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Herzogenaurach, October 29, 2024

adidas continues to grow double digits in the third quarter of 2024

Major developments:

- **Currency-neutral sales up 10%, driven by adidas brand growing 14% in Q3**
- **Underlying adidas business grows across all markets, channels and product divisions**
- **Double-digit growth in Lifestyle and Performance reflects breadth of brand momentum**
- **Gross margin improves 2.0 percentage points to 51.3% despite currency headwinds**
- **Operating profit of € 598 million compared to € 409 million in prior-year period**
- **Net income from continuing operations improves strongly to € 469 million, resulting in earnings per share of € 2.44**
- **Healthy inventories at € 4.5 billion to support continued double-digit top-line growth**
- **Full-year guidance raised on October 15 to reflect current brand momentum**

adidas CEO Bjørn Gulden:

“The third quarter was a very strong quarter for us and again better than expected. 14% underlying growth for the adidas brand, a very healthy gross margin above 51% and an operating profit of € 598 million are numbers that we are very happy with and a proof that we are moving in the right direction. I am especially proud that we are growing in all regions, in all channels and now also in all product divisions.

Double-digit growth in both Lifestyle and Performance shows the currently good ‘balance’ in our business. The strong underlying growth in Greater China and the earlier-than-expected turn to positive numbers for the adidas brand in North America during the last two quarters strengthens our confidence for the mid-term future.

This shows the strength of the adidas brand and is a result of the great job our people are doing in all markets and all functions. With the heat we have again created for the adidas brand, we have a generational opportunity to connect with a new generation of consumers both in lifestyle and performance – and that in all markets.

Our focus is now to continue this momentum and to build a solid platform for future growth and to make adidas a great company again.”



Third-quarter results

Currency-neutral revenues up double digits in the third quarter

Currency-neutral revenues increased 10% during the third quarter. The double-digit growth was driven by the strong momentum of the underlying adidas business, which grew 14%. The sale of parts of the remaining Yeezy inventory generated revenues of around € 200 million in the quarter, which is significantly below the Yeezy sales in the prior year (2023: around € 350 million in Q3). **In euro terms**, revenues grew 7% to € 6.438 billion (2023: € 5.999 billion).

Footwear-led growth across product categories

Footwear revenues increased 14% on a currency-neutral basis during the quarter, led by strong double-digit growth in Originals. In addition, double-digit growth in Sportswear as well as increases in Performance categories, including Football, Running, Training, Golf and Specialist Sports, contributed to the broad-based growth in footwear. **Apparel** sales were up 5%, mainly driven by strong double-digit growth in Football. Alongside the new home and away jerseys for the club season, adidas released retro-inspired third jerseys and a range of other product featuring the iconic Trefoil logo for its major European clubs. This is part of the company's strategy to create a bigger football lifestyle business. On the Lifestyle side, Originals benefited from the increasing popularity of the Three Stripes through offerings such as Adicolor. The initial launch of completely revamped collections, such as the brand's innovative Z.N.E. range in Sportswear, sold through well and contributed to the growth. **Accessories** returned to growth and increased 10% during the quarter.

Double-digit increases in Lifestyle and Performance

On a currency-neutral basis, **Lifestyle** revenues increased double digits during the quarter. The company continued to drive newness and depth across its popular Samba, Gazelle, Spezial, and Campus franchises. Furthermore, adidas continued to scale volumes in Retro Running in response to fast-growing demand for its SL72 and started to incubate several franchises in the Low Profile domain, such as Taekwondo. Alongside Originals, growth accelerated in Sportswear as the company met consumer needs across a wider range of price points on the footwear side and introduced new innovative concepts in apparel. Demand for the overall Lifestyle offering continued to be fueled by collaborations with partners such as Bad Bunny, Song for the Mute, Wales Bonner, or Edison Chen. **Performance** also posted double-digit growth, with increases in almost all Performance categories. In Football, on-pitch visibility during the major tournaments in the summer extended into the club season with well-received jersey launches as well as ongoing strength on the footwear side across Predator and F50. Growth in Running continued as adidas started to leverage the credibility of its record-breaking Adizero family into the everyday running space with its recently launched Ultraboost 5, Supernova and Adistar franchises. In addition, Training delivered growth as the



Dropset 3 continued to excite consumers, while technical product innovation also drove growth in Outdoor, Specialist Sports, and Golf.

