € 200 million throughout the remainder of the year. This corresponds to a projected total amount of Yeezy-related sales of around € 350 million in FY 2024 (previously: around € 250 million), of which around € 150 million were generated in the first quarter. For its underlying business, adidas remains focused on scaling its successful franchises, introducing new ones, and leveraging its significantly better,



broader, and deeper product range. Improved retailer relationships, more impactful marketing initiatives, and the company's activities around major sports events are also expected to contribute to sales increases throughout 2024.

Outlook impacted by significant currency headwinds

Unfavorable currency effects are projected to weigh significantly on the company's profitability in 2024. They are expected to continue to adversely impact both reported revenues and the gross margin development in the remainder of the year.

Operating profit of around € 700 million projected

Following the better-than-expected performance in the first quarter, the company also increased its full-year profit guidance on April 16. The company's **operating profit** is now expected to reach a level of around € 700 million (previously: to reach a level of around € 500 million). The improved bottom-line guidance includes a contribution of around € 50 million from Yeezy (previously: no Yeezy contribution) related to the drop in Q1. The sale of the remaining Yeezy inventory is assumed to result in no further profit contribution during the remainder of the year.

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adidas AG Condensed Consolidated Income Statement (IFRS)
€ in millions

| | Quarter ending March 31, 2024 | Quarter ending March 31, 2023 | Change |
|--|----------------------------------|----------------------------------|---------------|
| Net sales | 5,458 | 5,274 | 3.5% |
| Cost of sales | 2,662 | 2,911 | (8.5%) |
| Gross profit | 2,796 | 2,363 | 18.3% |
| (% of net sales) | 51.2% | 44.8% | 6.4pp |
| Royalty and commission income | 17 | 25 | (33.8%) |
| Other operating income | 2 | 39 | (95.4%) |
| Other operating expenses | 2,478 | 2,367 | 4.7% |
| (% of net sales) | 45.4% | 44.9% | 0.5pp |
| Marketing and point-of-sale expenses | 657 | 601 | 9.3% |
| (% of net sales) | 12.0% | 11.4% | 0.6pp |
| Operating overhead expenses ¹ | 1,822 | 1,766 | 3.2% |
| (% of net sales) | 33.4% | 33.5% | (0.1pp) |
| Operating profit | 336 | 60 | 458.4% |
| (% of net sales) | 6.2% | 1.1% | 5.0pp |
| Financial income | 24 | 13 | 92.1% |
| Financial expenses | 115 | 41 | 180.3% |
| Income before taxes | 245 | 32 | 675.1% |
| (% of net sales) | 4.5% | 0.6% | 3.9pp |
| Income taxes | 74 | 55 | 33.4% |
| (% of income before taxes) | 30.1% | 174.9% | (144.8pp) |
| Net income/(loss) from continuing operations | 171 | (24) | n.a. |
| (% of net sales) | 3.1% | (0.4%) | n.a. |
| Loss from discontinued operations, net of tax | (1) | (6) | 83.8% |
| Net income/(loss) | 170 | (30) | n.a. |
| (% of net sales) | 3.1% | (0.6%) | n.a. |
| Net income/(loss) attributable to shareholders | 170 | (39) | n.a. |
| (% of net sales) | 3.1% | (0.7%) | n.a. |
| Net (loss)/income attributable to non-controlling interests | (0) | 9 | n.a. |
| Basic earnings per share from continuing operations (in €) | 0.96 | (0.18) | n.a. |
| Diluted earnings per share from continuing operations (in €) | 0.96 | (0.18) | n.a. |
| Basic earnings per share from continuing and discontinued operations (in €) | 0.95 | (0.22) | n.a. |
| Diluted earnings per share from continuing and discontinued operations (in €) | 0.95 | (0.22) | n.a. |

¹ Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets. Rounding differences may arise.



