adidas
Q3 2025 29 Oct, 2025

Speaker 4
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Ladies and gentlemen, welcome to the Adidas AG Q3 2025 conference call and live webcast. I am Mayra, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode, and the conference is being recorded. The presentation will be followed by a Q&A session. You can register for questions at any time by pressing star and one on your telephone. For operator assistance, please press star and zero. The conference must not be recorded for publication or broadcast. At this time, it's my pleasure to hand over to Sebastian Steffen, SVP Investor Relations and Corporate Communications. Please go ahead.

Speaker 1
38s

Thanks very much, Mayra. Good evening, good afternoon, good morning, everyone, wherever you're joining us today, and welcome to our Q3 2025 results conference call. With me here today is our CEO, Bjørn Gulden, and our CFO, Harm Ohlmeyer. Bjørn and Harm will take you through the highlights of the quarter, our financials, the outlook, and afterwards, we will open up the floor for your questions. As always, I would like to ask you to limit your initial questions to two in order to allow as many people as possible to ask their questions. Thanks very much. Now, before I hand over to Bjørn, we want to get everybody in the right Adidas mood with this video. Let's go.

Speaker 3
1m 31s

Action-packed matches are at the Euro 2025. expect the momentum to continue into 2025. Oh, come on! Magical mixing in the 84th minute. Adidas AG takes it to another level. They're so good. Adidas AG is killing it. Crushing it. We are a global brand with a local mindset. Built to be unforgettable.

Speaker 4
1m 55s

We're a U.S. Superstar. That just all comes together. Consumer-centric in everything we do. It's all about community right here. Constantly evolving. AG, you got this a fantastic campaign. Pushing boundaries. What does it take to conquer 100 kilometers? Everywhere, from football. That's €1,690, Louis. Jaloux.I got just the thing for you. Look how gorgeous. To running. Adidas EVO SL. Almost perfect cushioning. The best shoe we ever built. Training. To wear them running, going to the gym, literally whatever you need to do. To basketball. Hey, Sal, are they ready for the two? Anthony Edwards AE2 was just unveiled in Greater China. We got a masterpiece right here. Across the brand. How does that not drop? Today, we are listening to markets and consumer needs more than ever. No one does it better than we do it. Showing up better than ever. China, understand how they did it. This is how we win. To be the best sports brand. No other brand does what we do. In the world. Seriously.

Speaker 1
3m 30s

Hello, everybody. I hope you enjoyed, you know, the live showings of what the brand has done over the last three to six months because we are actually very proud of what we have achieved. Also, you know, very proud and happy what happened last night where two of our teams, Germany and Spain, won each of the semifinals in the so-called Nations League and will then meet to play the final. It's always cool to have two teams wearing the three stripes playing each other in the final, which happened pretty often, especially on the women's side. Also, happy actually about what we did achieve in Q3. I think, you know, the momentum that we have seen globally even strengthened. We feel that our teams in the different markets have been very active, and there has been a lot of positive feedback. Also, when it gets to the activations we have for the future, for example, the World Cup that you see up there. What also, very, very, what should I say, close to today happened was the Shanghai Fashion Week, where we showed up in China in a way that I think we've never done before. The last weekend with the ComplexCon where we showcased, you know, both the jellyfish coming from our friend Pharrell, and we had many, many versions of Superstar, also with our partner from Headstart.

Speaker 1
4m 57s

I think all of you have followed the discussion about Bad Bunny and the Super Show. It happened to be at the same time where we had a Mercedes collab with him, which also did very well. A lot of fashionable things happening, which is very, very positive for us. Also, before we go into the numbers, important for us, we were again named the top employer for those working in the fashion from the textile workshops. Again, that's, you know, a research with us, the employees. Hearing that your employees are happy is always a great confirmation for us in management. Then the Forbes research, who looks at 400 of the biggest companies in the world when it gets to how it is to work for them. If you're a woman, we also came up, you know, in the top. Again, a very positive story for us, confirming that we are a good company to work for. The numbers, you've probably been through them many times. Last week, we reached €6.63 billion in Q3, which is the highest quarter that we ever had. Which again, then for the adidas brand, was a growth of 12%, currency neutral. Again, another very strong quarter when it gets to the margin at 51.8%, which was 50 basis points up.

Speaker 1
6m 15s

And then an EBIT of $736 million, which then is an EBIT percentage of 11.1%, which again, we are very, very happy with. If you then take Q3 to the two first quarters, you get to the $18.7 billion in sales, 40% up for the Adidas brand, a margin close to 52%, and then an operating profit of $1,892 million, which is again about 10%. When we look back, we are very happy with these results. When you look at the regional growth, North America grew only 8%, year to date 12%. I did say in the press call that if you take accessories out, you would see that both the apparel and footwear were up 14% and 11%, and that the reason for the accessories being down is that we have a reset in the accessory business that will hit us this quarter. It has to do with distribution. It also had to do with deliveries. I don't think you should read too much into it. I think it was heavily exaggerated in some of the press. This is not something that is very crucial for our business. It is a short-term blip. Remember, accessories are 7% of our business, so you shouldn't worry too much about it.

Speaker 1
7m 36s

I look at Europe, the home market. You were skeptical last year that the growth would slow down because it was 9%. Now it's back to 12%. We are 11%. What should I say for the year? A very strong development again, both in our own stores and then especially on the performance side, around different markets in Europe. Greater China, again, you probably see a lot of, I would say, tough numbers from our competitors. We grew again double-digit, and are very happy with the development being up 12% for the year. You probably know that the profitability also in China is improving, so we are very, very happy with the development that we currently have in China. Same with Japan and South Korea, up 11%, 14% for the year. Historically, two very strong markets for us, where we had some issues, but very, very strong development now with new management in both of the markets, and feel we are in a very, very good way with very, very strong like-for-like numbers in our own retail in both those markets. Latin America still on fire. We are now market leader in many of the Latin America markets, including Brazil, and as you can see, 21% and 24%, extremely happy with that development.

Speaker 1
8m 55s

Emerging markets, of course, always a little bit mixed bags because it's a group of countries where you have quite some issues. The team are our entrepreneurs, and 13% and 70% confirms that. That gives you then the Q3 number of plus 12, and plus 14 for the year in a world which I think you agree is not the easiest to maneuver in. Very happy with where we are after nine months. Wholesale growing at 10% shows you the support from our partners, and again, happy with that. Owned stores up 13%. We are comping positive both in concept stores and in factory outlets. We have added net around 85 stores in the last 12 months, and we will get back to that in a second. E-com up 15% shows you that the digital side of the business is also working. Some of the pure players are actually doing better than the brick-and-mortar guys, and so is also with us because we can showcase newness quicker and wider than you can do in brick-and-mortar. That gives you the split of 63, 37, and you see brick-and-mortar and e-com then 22, 15. I think we agree that that's globally a very healthy split.

Speaker 1
10m 16s

I talked about the stores. I think we have said to you now for a couple of quarters that what we are doing is that we're trying to open, I would say, impressive brand stores in bigger cities and in bigger trade communities. Instead of having one store build up, we're trying to exploit the possibilities in the different markets, as you can see here. We are investing a lot in the creativity in the stores. I hope when you travel around the world that you get to see some of them. Extremely happy with the way we look, and they're also, of course, when we open a big store that looks like this, the numbers are also very impressive as long as we fill it with the right product, which I think we have done lately. Footwear, again, you were skeptical. I think it was 9% in the last quarter. Now it's back again to double-digit, 11%. We have talked about the wish of growing apparel at the back end of footwear. Now we are doing that at plus 16%. Then the accessory issue, which, again, I explain that in the U.S., we have kind of a reset when it gets to both the sourcing because it was very China-driven and, you know, the distribution, and that caused that in this quarter, the numbers were negative, and that had an impact on the global accessory business.