Balanced growth across channels

The strong demand for adidas products was evident across channels. **Wholesale** grew 13% on a currency-neutral basis during the third quarter. **Direct-to-consumer (DTC)** revenues grew 7% versus the prior year. Excluding Yeezy, the company's DTC business grew 17%. Within DTC, adidas' own retail stores posted double-digit growth, driven by the strong sell-out in the company's concept store fleet, which accelerated further compared to the first half of the year. **E-commerce** revenues declined 3% in the quarter because of the significantly smaller Yeezy business. Excluding Yeezy, revenues in e-commerce increased more than 25%. As adidas continues to focus on reducing discounting activity and improving the overall business mix on its own online platforms, the increase in full-price sales was significantly stronger.

Double-digit growth in Europe, Emerging Markets, Latin America and Japan/South Korea

Currency-neutral sales in **Europe** increased 18% during the quarter. Revenues in **Emerging Markets** and **Latin America** were up 16% and 28%, respectively, while sales in **Japan/South Korea** increased 18%. Revenues in **Greater China** grew 9%. In **North America**, sales decreased 7%. The decline was solely related to the significantly smaller Yeezy business. Excluding Yeezy, revenues in North America increased versus the prior year.

Gross margin improves significantly to 51.3%

The company's **gross margin** increased 2.0 percentage points to 51.3% during the third quarter (2023: 49.3%). This year's significantly smaller and less profitable Yeezy business had a negative impact on the gross margin. Consequently, the year-over-year increase of the underlying adidas gross margin was even stronger than 2.0 percentage points. The strong improvement was driven by lower product and freight costs, a more favorable product mix, as well as reduced discounting. In contrast, significant negative currency effects continued to weigh on the gross margin.

Increase in other operating income neutralized by further donations

Other operating income increased to € 113 million in the third quarter (2023: € 5 million). The increase reflects the release of prior years' accruals in an amount of around € 100 million following the Yeezy settlement. This was offset by **provisions for further donations** in a similar amount, which were recorded within operating overhead expenses. As a result, these non-recurring items did not have any material impact on the company's third-quarter operating profit.



Increase in expenses amid continued brand investments

Other operating expenses increased by 10% to € 2.837 billion (2023: € 2.570 billion). As a percentage of sales, other operating expenses increased 1.2 percentage points to 44.1% (2023: 42.8%). **Marketing and point-of-sale expenses** were up 12% to € 724 million in the quarter (2023: € 644 million). The increase reflects continued investments into the global brand campaign 'You Got This,' large-scale activations around the UEFA EURO 2024, the CONMEBOL Copa América, the Olympic and Paralympic Games Paris 2024, as well as support for product launches such as the Z.N.E. apparel range. As a percentage of sales, marketing and point-of-sale expenses were up 0.5 percentage points to 11.2% (2023: 10.7%). **Operating overhead expenses** grew 10% to € 2.114 billion (2023: € 1.926 billion), reflecting ongoing investments aimed at strengthening the company's sales activities. The provisions for further donations in an amount of around € 100 million also contributed significantly to the increase. As a percentage of sales, operating overhead expenses increased 0.7 percentage points to 32.8% (2023: 32.1%).

Operating profit increases to € 598 million

The company's **operating profit** amounted to € 598 million (2023: € 409 million), reflecting an **operating margin** of 9.3% (2023: 6.8%). The sale of parts of the remaining Yeezy inventory contributed around € 50 million to the company's operating profit in the third quarter. This compares to a profit contribution from Yeezy of around € 150 million in the prior-year period.

Net income from continuing operations increases to € 469 million

Net financial income amounted to € 4 million (2023: net financial expenses of € 84 million). Income taxes amounted to € 133 million (2023: € 55 million), implying a tax rate of 22.1% (2023: 17.0%) that reflects the ongoing normalization of profitability levels. The company's **net income from continuing operations** amounted to € 469 million (2023: € 270 million), with **basic and diluted EPS from continuing operations** increasing to € 2.44 (2023: € 1.40).