Net Sales^{1,2} € in millions

| | Quarter ending March 31, 2024 | Quarter ending March 31, 2023 | Change | Change (currency-neutral) |
|-------------------|----------------------------------|----------------------------------|---------|------------------------------|
| Europe | 1,733 | 1,509 | 14.8% | 13.8% |
| North America | 1,122 | 1,177 | (4.7%) | (3.6%) |
| Greater China | 897 | 884 | 1.5% | 7.8% |
| Emerging Markets | 712 | 672 | 5.9% | 16.8% |
| Latin America | 615 | 595 | 3.3% | 17.6% |
| Japan/South Korea | 339 | 347 | (2.1%) | 7.5% |
| Other Businesses | 32 | 80 | (60.0%) | (55.6%) |

1 Prior year adjusted in context of introduction of new segment structure.

2 Differences between segmental and aggregated net sales may arise due to consolidation adjustments. Rounding differences may arise.



adidas AG Consolidated Statement of Financial Position (IFRS)
€ in millions

| | March 31, 2024 | March 31, 2023 | Change |
|---|----------------|----------------|----------------|
| Cash and cash equivalents | 1,086 | 778 | 39.6% |
| Short-term financial assets | 3 | - | n.a. |
| Accounts receivable | 2,606 | 2,818 | (7.5%) |
| Other current financial assets | 848 | 770 | 10.1% |
| Inventories | 4,427 | 5,675 | (22.0%) |
| Income tax receivables | 152 | 96 | 57.5% |
| Other current assets | 1,049 | 1,208 | (13.1%) |
| Total current assets | 10,170 | 11,344 | (10.3%) |
| Property, plant and equipment | 2,111 | 2,201 | (4.1%) |
| Right-of-use assets | 2,195 | 2,471 | (11.1%) |
| Goodwill | 1,250 | 1,248 | 0.2% |
| Other intangible assets | 448 | 432 | 3.8% |
| Long-term financial assets | 319 | 306 | 4.3% |
| Other non-current financial assets | 510 | 338 | 50.9% |
| Deferred tax assets | 1,319 | 1,265 | 4.2% |
| Other non-current assets | 68 | 71 | (4.6%) |
| Total non-current assets | 8,221 | 8,332 | (1.3%) |
| Total assets | 18,392 | 19,677 | (6.5%) |
| Short-term borrowings | 669 | 1,297 | (48.4%) |
| Accounts payable | 2,289 | 2,102 | 8.9% |
| Current lease liabilities | 553 | 596 | (7.2%) |
| Other current financial liabilities | 193 | 325 | (40.7%) |
| Income taxes | 290 | 359 | (19.3%) |
| Other current provisions | 1,308 | 1,408 | (7.1%) |
| Current accrued liabilities | 2,097 | 2,403 | (12.8%) |
| Other current liabilities | 669 | 465 | 43.9% |
| Total current liabilities | 8,066 | 8,954 | (9.9%) |
| Long-term borrowings | 2,426 | 2,942 | (17.5%) |
| Non-current lease liabilities | 2,004 | 2,181 | (8.1%) |
| Other non-current financial liabilities | 8 | 21 | (64.0%) |
| Pensions and similar obligations | 128 | 115 | 10.9% |
| Deferred tax liabilities | 149 | 136 | 10.0% |
| Other non-current provisions | 308 | 103 | 200.3% |
| Non-current accrued liabilities | - | 7 | n.a. |
| Other non-current liabilities | 86 | 7 | 1058.7% |
| Total non-current liabilities | 5,108 | 5,512 | (7.3%) |
| Share capital | 179 | 179 | 0.0% |
| Reserves | 386 | 362 | 6.5% |
| Retained earnings | 4,307 | 4,308 | (0.0%) |
| Shareholders' equity | 4,871 | 4,849 | 0.5% |
| Non-controlling interests | 346 | 362 | (4.3%) |
| Total equity | 5,218 | 5,211 | 0.1% |
| Total liabilities and equity | 18,392 | 19,677 | (6.5%) |

Rounding differences may arise.



Additional Balance Sheet Information € in millions

| | March 31, 2024 | March 31, 2023 | Change |
|--------------------------------------|----------------|----------------|----------|
| Operating working capital | 4,745 | 6,391 | (25.8%) |
| Working capital | 2,104 | 2,390 | (12.0%) |
| Adjusted net borrowings ¹ | 4,958 | 6,630 | (25.2%) |
| Financial leverage ² | 101.8% | 136.7% | (34.9pp) |

¹ Adjusted net borrowings = short-term borrowings + long-term borrowings + current and non-current lease liabilities + pensions and similar obligations + factoring – accessible cash and cash equivalents.

² Based on shareholders' equity.

Rounding differences may arise.