Speaker 1
11m 39s

The performance accessories, meaning, for example, soccer balls, is up. I think I can promise you that you will see accessories very quickly coming back again. I think I quoted, I said we need to clean up something, but I think people, again, overdramatize that there's nothing that you should be concerned about, that the accessory is only up 1%, knowing that, as you see here, accessories are only 7% of the business. I think we have said that when you have brand heat and you put focus on it, you should get more growth on accessories going forward. I think we have some reserve in our pocket, and you shouldn't look upon this negative. Footwear being 57%, apparel 36%. As long as footwear is above 50%, I think we are in good shape, brand-wise. Very, very important, even if we have turned the company around on the lifestyle side and the heat, we have said that we have to celebrate sport. I think when you see the activities from ultramarathon to marathon to running 100K, basketball, soccer, cricket, whatever, I don't think we have ever been more visible in sports. We're also producing a lot of content that is visible all over the world because that is what we want to do.

Speaker 1
12m 53s

That shows also up in the numbers of performance, meaning the sports business is up 17%. Remember, we have told you that there are four categories that we need to win globally: football, running, training, and basketball. I think you see in football that, coming out of comp numbers from the Euro last year, we are very, very strong now with our footwear, taking share. I might be arrested saying we are a market leader, but that's my feeling on everything I can read. Very happy with the players and also very happy with the product. For those of you who follow soccer closely, the Liverpool launch was fantastic, globally. Although they haven't played very well lately, losing, I think, five out of the six last games, the sales of Liverpool have been tremendous compared to what they used to sell. I think we all know that Liverpool is a street culture city in the UK, very relevant for the kid. We are extremely happy with that relationship and the way it was executed. Also, very proud of the Ballon d'Or. That's where they give the prizes to the best players in the world. They give out five prizes. We won them all.

Speaker 1
14m 8s

We had the best male player with Dembélé. We had the best young player with our friend Yamal. We had the best female player in Aitana Bonmati. We had the best young female player in Lopez. We actually also won the best goal with Donnarumma. Five out of five, I guess we will have to pay a heavy bonus to our sports marketing people because I don't think that's ever happened before. What shows you why I'm proud and positive is that we were also able, the day after the Ballon d'Or, to honor both Dembélé in Paris with both, what should I say, outdoor marketing, as you see here, and the store. The same in Barcelona with Bonmati. Again, the teams were then actually gambling on that they will win. They didn't have the insight, and we were able then to activate this overnight. When people woke up, this was what you would see in those two cities. I think this is the energy that we actually need as Adidas then to win. The same thing, we have launched, you know, the World Cup ball. We used a lot of our celebrities and sports people to do that. I have never seen such a campaign ever done organic.

Speaker 1
15m 27s

I can also report to you that the sell-out of the ball has been fantastic. You have to remember, we haven't even started with the jerseys. The jerseys for World Cup will start to go on sale on November 6th. That's when you will start to see some impact of World Cup coming into the numbers, which will be very, very positive. Running, we have told you for the last three years that we are building, you know, our running portfolio up, changing both the collections, and also, of course, going back again to running specialty, to build credibility in the business. When you follow the marathons and the half marathons and all the races, you see we win half of them. Very proud of what Sebastian Savet did, you know, in Berlin. The weather was too warm. If not, he would have beaten the world record and been sub two hours. He didn't because it was 27 degrees, but we will save that for next year. We also won, you know, the women's class with Rosemary. Again, I think it's not the weekend where we don't win a major race somewhere because we have the best runners and the best product.

Speaker 1
16m 36s

That's also proven by this fact. We did set the world record on 100K. Cebu Sisu won in 5:59:20. You can calculate the average pace. It's unbelievable. I think he runs 3:33 per kilometer. Again, with a shoe specially made for it. Again, this is part of our innovation pipeline to do extreme things that we can then feed into the more commercial line. Our Adizero line, which starts with the Prime X and then down to the Adios Pro 4, is the best line today for racing shoes and speed shoes. We are taking market share and we're growing this business very, very heavily. This has been the strategy from the beginning that we start at the top and then we start to scale it into everyday running and to comfort running. What you see here is new. This is what will go to market next year, starting in February and then scaling up during the year. We have developed something called HyperBoost, which is a new boost material, 40% lighter than the old boost. Boost was the most successful midsole construction that we had, the most successful foam, but a little bit heavy. That's why we have been working for three years now to establish this.

Speaker 1
18m 3s

These are design directions, not necessarily the way the shoes will look, but it gives you some kind of feeling how we're going to attack the comfort running area. We will also use the foam as a platform into other areas in the performance side and also into lifestyle. Don't forget that all the successful lifestyle running shoes we had in the past, both those from EC, but also NMD, for example, UltraBoost was boost shoes. That's why this is so crucial for us going forward. We are very proud that we now have developed this. Training, a huge category that might be executed different from region to region, but what we are doing is that we're using our top athletes from different sports and then showcasing them in training and our products so we can tell that story everywhere. What we also have done, because training today consists of both running and strength, we have combined the Adizero line with the drop set line and then creating shoes that are both runnable and stable for strength, gym work. That's the Adizero drop set, which you will see next year and which has received a lot of orders already from the retailers who love it.

Speaker 1
19m 21s

We are very, very positive about that development. Maybe a surprise to you, we are then taking the regionals into sport. We have seen, especially on the female side, that we connect to that young consumer through our regional line with the use of 3-foil and 3-stripes. It was then a natural way together with some of our retail partners to develop a functional training line in functional fabrics and functional fit, also with the design ethics of Originals. You see some of the samples here. Needless to say, the demand for this for next year is huge. It is one way for us to differentiate ourselves in the training area where there are a lot of brands that have established themselves lately. Very, very positive feedback from the retailers around the world. Basketball, we all know we're not market leader, but we also know we have to invest in it. We have, in the design and development of the product for a while now, had a very special language. It's great to see that this language is now coming through also in Sell-Thru. All our signature shoes are now doing well, and the players that we're using are also extremely popular.

Speaker 1
20m 32s

We have used them now not only in the U.S., but also in other markets. They've all been to Greater China during the summer, and we see a lot of positive effects from them being active, actually selling not only our performance product, but selling the brand as relevant in the culture. We have said it, the way adidas did the brand, we want to be visible in all sports, and also local sports that are relevant. That is why we are making products for more sports. We also produce more content for those sports so that we get back again the credibility and authenticity that we used to have. You see some examples of that here. In that trend is also track and field. For a while, we lost the visibility. We are now back again. If you watched the World Championship or Tokyo, you saw we had more federation. There were more 3-stripes on the apparel and a lot more feet with our spikes and special shoes. That will continue because for us, track and field is the core of all sports, also in the Olympics. That's why you will actually see a wider investment for us going forward as more federations are actually able to change into our brand.

Speaker 1
21m 50s

Finally, when it gets to sport, we have said to you many times, we need to be more American. We need to be a sports brand also in America. You can only do that by investing in the so-called American sports. That is, of course, starting with colleges. It is baseball. It is American football. It is also basketball. You see some of the people we have signed now over the last couple of months. We have also started to get feedback that we are attacking the clear market leader. That's not even the strategy. The strategy is to be visible and actually have, you know, personalities that perform. I think that is also what we have achieved. The college sport in the U.S. is very, very special, very emotional. Everybody who's gone to college is a big fan of their college. Especially in American football, that is important. You know that this college team draws attendances up to 100,000. You see that we are now starting to get a pretty impressive portfolio. In that, what should I say, strategy of getting more visibility and getting more into the college merchandise business, we have then added both Tennessee and Penn State, which are two huge colleges when it gets both to the performance and also to the merchandising value.

Speaker 1
23m 13s

What we also have done is that we started to combine the American sports. Here you see on the left side, you know, Anthony Edwards and his basketball look. We have then made a cleat. With Travis Hunter debuted in the NFL. He's, you know, the Heisman Trophy winner of last year. He is, I think, the only one who plays offense and defense, at least in his rookie season. He's then playing in a cleat that is designed the way Anthony Edwards' basketball shoe is. A pretty cool thing. It shows what we can do going forward in the U.S. Short about Formula One, you know, great success when it gets to the agreement with Mercedes. A lot higher sales than I think both we and Mercedes thought. A lot of call-ups, a lot of interesting stuff happening. On the left side, you know, we announced that from next year, we will also do Audi. Again, we see a huge demand from wholesalers already in those two setups. Again, I'm repeating myself, but we are, of course, trying to take everything we do on the pitch, in the stadium, then to the street. I think that's the magic of ours.