First nine months results

Currency-neutral revenues up 10% in the first nine months of 2024

In the first nine months of 2024, **currency-neutral revenues** increased 10% compared to the prior-year period. In euro terms, revenues were up 7% to € 17.718 billion (2023: € 16.616 billion) as currency developments led to an unfavorable translation impact. The top-line development was driven by the strong momentum of the underlying adidas business, which grew 11% on a currency-neutral basis in the first nine months of 2024. In addition, the sale of parts of the remaining Yeezy inventory contributed revenues of more than € 550 million in total during the nine-month period (2023: around € 750 million).



Gross margin improves significantly to 51.1%

The company's **gross margin** increased 2.7 percentage points to 51.1% (2023: 48.4%) during the first nine months of the year. The positive development was driven by lower freight and product costs, a more favorable business mix, and reduced discounting. In contrast, negative currency effects weighed significantly on the gross margin.

Operating profit increases to € 1.280 billion

Other operating expenses increased by 6% to € 7.953 billion (2023: € 7.519 billion) in the first nine months of 2024. As a percentage of sales, other operating expenses decreased 0.4 percentage points to 44.9% (2023: 45.3%). **Marketing and point-of-sale expenses** were up 12% to € 2.087 billion (2023: € 1.862 billion) in the first nine months of the year, reflecting continued brand investments. As a percentage of sales, marketing and point-of-sale expenses were up 0.6 percentage points to 11.8% (2023: 11.2%). **Operating overhead expenses** increased 4% to € 5.866 billion (2023: € 5.657 billion). As a percentage of sales, operating overhead expenses decreased 0.9 percentage points to 33.1% (2023: 34.0%). As a result, the company's **operating profit** amounted to € 1.280 billion (2023: € 646 million), reflecting an operating margin of 7.2% (2023: 3.9%). The sale of parts of the remaining Yeezy inventory contributed around € 150 million to the company's operating profit in the first nine months of 2024 (2023: around € 300 million). **Net income from continuing operations** increased significantly to € 851 million (2023: € 343 million), with **basic earnings per share from continuing operations** increasing to € 4.50 (2023: € 1.69). The minor difference to diluted earnings per share from continuing operations of € 4.49 (2023: € 1.69) is attributable to the company's employee stock purchase program.

Healthy inventories to support continued double-digit top-line growth

Inventories decreased 7% to € 4.524 billion as at September 30, 2024. This level as well as the composition of inventories allow for continued double-digit top-line growth. On a currency-neutral basis, inventories decreased 3% compared to September 30, 2023. **Operating working capital** was down 12% to € 4.886 billion (2023: € 5.557 billion). On a currency-neutral basis, operating working capital decreased 8%. Average operating working capital as a percentage of sales decreased 6.3 percentage points to 20.6% (2023: 26.9%). This development reflects the decrease in inventories compared to the prior year as well as an increase in payables, partly offset by higher receivables.

Adjusted net borrowings decrease € 1.0 billion compared to the prior year

Adjusted net borrowings on September 30, 2024, amounted to € 4.211 billion (September 30, 2023: € 5.235 billion), representing a year-over-year decrease of 20%, or € 1.0 billion in absolute terms. This development mainly reflects a decline in short-term borrowings due to



the repayment of a bond with maturity September 2024 and an increase in cash and cash equivalents due to the company's strong cash flow generation.

Full-year outlook

Currency-neutral revenues to increase at a rate of around 10% in 2024

On October 15, adidas raised its top- and bottom-line guidance as a result of the better-than-expected performance during the third quarter and taking into account the current brand momentum. adidas now expects **currency-neutral revenues** to increase at a rate of around 10% in 2024 (previously: to increase at a high-single-digit rate). The company's **operating profit** is now expected to reach a level of around € 1.2 billion (previously: to reach a level of around € 1.0 billion). Within this guidance, adidas assumes the sale of the remaining Yeezy inventory during the remainder of the year to occur on average at cost. This would result in additional revenues of around € 50 million and no further profit contribution in the fourth quarter of 2024.