Speaker 1
24m 31s

We are using our athletes and our, what should I say, teams on both sides and are trying then to create this street culture out of not only basketball, but also other sports. We have talked about the need for doing this in football, and it's finally happening. We have never seen so high demand for soccer-related apparel as we do currently. A lot of non-soccer fans are actually wearing, you know, retro jerseys or even the current jerseys or products that are coming out of the soccer world. I think I've mentioned to you a couple of times that the Oasis collab, for example, are soccer pieces that have been batched up, and the demand has been unbelievable for people that have not any connections to football. On the footwear side, EVO SL, our €150 ADIZERO shoe, without the carbon plate, meant to be a running shoe, but gone widely on the lifestyle side. Best-selling running shoes currently and, you know, the best-named running shoes in many, many markets. A great development for us. When you then get to lifestyle, you saw performance growing at 17%, lifestyle now growing at 10%. This was always the strategy that you build the heat through marketing and lifestyle.

Speaker 1
25m 50s

You sell shoes, then you hope that it will also go into performance, and then you start to commercialize apparel. That has actually happened. To the haters or the people who don't like it, Terrace is not over. We have grown Terrace every quarter. Q3 was actually the highest quarter ever, also of the Samba. I think the key to it is, of course, that you're not selling the white, black, and the black, white more and more and more because you're actually putting, what should I say, a limit on it. When you work on materials and you work on different, what should I say, collabs and you keep the excitement in it, all Terrace shoes are doing extremely well. Especially in certain markets now, the Spezial is doing great. As you probably know, Spezial has never been a lifestyle shoe before. It's not over, and it's a huge business, and we will manage this business probably longer than many of you had expected. The Campus was more a freebie that came unplanned, with the heat of the brand. We did then, you know, put a lot of shoes in the market. It worked perfectly, but we also said, you know, we will then start to limit the Campus because we were waiting for the Superstar to come.

Speaker 1
27m 12s

Let's face it, the Superstar is from a construction point of view and from a target consumer probably closer to the Campus than to anything else. We talked about low profile. Yes, it has been growing and growing. It's not as big as some people thought, but I think I can promise you that the same thing is here. You need to invest in shoes. You need to invest in materials. Then it will continue to grow also into the spring of 2026. We have the Superstar, which we again told you we were delaying, but right now we are pushing it for full, especially now in Q4 and then into spring next year with global campaigns and a lot of activations. Although the language is global, the content is very local. That may be new to you. You will start to see the Triple White coming back. There are clearly signs that apparel is going more preppy and more college. Triple White will be coming back. As you know, the Stan Smith is probably the typical shoe to go to when that is happening. We have limited the pairs heavily. You won't find Stan Smith discounted anywhere, but we will start during next year both with call-ups and loading up that shoe because we want to be ready when these things are going commercial.

Speaker 1
28m 35s

The final thing on the lifestyle that we talked a lot about is lifestyle running. Yes, we admit that all the brands have had a big trend, both on '90s and 2000 running, and that we had many options starting with the retro thing all the way into 3D printed shoes. Many of these shoes are now starting to get volume. None of them are the winners right now except for EVO SL. When you look to the left, you see Adistar, where you will see the yellowfish coming out of Pharrell. You will see takedowns of that hitting the market. You will also start to see a lot of 2000 retro running shoes from us with open mesh and metallics, which are already selling very well. We will start to scale them because we see that the demand is there. The final thing, where people laugh a little bit, is lifestyle football. We talked about it in apparel. You will see soccer-inspired products going also fashion, where we put soccer uppers from the past or also present, and we put them on different constructions. There is very different opinion if this is going to be commercial or not. We will have limited pairs in the beginning, and we will scale it if we see the demand is there.

Speaker 1
29m 51s

At least on her, it seems like there is demand there also to scale it. On apparel, we have great success, especially with her, especially very colorful. The use of three stripes, of course, a lot of them are the Originals. I think where we have been even better than anybody else is the innovation in materials. We have denim. We have a lot of knit constructions, and we have a lot of innovation that has not normally been in the sports industry. This is especially where people online have a huge success because they can showcase it very quickly, and we've been very quick to the market. Very, very proud of this. You know, Grace Wales Bonner has helped us a lot. I think she had a huge impact on the success of the Samba, to be honest. She has now been made the Head Creative for Hermès Men, a great honor to her. I'm also happy to report she will not leave us. She will continue to work with us because we have a fantastic relationship with her. This will, of course, help us. In general, you know, collabs, a lot of discussions. If there are too many, has it lost its interest?

Speaker 1
31m 3s

No, it hasn't. If you look at this page, you see some of the ones that we work with. Down left, Halstar has been great for us in the last couple of months. I mean, Shabaria has been great for a while. In general, I think we all have to agree that you need collabs. You just need to make sure that they fit the market where you're using them and that you never do too many at the same time. At last, accessories. Again, I tried to explain that accessory and performance are great, including soccer balls. All markets have actually done well. There is a small clash in the U.S. that we need to fix, and we will fix it. I'm pretty sure that when we get to next quarter, you will see it fixed already. Don't read anything into it. That was not the intention. With that background, I hand back to Harm, and then Harm will give you more details about the numbers.

Speaker 4
32m 19s

Excuse me, this is the operator. We are not receiving audio from the speaker line.

Speaker 1
32m 30s

Can you hear me now?

Speaker 4
32m 32s

Yes, sir.

Speaker 1
32m 34s

Good. All right. I'll repeat it again. Thanks, Bjørn, for the update. I would like to bring some more details to the financials now in the next couple of minutes. Apologies for the short technical issue here. As always, we start with the net sales. As Bjørn said already, record net sales from an absolute point of view in Q3 was €6.6 billion. That has been a great achievement. The most important number there is 12% currency neutral growth for the Adidas brand. For the people on the call here, you always look at the 8% currency neutral, which includes Yeezy in the prior year, or the reported number, which is then 3%. What we believe is relevant as well to show is the next chart. It's a lot of numbers on there, but sometimes we probably forget what percentages mean in absolute numbers. I want to start on the upper left where we see 17% growth in Q1 for the Adidas brand and 12% in Q2 and Q3. Overall, 14%. When you look at the absolute numbers in currency neutral terms, we actually grew €900 million in Q1, €600 million in Q2, and another €700 million in Q3. We believe it's important to summarize that for the first nine months, what we actually have achieved is the Adidas brand.

Speaker 1
33m 50s

It's €2.2 billion in constant currencies in the first nine months. You have to deduct the €600 million from Yeezy sales last year. Then you have an FX impact, so many currencies, that is a negative €600 million as well, leading to only €1 billion nominal growth that you see in the P&L being reported. We believe it's right to show these numbers in absolute as well to actually showcase again what our brand and sales teams have achieved with great products and good execution on the sales too. When it comes to the gross margin, a great story as well. was almost 52% or 51.8% in correct terms. It's 50 basis points above prior year. This is, again, a very, very good achievement. If I go to the details and decompose it a little bit, huge credit to our sourcing organization, making sure that we get reasonable prices strategical relation with our suppliers. Still some positives on the freight side, even though some of the transportation lead times are complicated in today's world. The business mix is still positive. Also from a discounting point of view, we did a great job the last couple of years. Now it's stabilizing and still very, very good sell-through of our products when it comes to the underlying drivers.

Speaker 1
35m 14s

Of course, you know that FX has still been negative. It's just directional when you look at the bars there. We also talked a lot about the tariffs. Of course, they are negative in the U.S., and you see that it's a new thing compared to, you know, the Q2 call that we had some mitigating actions as well. That led us still to the very, very good gross margin of 51.8%. Very good achievement. You can imagine where it would have been without the tariffs in the U.S. When I go further down the P&L line, of course, as always, we say we keep investing into marketing. It was almost $800 million in Q3. It actually 10% up or 12% of net sales. Great, great campaigns, as Bjørn alluded to earlier. Fantastic product launches and relentless opportunities with our partnerships, whether it's on the cultural side or on the performance side. Very, very well usage of our marketing. Also on the operating overheads, you see there's great leverage with minus 8% or three and a half basis points. You see for the first time since the third quarter 2021 that we are below 30% when it comes to the operating overheads.

Speaker 1
36m 28s

Part of the truth, you might remember, is also that we had a release in our other operating income with the settlement of Yeezy of around $100 million. We did a donation of around $100 million in the operating overhead line as well in the third quarter last year. The real number now, forget about last year, is still below 30% on the operating overheads, which actually leads with a great gross margin to now 11.1% operating profit or $736 million. If I decompose that again from a profitability point of view, similar to what I did on the net sales, great achievement in Q1 with almost 10% already. In the second quarter, 9.2%, up from 5.9%. Then a very, very good achievement in Q3 with a profitability of 11.1%. That is a great achievement again to the teams. I mean, you look at the first nine months with 10.1%. We actually, where we wanted to be in 2026, that's a great achievement in the first nine months. Of course, we all know, given our guidance, that will not be sustainable for this year, but that's where we wanted to be for next year, we achieved in the first nine months.

Speaker 1
37m 38s

Of course, there have been some questions, you know, below the line as well. I want to, you know, spend some time on this one to explain that more clearly. When I start with the net financial results, you see the $4 million plus last year. During that quarter, we had some stabilized, you know, currencies, whether it's the Argentinian peso, the Turkish lira, or the U.S. dollar was still stronger. We had some positive effects from an FX point of view, but also from a hyperinflation point of view. Now the comparison to this year looks dramatic, with the almost $90 million. There is now a devaluation of the Argentinian peso, of the Turkish lira. We all know where the U.S. dollar is right now. These are the effects that we had in Q3. It's also important to note that this is normalizing in the fourth quarter again. I wouldn't have imagined that I talk about the election in Argentina with Milei. We had our Argentinian, you know, general manager here yesterday as well to give an update. These are also important events for us as a company. That's why we believe that that election and the outcome just want to stabilize again in Q4.

Speaker 1
38m 43s

Similar things on income taxes. It was very low last year, but also this year, it's a pretty much normalized rate with some withholding taxes in there. That will also stabilize in the fourth quarter. Two notes on this one. In the first nine months, if you looked at the numbers, the operating profit was up 48% in the first nine months. The net income was up 52%. That is something you should expect as well. More leverage in Q4 on the net financial results. It's normalizing. You can definitely take away today that the, you know, tax rate for the full year will be around what you have seen in the first half. Anywhere between 24% to 25%, hopefully closer to the 24%, which should definitely drive the net income, you know, faster than the operating profit and respectively the earnings per share as well. When it comes to the inventories, also that is a topic, 26% currency neutral up. I would like to move to the next chart very quickly because also that is something that we are not concerned about. I said it on the last call already. We went probably too low in 2024 with a lot of discipline because we came with a lot of inventories into Q4, into 2024.

Speaker 1
39m 56s

This is where we have a low level last year. We actually made the strategic decision to, you know, bring products in earlier, especially World Cup related. We wanted to make sure that if anything around World Cup related, whether it's balls or federations available, to remain and continue to remain a reliable partner for our retailers that when the demand is there and, of course, where we need to ship in for the launch dates that the product is already here. You know that the, you know, supply chains are volatile nowadays. We didn't want to take any risk. We took them early. What's most important for us internally is that this product is current and either current this season or for future seasons already, which means spring, summer 2026. Also there, you will see an update, you know, going forward as well in the next quarter where we definitely go in the right direction again. The same is on accounts receivables. That shows the success that we have with our retail partners. It's not just about D2C. 22% up. That is not one-to-one the growth in the third quarter. That's where we see that we have great relations with our retailers.

Speaker 1
41m 0s

That also gives us, you know, confidence for the fourth quarter when it comes to the, you know, cash generation. Before I go there, most importantly, the operating working capital. I've been on this call many, many times. We said if you get below 20% of operating working capital over net sales, we are an excellent company. If you're anywhere between 21 to 22%, we are a pretty good company and we are still in that range. We will definitely make sure that we stay within that range and over time get below the 20% again. That all led with the investment into working capital that the cash got reduced from €1.8 billion to €1 billion. I also said on a previous call that we expect to generate a lot of, you know, cash flow in the fourth quarter. Rest assured, we still believe there's probably around €800 million to €1 billion of cash flow being generated in the fourth quarter, which is linked to the inventory increase for the World Cup, which will be reduced, and also the accounts of receivables that we will cash in in the fourth quarter. That's what you should rely on here as well.

Speaker 1
42m 4s

When it comes to cash and cash equivalents, you see the development here, which led to the €1 billion. Also important, adjusted net borrowings have been reduced from $5 billion in the second quarter to $4.8 billion. Just as a side note, some of you might remember that we are maturing a bond in November. Probably stay tuned for that one. We believe we want to refinance that one in due course, which we believe is also a good message to the capital market because once in a while, the last one we had in 2022, we also want to test the market and be a bond issuer in the market once in a while. You should not be surprised in the next couple of weeks that this could happen. Overall, when it comes to the leverage, we are very stable, which is important for our rating agencies as well. There is also no surprise there regardless of what our cash position is. Overall, very, very confident when it comes to the P&L and the balance sheet. With that, Bjørn will finish up with the guidance. Good, Harm. As you see on this slide, you have seen that many times, we are now into the third quarter, if you will say, some out of four.

Speaker 1
43m 19s

We did tell you at the beginning of 2023 that we think that this should be a 10% EBIT business. We gave you the different components, and it's pretty cool to see that after nine months in the third year, we basically hit it with the numbers that you see here and are currently showing you that this is a 10% EBIT business model, even if we are not doing everything perfect and even if I would say the world is not that easy to maneuver in. What is very, very crucial, I think, in the business model going forward is this. I don't know what other brands or consumer companies are telling you. To be a global brand with a local mindset, I think it's crucial. If you're consumer-focused, and for us, then also athlete-focused, you need to be close to the consumer. Unfortunately, there is no global average consumer the way many consultants and agencies are trying to sell you. The consumer in different parts of the world has their own, what should I say, taste and willingness. They are also influenced by different things. That's why it becomes more and more important to be more local, especially between Asia, with Greater China driving it, between America and Europe, because there are big, big differences, not only in consumer tastes and facing of sports and activities, but also now in supply chain, given all the political tension we have.

Speaker 1
44m 49s

Again, getting the best people in the market and giving them the authority to make decisions, and in many cases, even the authority to make products becomes important. Of course, the role of a headquarter then is to keep the brand together, to provide innovation and concepts. Also, maybe the most important thing is to make sure that we have the right people in the markets and in the right functions. Of course, also provide the systems that we need. When it gets to creating products, I think this slide is also important for you because we are now making products in all these centers. These centers are then, in addition to having a part of the global, what should I say, creation, like LA has for basketball and U.S. sports, they also have the clear goal of supplying the local consumer with the products that they need. That goes for all these centers where you see there are now five of them in Asia. Again, the speed to market by actually producing in China or in India is much bigger for those local markets than there is for Europe and America where you have very little production, and it's not easy to actually find a supply chain who can make footwear for you.

Speaker 1
46m 10s

I think you need to be very, very conscious about this development because I think it's the key to be successful. For example, our success now in China is because of this setup. We have the ambition to be the number one sports brand, and all our leaders in the market should have the ambition of being number one in their market. We are aware that we will not be number one in all the markets. That would be naive. If you're hired in Adidas to run a market, you should have the ambition and you should talk to us about what you need when it gets to investment and infrastructure to be number one. We will together then see where we can reach it or not. There is one exception. That is the U.S. The market leader there is so far ahead of us because they've done a fantastic job living the culture, and we have not done it over the time. We have a clear ambition there to double our business. We do think with the story of our brand, with the history of the brand, and the resources we have, that we can start to be a sports brand again in the U.S. with all the things I have explained to you, and also extend that into lifestyle and culture.