Contacts:

Media Relations

corporate.press@adidas.com
Tel.: +49 (0) 9132 84-2352

Investor Relations

investor.relations@adidas.com
Tel.: +49 (0) 9132 84-2920

For more information, please visit adidas-group.com.

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

	Quarter ending September 30, 2024	Quarter ending September 30, 2023	Change
Net sales	6,438	5,999	7.3%
Cost of sales	3,137	3,044	3.1%
Gross profit	3,301	2,955	11.7%
(% of net sales)	51.3%	49.3%	2.0pp
Royalty and commission income	20	20	2.4%
Other operating income	113	5	2,362.6%
Other operating expenses	2,837	2,570	10.4%
(% of net sales)	44.1%	42.8%	1.2pp
Marketing and point-of-sale expenses	724	644	12.3%
(% of net sales)	11.2%	10.7%	0.5pp
Operating overhead expenses ¹	2,114	1,926	9.7%
(% of net sales)	32.8%	32.1%	0.7pp
Operating profit	598	409	46.0%
(% of net sales)	9.3%	6.8%	2.5pp
Financial income	29	31	(7.4%)
Financial expenses	25	115	(78.3%)
Income before taxes	601	326	84.7%
(% of net sales)	9.3%	5.4%	3.9pp
Income taxes	133	55	140.0%
(% of income before taxes)	22.1%	17.0%	5.1pp
Net income from continuing operations	469	270	73.4%
(% of net sales)	7.3%	4.5%	2.8pp
Gain from discontinued operations, net of tax	7	10	(28.0%)
Net income	476	280	69.8%
(% of net sales)	7.4%	4.7%	2.7pp
Net income attributable to shareholders	443	259	70.9%
(% of net sales)	6.9%	4.3%	2.6pp
Net income attributable to non-controlling interests	33	21	56.5%
Basic earnings per share from continuing operations (in €)	2.44	1.40	74.8%
Diluted earnings per share from continuing operations (in €)	2.44	1.40	74.8%
Basic earnings per share from continuing and discontinued operations (in €)	2.48	1.45	70.9%
Diluted earnings per share from continuing and discontinued operations (in €)	2.48	1.45	70.9%

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 September 30, 2024	Quarter ending September 30, 2023	Change	Change (currency-neutral)
Europe	2,152	1,812	18.8%	18.1%
North America	1,362	1,484	(8.3%)	(7.3%)
Greater China	946	870	8.7%	8.9%
Emerging Markets	910	834	9.1%	16.2%
Latin America	677	621	9.1%	28.4%
Japan/South Korea	361	318	13.5%	18.1%
Other Businesses	29	38	(22.1%)	(27.8%)

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

2 Differences to aggregated net sales may arise due to items which are not directly attributable.
Rounding differences may arise.



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

	Nine months ending September 30, 2024	Nine months ending September 30, 2023	Change
Net sales	17,718	16,616	6.6%
Cost of sales	8,662	8,579	1.0%
Gross profit	9,056	8,036	12.7%
(% of net sales)	51.1%	48.4%	2.7pp
Royalty and commission income	56	66	(16.0%)
Other operating income	121	62	95.9%
Other operating expenses	7,953	7,519	5.8%
(% of net sales)	44.9%	45.3%	(0.4pp)
Marketing and point-of-sale expenses	2,087	1,862	12.1%
(% of net sales)	11.8%	11.2%	0.6pp
Operating overhead expenses ¹	5,866	5,657	3.7%
(% of net sales)	33.1%	34.0%	(0.9pp)
Operating profit	1,280	646	98.2%
(% of net sales)	7.2%	3.9%	3.3pp
Financial income	71	61	18.0%
Financial expenses	201	226	(10.9%)
Income before taxes	1,150	480	139.4%
(% of net sales)	6.5%	2.9%	3.6pp
Income taxes	299	138	117.4%
(% of income before taxes)	26.0%	28.6%	(2.6pp)
Net income from continuing operations	851	343	148.2%
(% of net sales)	4.8%	2.1%	2.7pp
Gain from discontinued operations, net of tax	1	2	(78.1%)
Net income	851	345	146.6%
(% of net sales)	4.8%	2.1%	2.7pp
Net income attributable to shareholders	803	304	164.1%
(% of net sales)	4.5%	1.8%	2.7pp
Net income attributable to non-controlling interests	48	41	17.2%
Basic earnings per share from continuing operations (in €)	4.50	1.69	166.0%
Diluted earnings per share from continuing operations (in €)	4.49	1.69	166.0%
Basic earnings per share from continuing and discontinued operations (in €)	4.50	1.70	164.1%
Diluted earnings per share from continuing and discontinued operations (in €)	4.50	1.70	164.1%