Speaker 1
47m 23s

That is why we also have management now sitting in both L.A. and in Portland, who has all the tools to do that. The way we do this globally is, of course, to have the best product. Our pipeline and products, I think, has improved a lot. We have talented and creative people, and we have a great supply chain. It is, of course, also the way we present ourselves in the stores. We have said that we're using a lot of creativity to actually build stores that are different, that also connect to the local culture and to the possibility of utilizing what is allowed or not, because you see many of these stores would not be allowed to do here in Germany. The creativity in other markets, we need them to utilize. Very, very important are the activations and the visibility around the world, not only global, but also in the local markets so that you connect with the consumer. You also let the consumer be part of your activation, which has become much, much, much more important. All the social media and all the platforms, and also actually physical events, have become tremendously important around the world. That's where you, of course, need a lot of talented people with a lot of energy, and that's what we have.

Speaker 1
48m 42s

Back to the end of this, the outlook, you remember our initial guidance for March, double-digit growth for our brand. If you take Yeezy out, if you include everything, high single-digit currency neutral and an operating profit between $1.7 billion and $1.8 billion. Where we are now is that we keep, of course, the brand being a double digit. We have narrowed the high single digit to be around 9%, and then we say that our operating profit will be around $2 billion. Yes, we know that we are in a challenging world. Don't need to repeat that. We also need, again, to remind ourselves we have no Yeezy, neither revenues or profit, in these numbers. The other considerations that you need to have is that we think the positive side is that we're better than we expected after nine months. The attitude in general from the consumer and from the retailer is actually more positive than we expected. I know somebody reacted to that there were no strong order book in there, but remember, there's only two months left of the order book. That's why we took it out. You know, there is not a lot to talk about when you only have November and December open for your order book.

Speaker 1
50m 1s

That's why that's not removed. There is nothing other into that number. Then the negative thing, which again, we have to address. I mean, I know you don't like us to talk about it, but of course, there is a direct direct impact on the tariffs. We told you that the gross impact, meaning how much more duty it would be on the products that we thought we would sell, was more than $200 million. We have mitigated for, I would say, almost half of that. Now, the estimated negative impact on our P&L, meaning what would the profit be higher if we didn't have tariffs, would be around $120 million. This is not a scientific number because it's an estimate, right? You need to be careful when you try to say it's $117 million or $123 million because we don't know. What we don't know, and again, I think maybe we are too honest about this, because, you know, you read a lot of criticism into it, is, of course, that the indirect impact of the tariffs, no one knows. When prices increase, normally consumer buys less, and that is not only in our sector, but in all sectors.

Speaker 1
51m 7s

That's why we don't know, and are flagging it. I assume that everybody will flag it after a while. I think maybe we flagged it early and got criticized for it, but I do think that's better to be honest about it than actually trying to hide it. Yes, sitting in Europe, there are quite some negative FX impacts when you consolidate your numbers both on your top line and also on your bottom line. That's just the way it is, and I'm sure that you understand that. The good thing about ending 2025 is that we're going into another great sports year. It starts with the Winter Olympics in Italy, which again is not huge commercially, but it's a great event that will be, you know, having interest also for the smaller sports and the winter sports. Then we have this fantastic World Cup that will come, you know, in the U.S., Mexico, and Canada. I would like to say one comment about that too. We have said that this is a billion business or more, and people say, of course, that's on top of everything. I mean, you don't know that. I mean, it's obvious that some of that is additional, but it's never been an event where everything that you sell for an event is on top of everything else.

Speaker 1
52m 20s

You have to have that in your mind when you do your math. The last slide I will show you is this. When we met the first time, you know, at the beginning of 2023, we had the situation over there where we did $300 million. We told you that we had the four years plan to get to 10%. I do think I'm allowed to say that we're pretty proud of the development that we have done. Not everything we have done is fantastic, and we are by far not perfect, but I do think you have to admit that we've done a decent job in a very difficult market. Maybe the market will always be difficult. I will continue to say that. The need to change things, especially in the development of products and in the supply chain, and also the way you go to market and change the attitude, has been enormous. I am very, very grateful and proud of what our people have done. With that, I hand over to you again, Sepp.

Speaker 4
53m 27s

Excuse me, this is the operator. We are not receiving audio from the speaker's line.

Speaker 1
53m 39s

We're now ready to take questions.

Speaker 4
53m 43s

We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Questioners on the phone are requested to disable the loudspeaker mode and eventually turn off the volume from the webcast while asking a question. In the interest of time, please limit yourself to two questions. Anyone who has a question may press star and one at this time. First question comes from Edouard Aubin from Morgan Stanley. Please go ahead. Yeah. Good afternoon. Thanks for taking my question. I guess I've got two questions on footwear, Bjørn. The first one is on the classic and terrace. Did I understand correctly that you said that terrace was still growing year over year in Q3? If we look ahead in 2026, if you look at the classic segment, the slide you showed us, you know, can classic expand if terrace contracts? How do you see that? That would be question number one. Question number two, still on footwear, on the opportunity with, you know, kind of lifestyle running.

Speaker 4
55m 3s

One of your distributors, a few weeks ago, JD Sports, not to name it, showed a slide showing that for them at least, lifestyle running is substantially bigger than classic. I was just wondering to what extent, you know, how much an opportunity this category is. Obviously, you're already making good inroads in lifestyle running. If you can help us kind of size the opportunity, that would be very helpful. Thank you so much.

Speaker 1
55m 36s

Two good questions, to be honest. Yes, I said, and I confirmed that the terrace group was actually bigger in Q3 this year than it was in Q3 last year. That even the Samba from a selling point of view is actually bigger than it was a year ago. We have continuously grown what you call terrace, these three shoes. I think many people are surprised by it, and maybe some of our own people too. The fact of the matter is that with innovation that we've done on design and materials, we kept it hot. We have gazillions of different SKUs around the market when it gets to different versions of it. Of course, some markets have stagnated and we stopped supplying growth, but other markets are still on a growing trend. That was also the reason why we were careful with Superstar. To be honest, also careful with some of the low-profile side because we didn't see the need, as you correctly say, in the classic range to oversupply too many franchises. We are now transferring the Compass volumes into the Superstar because that's more of the same consumer. As I said, when Triple White is coming on, the whole classic area will get another boost.

Speaker 1
56m 57s

That is typical then that we will then load on the Stan Smith. I think it's also correct what JD showed you. Although it's different from market to market, what they call lifestyle running is substantially bigger, especially on the male side, than the classic side. Again, many of the so-called lifestyle running shoes might, from some of our competitors, then not be running. If you look at it now, we can be very honest. I mean, New Balance and my friends from ASICS have had a big run on shoes from the 1990s and from the 2000s. Even Hoka and On, to be honest, have with their so-called performance shoes also had a run on the lifestyle side, maybe for an older consumer, depending on where you are in the world. I agree with you. If you cum all that, the category is actually bigger. That's why it's been so important for us to put more effort into the lifestyle running side, and we have. I mean, the EVO SL was meant to be a performance shoe, but it's then gone lifestyle also. That's a huge volume for us. The SL72, which is a '70s running, has been great for us.

Speaker 1
58m 9s

Some of the other running models have been, I would call it, mixed. What you will see now is that you will, A, see that we are coming out with products around the jellyfish, meaning the Aristar shoe that Pharrell did with different takedowns. We have a series of shoes from also the 2000s with open mesh and metallics that is already starting to sell. We will grow in lifestyle running in 2026, no doubt about it. Will we be market leader in any of the segments? I think that's too early to say. We have to admit that with the success we had in the classics, you couldn't expect that we also have the same success in running, right? There is always a sequential effort here. What I'm very, very positive about is, of course, the development of HyperBoost because that form, when we go from performance into lifestyle, you have to remember that all our lifestyle Boost shoes that were new and did well were coming with Boost. You should not underestimate that comfort and cushioning, extreme cushioning, have a lot to say in that segment. We are very optimistic about that segment. That's why we put so much effort in actually developing HyperBoost.

Speaker 1
59m 24s

Yes, it's taken two and a half years, but that's why it's also a very good product. I think that's my answer to your two and a half questions.

Speaker 4
59m 34s

Okay, thank you. The next question comes from Jürgen Kolb from Kepler Cheuvreux. Please go ahead. Yes. Thank you very much. A quick one, just housekeeping for Harm. You guided for you expected $2 billion of roundabout cash at the end of the year, I guess, with the guidance on free cash flow in the fourth quarter. This is still on, and you're quite confident to achieve that. Just to double-check here. Maybe on prices, I think on Reuters, there were some comments on your reaction on the tariffs in the U.S. Maybe, Bjørn, you could double-check and again, talk us through what you have done so far in terms of the prices in the U.S. and what we shall expect going into 2026 in order to mitigate the tariff impacts. Thank you very much, guys.

Speaker 1
1h 0m

I can do it first, and Harm can fill in at the back. The mitigation that we have done, you know, which is about $100 million mitigation from where we started with the $200 million plus down to the $120 million, have many components. One is, of course, in the sourcing in the sense that we have worked with suppliers to get better prices for some of these products. It has then been, you know, increasing pricing on new products. You have to remember that the price of a product that hasn't hit the market yet is not known. Of course, that's where you can increase it without getting a negative reaction that you're increasing. We have tried to keep, you know, all carryovers at the lower price points at the same price. No increases for the consumer, but therefore, you know, better sourcing, or more efficient sourcing. We have increased prices on some of the expensive models because we believe that the consumer on the higher end will be less sensitive to price increases. Then again, lifted prices on new models that have never been priced before. That's not going to be visible for anybody else than us and, of course, some of the retailers who've been part of the development.

Speaker 1
1h 1m

That's basically what we've done. Now, I have to tell you that the price increases you see in the market and that you can read about, the question is, are these prices then going to stay for the consumer or are discounts going to go up? I think when you look at the U.S. right now, it's pretty heavily discounted. You know, there have been some big brands that have had a lot of inventory. I think maybe independent of tariffs, there was a lot of discounted products out there. I think that's why the jury on what's going to happen when it gets to sales, meaning, you know, the value of the product, and then the margin on the product when it gets to discounting. I think the jury is still out on that because, you know, we need to take and count at the end of the year and then especially at the end of Q1 where most of the products that are being sold are actually with a higher discount, not a higher tariff on the buying price. I think that's all I can say to you because everything else is just 100 assumptions, right? We actually feel, you know, that we told you very early that, you know, the gross impact of this in the financial year of 2025 will be $200 million plus.

Speaker 1
1h 2m

We have reduced it to $120 million. We think we have done a good job. Remember, we were very, very early telling you that we have removed China's sourcing almost completely from the U.S., so we're not exposed to this 100% duties that he has done, as of November 1. Let's see what the other people say, and then we can compare notes. We feel we've done what we could do, and actually feel pretty good about it. How the consumer then in the end reacts on everything happening, I think it's too early to say.

Speaker 3
1h 3m

Bjørn, on your question, can you hear me? Yeah. On your question on the, you know, cash, on the balance sheet, the $2 billion, I said it the last time, and I confirmed it earlier in the call. Will it be exactly $2 billion? Depends a little bit on FX and a little bit on the timing. I wouldn't have sleepless nights if it's $1.9 billion or whatever. The goal is still to collect on the receivables, and that's what we plan for. Whether it's $1.9 or $2 billion, don't get sleepless nights over it, but we want to get close to the $2 billion. That's correct.

Speaker 4
1h 3m

Got it. Thank you very much. The next question comes from the line of Geoff Lowery from Redburn Atlantic. Please go ahead.

Speaker 1
1h 4m

Yeah, hi team. Just one question, please, on Greater China. Could you talk a little bit more about what's powering the performance in terms of product and distribution? Obviously, you've done tremendous cleanup work there over the last couple of years, but the outperformance against the market is looking really very marked at this point. Thank you.

Speaker 3
1h 4m

Yeah, the strategy in Greater China has been, of course, to compete both against the success of the local brands and, you know, to the western brands. We figured pretty quick out that to do that, you need to have more local initiatives and utilize that you have factories in the market so you can go to market quicker and you can actually work with less inventory. We developed, you know, this creation center in Shanghai. We put together a team of Chinese management that also used to work for Adidas AG in the past and has then worked in other brands to learn how local brands do it and then come back again. We have, you know, as we speak, between 50% and 60% of the product that we sell, especially on the apparel side, is designed and developed in Greater China. They are not the same product as you would then design and develop for America or Europe. On footwear, most of the models are franchises that come out of the global range, but they might be tweaked when it gets to materials. There are certain pockets of product that are only for Greater China, also in the lifestyle, even in Originals, and especially in performance.

Speaker 3
1h 5m

We see that the local brands have brought a lot of quality into price points between $80 and $100, where we were not competitive. We have then used, you know, the creatives and the developers and the factories to develop them competitive products against that. We have in those, you call them third, fourth, fifth-tier cities where the local brands were dominating, we have started opening stores then which focuses on, I call them, these value products and have a special offer for them. I think our success, when you look at double-digit growth and also the margin that we have, is because that we have changed that model to be local and that we give the authority to very, very good people. I also have to say that the energy, I think the Latin America team and the Chinese team are probably the two teams that have in a market the highest energy when it gets to actually chasing business when it gets to where the consumer is. I would say that's the reason for the success. I also think it's the only way in the future to get success. I don't think you can sit in neither in the U.S. nor in Europe and just design a collection and tell them to sell it.

Speaker 3
1h 7m

I don't think that works anymore. That's great. Thank you very much.

Speaker 4
1h 7m

The next question comes from Wendy Liu from J.P. Morgan. Please go ahead. Hi. Many thanks for taking my questions. I have two, please. One is on the World Cup. I think, Bjørn, you previously mentioned that it will be a $1 billion opportunity. Would you mind sharing a bit more details about the drivers behind this $1 billion and how does this compare with previous World Cups? This is number one. Number two, I wanted to go back to the 10% EBIT margin target you have for next year. If I look at this by region, it looks to me like it was really like North America where you probably still have a bit of gap. If I look at Q3 numbers, 12.4% EBIT margin in North America was actually better than previous couple of quarters in last year, despite you have this tariff headwind and you no longer have Yeezy. I just wanted to ask, what were the drivers and what are your expectations about North America EBIT margin in 2026?

Speaker 3
1h 8m

The $1 billion, I think, is the number that we have said that we assume that the World Cup can bring when we look upon both what we're selling of replicas, meaning connected to the teams, and culturally relevant, I would say, products around the World Cup. I think the discussion that some analysts have had is this then fully in addition. What I said is that you can never say it's fully in addition because you have to remember that the stores, when you put World Cup product in, you take something else out. You can never say it's fully, what should I say, in addition. I wasn't at Adidas AG at the previous World Cup, so I'm not sure, but I would assume that this is 40% or something higher than what we had before, just to give you a ballpark number. The number is not final. As I said, we launched the ball, you know, three weeks ago. It's been tremendously successful. We might actually take more orders and produce even more than we planned. We are launching the replicas for the home jersey on the 6th of November. We will see the reaction to that. I will not be surprised when I look at demand around the world that that will also increase.

Speaker 3
1h 9m

The business might even be higher. We are pretty sure that we will do a billion. I would not be surprised if it is more. When it gets to the 10% EBIT target, I think we've talked about that from a global point of view. It was the assumptions in 2023 that we will keep basically the mix of the business when it gets to direct-to-consumer and wholesale the same. With, of course, a development in certain markets that were higher than they are today, you know that the U.S. market, to get really profitable in the U.S., you need scale. You can clearly see that our profit margin in the U.S. historically has been lower than our major competitors. That is just because of scale. The improvement that you have seen this year already compared to last year is, of course, that we are doing a better job. The local, what should I say, development, the investment in American sports, the performance in our own stores have improved the EBIT margin in the U.S. Having said that, there is a huge upside to that if we get more scale. It is clearly a target for us and also our American management, of course, to grow over proportionally in the U.S. and then put some of that into the leverage when it gets to getting a higher EBIT margin.

Speaker 3
1h 10m

I think that's my feedback. Thank you.

Speaker 4
1h 11m

The next question comes from Warwick Okines from BNP Paribas Exane. Please go ahead. Thanks. Good afternoon, everyone. I've got one on gross margins, one on costs, please. On gross margins, discounting was a fairly neutral dynamic in Q3. Have you reached the limits of what you can do in full price? Secondly, on operating costs, I wonder if you could just comment a little bit more about what's happening there. Have you been taking OpEx out of overheads? If so, have you got any examples of that, or is the cost story more about leverage and the movements in currency? Thank you.