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

	Nine months ending September 30, 2024	Nine months ending September 30, 2023	Change	Change (currency-neutral)
Europe	5,797	4,913	18.0%	17.2%
North America	3,786	4,060	(6.8%)	(6.3%)
Greater China	2,665	2,520	5.8%	8.6%
Emerging Markets	2,371	2,106	12.6%	18.9%
Latin America	1,965	1,812	8.4%	26.1%
Japan/South Korea	1,021	991	3.0%	10.5%
Other Businesses	85	165	(48.9%)	(47.3%)

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

2 Differences to aggregated net sales may arise due to items which are not directly attributable.

Rounding differences may arise.



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

	September 30, 2024	September 30, 2023	Change
Cash and cash equivalents	1,781	954	86.7%
Short-term financial assets	–	32	n.a.
Accounts receivable	2,951	2,721	8.5%
Other current financial assets	813	809	0.5%
Inventories	4,524	4,849	(6.7%)
Income tax receivables	137	117	16.3%
Other current assets	937	1,039	(9.8%)
Total current assets	11,142	10,520	5.9%
Property, plant and equipment	2,033	2,139	(4.9%)
Right-of-use assets	2,715	2,354	15.3%
Goodwill	1,230	1,263	(2.6%)
Other intangible assets	414	435	(4.9%)
Long-term financial assets	336	311	7.8%
Other non-current financial assets	383	361	6.2%
Deferred tax assets	1,248	1,272	(1.9%)
Other non-current assets	104	65	60.4%
Total non-current assets	8,462	8,200	3.2%
Total assets	19,605	18,720	4.7%
Short-term borrowings	126	612	(79.4%)
Accounts payable	2,589	2,013	28.6%
Current lease liabilities	584	559	4.6%
Other current financial liabilities	248	217	14.5%
Income taxes	390	315	23.7%
Other current provisions	1,370	1,308	4.7%
Current accrued liabilities	2,559	2,518	1.6%
Other current liabilities	603	637	(5.3%)
Total current liabilities	8,469	8,178	3.6%
Long-term borrowings	2,418	2,434	(0.7%)
Non-current lease liabilities	2,456	2,141	14.7%
Other non-current financial liabilities	11	23	(51.6%)
Pensions and similar obligations	126	90	39.9%
Deferred tax liabilities	142	132	6.9%
Other non-current provisions	366	103	253.9%
Non-current accrued liabilities	–	4	n.a.
Other non-current liabilities	74	8	837.9%
Total non-current liabilities	5,593	4,936	13.3%
Share capital	179	179	–
Reserves	168	501	(66.5%)
Retained earnings	4,815	4,524	6.4%
Shareholders' equity	5,161	5,204	(0.8%)
Non-controlling interests	382	403	(5.2%)
Total equity	5,543	5,606	(1.1%)
Total liabilities and equity	19,605	18,720	4.7%

Rounding differences may arise.



Additional Balance Sheet Information € in millions

	September 30, 2024	September 30, 2023	Change
Operating working capital	4,886	5,557	(12.1%)
Working capital	2,674	2,342	14.2%
Adjusted net borrowings ¹	4,211	5,235	(19.6%)
Financial leverage ²	81.6%	100.6%	(19.0pp)

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.