Speaker 3
1h 11m

You know, the gross margin has different, what should I say, components because when it gets to the direct-to-consumer business, we have been very strong on sell-out on inline products. The only place where we've been a little bit more proportional has actually been on e-comm. That is because e-comm in general has been, you know, I would say, aggressive on discount. We were probably too restrictive on it last year, mainly because we didn't have enough product. This year, where we've been better in supplying product, we have decided to follow certain events more aggressive. It's not hugely different, though, because the full-price sell-out has been very strong. The other discount where you don't control, of course, is what are the retailers doing? Depending on how much inventory is in the market from other competitors, and I do assume you are aware that a big competitor has had a lot of inventory that the retailers have discounted. Of course, that hurts your full-price sale because if you are at full price on a €100 shoe and the competitor is on 50% on a €200 shoe, then, of course, you will sell less. That's just the math. We hope, of course, that the inventory level in the trade will go down so that the discounting will be slower.

Speaker 3
1h 13m

Again, that's outside of your control. On lifestyle products and on the new performance product, I would say that our sell-through rate has been very good. Of course, in a very heavy discounted environment, you had, you know, sometimes a slower, what should I say, sell-through because of the discount level in general. That is very different from market to market. Sell-through on full price for us has not been the problem. I think you see that also in our margins. We're actually very happy with that. When it gets to the cost, I'm looking at you, Harm. Yeah, Warwick, good question. There's probably three things I would like to mention. First, I mean, we have been very, very disciplined in the organization around the world because we believe, you know, in the past, there was a culture of you need to have more people in order to grow the business. Now we put it the other way around. If you do more with one account, whoever the account is, it doesn't mean you need to have more people, right? Even if you develop the product, you know, Bjørn mentioned it earlier, the Oasis product is more a batched up, you know, soccer product.

Speaker 3
1h 14m

You don't need more people in order to do an Oasis range, right? We put a lot of discipline in, you know, what are the commercial opportunities without asking, you know, for more people. That has been very disciplined. Secondly, as we said, we have, you know, simplified how we run the company overall. We have empowered the markets. It's a new operating model. Of course, there were some tasks that were used to be in headquarters that are now being taken over by the markets, or there have been duplications, right? You know that we had a volunteer leave program at the beginning of the year. That is definitely something that is contributing to that as well. It's first and foremost simplification of our processes, avoiding duplication. Of course, if we do that, we need, you know, fewer people. That's what you see continuously in the P&L quarter by quarter. Yes, you have a good point. Avex helps as well. That brought the absolute number down in that quarter. At the end of the day, I want to highlight again, Q3 is a very clean quarter when you look at this year. That shows you that we can be below, you know, 30% when we have the right top line, right?

Speaker 3
1h 15m

That's why I believe regardless of any comparison or past or whatsoever, we show in a, you know, with a good top line, we have a clean, you know, cost as well. That brings us below 30%. We are not done. Thanks, Harm. Thanks, Bjørn.

Speaker 4
1h 15m

Next question comes from Robert Krankowski from UBS. Please go ahead. Hello. I've got like two questions. Just the first one on the top line and second one on margins. We are almost in 2026 and given your strong confidence around the World Cup, the running category, the lack of Yeezy now in the base, anything that you can see and/or any reason why you shouldn't grow double-digit in 2026? The second one on gross margin. Like again, we are looking at the gross margin close to 52%, so upper end of your guidance. Next week, we are going to see all the benefits probably of the mix with upper strong growth as well as some of the transactional effects coming. How should we think about the gross margin range? Is it more now 52% to 53%, for example, in 2026? Any comment would be really appreciated. Thanks.

Speaker 3
1h 16m

You should be a sales guy, right?I do, my guess. I think when you look at '26, we're not guiding it yet, you know? It's the same thing always. We are very conservative when we look into the future because we don't want to, what should I say, disappoint you. We want to bring Q4 behind us. We want to see what's going on in the world. When you look at the industry and you look at what we think we have in the pipeline, I think you're right. The external factors are, A, how is retail reacting to the uncertainty? How is the consumer reacting? What other political tensions are getting in the way? Who knows? The reason why I showed you the slide at the end of the presentation where we've gone from $300 million EBIT to $2 billion is, of course, that we think we have, A, taken risk in the sense that we bought enough and marketed enough to actually get there because growing double-digit three years in a row is, of course, a risk in an environment. In the transition to the new business model, you have to remember we changed a lot. I think it's about, again, how confident are we that we can continue to grow in an environment that is uncertain?

Speaker 3
1h 17m

How can we make sure that we have a base in our organization and the way we work that is aligning to this growth with the new business model? I think that's the only risk factors. I'm 100% convinced that adidas is a brand that can stabilize over years at double-digit EBIT. The growth to take market share should be double-digit in most markets, depending, again, on what else is happening. I don't think I can say something else than that because you're going to arrest me, you know, first quarter if something goes wrong, right? When it gets to the margin, is it 52% to 53% again? That, of course, depends on where we are growing then. Are we growing in the e-comm side ourselves and in the direct-to-consumer because, you know, we can do that? Then you're probably right. Are we growing in the markets with high margin like Greater China? Then you're right. The growth for us in the U.S. is, of course, the one with the lowest margin. That's the way it is. It depends, again, on the mix going forward. In principle, when we said 50% to 52%, we did not believe that we already would be at 52% now, right?

Speaker 3
1h 19m

We have achieved this margin higher or quicker than we thought, not because of the mix, but because of the success in the growth and maybe also because that all the brands then didn't have the success that we had. There are many factors. Of course, you always want us to be very accurate, but it's very difficult because there are so many variables. We are taking shares, I think, in all markets currently. We have a pipeline of products that we believe in. Of course, we do not know these external factors. We don't know what the competitors are doing, especially when it gets to being aggressive on discounts and pricing. I think that's all I can give you. I'm looking around if someone wants to add anything.

Speaker 4
1h 19m

Next question comes from Aneesha Sherman from Bernstein. Please go ahead. Thank you. I have two, please. The first one's about your running business. It's been growing at strong double digits all year in contrast to the slowdown that we're seeing in some other big running brands. Can you remind us how big your running business is? Are you seeing any pressure on order books for 2026 given how competitive this category is becoming? Related to that, my second question is around marketing. Marketing, you've ramped it slightly through the year. You're still guiding for that 12% level, but we've now seen some big competitors ramping up marketing, trying to gain share. Do you still think 12% is the right level given the increase in competitive intensity, or is there a possibility you might push that up a little bit higher next year? Thank you.I

Speaker 3
1h 20m

don't think Harm will give me more than 12%, to be honest. I'm not even sure if increasing it will make you more efficient. I mean, marketing is a funny thing because the number itself doesn't necessarily mean that you're better. I think even in our 12%, it's not like we will look back and say all the 12% we had were invested the best way. I think there is room within the 12% to actually do it better. My marketing people will kill me now for saying it, but I think that's the case. We don't have any plans or need right now to go above 12%. The beauty would be if we could find ways of actually taking the percentage down. We also don't have any plans about that because we have said that the investment level, when it gets to having the assets, you know, we invest about half of the money in actually having a relationship with federations, with teams, with athletes, and celebrities, and the rest to activate them. So far, I think that that's been a decent number. If that is changing, I mean, you say people are ramping up, and we don't really see that because yes, there are some brands who are ramping up, but there's also someone who's slowing down.

Speaker 3
1h 22m

When it goes to the competitiveness by actually signing things, I feel it's pretty stable. You know, the best athletes and the hottest celebrities are always getting more expensive. When you look at the width of it, I don't really see any big differences. The running business, your question is, again, an interesting one. To quantify exactly how big running is depends on what shoes you put in there. I would say it's around $2.5 billion, which, again, when you put that into the context, you will see it is a pretty big running brand. We have created that mostly on the higher end of the pyramid and on the speed thing. If you look at competitors that have been very successful, they have been much more in the everyday running and especially in the comfort running. I think we learned from that. That's also why this HyperBoost thing is so important for us because we really, really believe that there are adidas consumers that love our brand who didn't have the products available that they would like to buy from us. All research that we have done shows that. We believe that the sector of comfort running, because heavy cushioning, instep comfort, and all those things are also things that people are looking for in their non-performance, what should I say, shoes, meaning in the lifestyle and comfort area.

Speaker 3
1h 23m

This HyperBoost thing is for us very important. We might be a little bit late to the game in your eyes, but we didn't have it ready yet. That's why we waited. Again, since we were growing anyway and running on the high-end side, we also didn't see the necessity of it. The third thing is you have to remember we went out of running specialty, meaning that we didn't have any, what should I say, activities and relationships with running specialty because previous management thought we could go direct-to-consumer on it. To build that back again, to hire people to be in the running communities and also to get the specialty to buy into you again is, of course, something that takes time. In many, many markets, we were totally out. The share we have in running specialty in many markets is still very low. As we're building that with more innovative products and more visibility, of course, we see huge potential in the running category. That is the category I think that has the biggest potential in the performance side to grow in. Very helpful. Thank you.

Speaker 4
1h 24m

The next question comes from Piral Dadhania from RBC. Please go ahead. Okay. Thank you. Good afternoon, everybody. My first question is on the top line. My second question is on share buyback potential. Could you just help us understand, perhaps for the first half of 2026, whether the wholesale order books, which make up like 60% of your revenue base, are showing double-digit revenue growth? I think when you took over, Bjørn, you talked about 10% revenue growth through cycle. Is there anything aside from, obviously, the external macro, which is very uncertain, but I think that's true for not just your company, but your competitors? Is there anything beyond that within your control that would lend itself to a different outcome for 2026? The second question is just on the buyback potential. I think it's fair to say that the adidas share price and equity valuation doesn't appear to be fully reflecting all the strong execution and the performance that you're delivering, including relative to peers. I think, Harm, that the initial targets when you guys all took over was to reduce the leverage to one times net debt to EBITDA to build up a gross cash balance to close to $2 billion, which it looks like you'll achieve either by the end of this year or into the first part of next year.

Speaker 4
1h 26m

Do we think that a good use of growing free cash flow, especially as the working capital position starts to wind down, as you suggested in your prepared remarks, may be useful in sending a positive signal to the equity markets and to start buying back your stock at a discounted valuation? Thank you.I

Speaker 3
1h 26m

mean, the simple answer to your first question is no. There's no reason why we shouldn't, only internal-wise, get to the double-digit growth. I think that's fair. Buyback is not my area of specialty, so I give it over to Harm. Piral, thanks for acknowledging that the capital market didn't get our story in full. That's probably true. We actually look at that when you look at the share price, right? First and foremost, we say we want to invest into the operational business, which we have done. You have seen that in the operating working capital. Secondly, we want to be a solid dividend payer, which is always on the 30% to 50% on the net income from continued operations. Of course, I have a good analogy in what I said. I was wondering if $2 billion of cash on the balance sheet, we either achieved at year-end or with some rounding, getting there in Q1. There are always some cycles from a working capital point of view. You're absolutely right. That's definitely something we will look into next year when it comes to share buyback, not this year unless we believe we want to be opportunistic here or there and that we want to do something short-term, right?

Speaker 3
1h 27m

Right now, let's get to the $2 billion first and then look at that for next year. That's probably the most logical answer. We always look at that opportunistically as well. Thank you.

Speaker 4
1h 27m

Next question comes from Thierry Cota from Bank of America. Please go ahead. Thank you for taking my questions. Actually, two questions on Q4 and H2 of 2025. You've said your implied guidance leads 6% to 7% organic growth rate in the fourth quarter. What do you think would be the factors of such a slowdown versus Q3, especially when the Yeezy headwind drops to about one point? The second question would be on the EBIT. The EBIT guidance, the new one for 2025, implies about $100 million EBIT in the fourth quarter. What do you think would be the drivers of such a decline versus Q4 2024? You're on your decline when you remove the one-offs that you saw last year. I would like to ask, would that be linked to the BNA, which it seems was pretty low in Q3? Is there a catch-up that we could expect in the fourth quarter and impacting negatively the EBIT? Thank you.

Speaker 3
1h 28m

I think, as always, Q4 is this quarter where people react to different things. We are always careful guiding for Q4. It's always the same because we are dependent on that retailers take their order book. We are dependent on what happens, you know, when it gets to discounting on the digital side. That's why I think historically you always see me guide very, very conservatively on Q4. I think that's the only reason. You know there might be in the way that we are trying to improve ourselves that we will also have some one-offs that we will do in Q4. I think it's just a conservative outlook and the need not to say anything that we actually disappoint you because that's always in the way we talk. I think there was a question to you, Harm, wasn't there? Yeah, there's nothing specific on the depreciation that you called out. That is not the reason for the Q4, but I want to echo what Bjørn said. I mean, when you get ready for 2026, we have achieved a lot in the first nine months. There's nothing specific. We look at last year as well or even, you know, going back in history what our Q4 was.

Speaker 3
1h 30m

There's some seasonality in this one. There's nothing specific we want to call out. As Bjørn said, I want to make sure that we achieve what we say and then get ready, you know, for the World Cup year. Sorry, but just as a follow-up, the BNP Paribas gain was particularly low in Q3. Was there any particular reason for that? Should we expect a rebound in the fourth quarter? I'm not aware of any specific reason, quite honestly. Let me come back to you then, Thierry. I could not say there was any specific in Q3 or anything special for Q4 relative to Q3. I need to look into this one. I'm not aware of anything specific. Thank you.

Speaker 4
1h 30m

The next question comes from the line of Andreas Riemann from Oddo BHF. Please go ahead. Yes, good afternoon. Two topics here. One is tariffs. In the past, you stated that the market for takedown versions of tariffs would be larger than the market for original versions of Samba or Gazelle. Today, you didn't mention that. How relevant are those takedown versions at this stage? In what markets is the penetration of the takedown versions already quite high? This would be the first topic. The second one on the cash flow, Harm, you mentioned the $800 million or $1 billion to be generated in Q4. That's operating cash flow, right? That's from my side.

Speaker 3
1h 31m

Yeah, I think I quoted that because normally when you have higher-end price points, the market for the takedowns is bigger. I have to tell that the sell-through of the higher-end, meaning the originals, has been so high. Still, the higher-end is actually bigger than the takedowns. Having said that, if you look at the family channel, of course, they have followed all these trends. You will find takedowns of all the Terra shoes in the market. It is true that in this case, and it might have to do with that, you know, the original classics and Terras are, you know, between $100 and $120. It is not expensive-expensive that the higher end of the market has actually been bigger than the takedowns. That might change as we are converting more of the takedowns also into the same materials as we do upstairs. To be honest with you, because we've been so successful upstairs, we haven't pushed the takedowns as much as I thought that we had to. This is more of a, what should I say, coincidence in the sense that it has worked so well in the distribution upstairs, also in our direct-to-consumer, that the need for doing takedowns hasn't been there.

Speaker 3
1h 32m

I think this is a very unique situation, to be honest. Yeah, to the second question, we indeed talk about operating cash flow. Yeah, right. Okay, cool. Thanks. Mora, we have time for two more questions.

Speaker 4
1h 33m

The next question comes from Aneesha Sherman from HSBC. Please go ahead. Yes, hi. Good afternoon. My first question is regarding the FX. Can you tell us or help us to quantify what would be the tailwind from FX on margin in 2026? My second question is related to tariff. Actually, regarding the tariff in Vietnam, the final trade agreement is expected soon. Is there any industry expectation on Vietnam tariff changes for the sportswear industry? Maybe your last one, regarding the performance in the U.S. You talk about the reset in accessories. Is it a one-off impact? Does that mean that all things being equal, you can return to a double-digit growth rate in Q4? Thank you very much. In the U.S. Thank you.

Speaker 3
1h 34m

The tariff for the U.S. hasn't changed. They came out and said they keep it at 20% and then negotiate in categories that might be exempt. There's nothing new on that. All products currently are at 20%. We are not assuming any reduction because that would be dangerous. Of course, we hope with Vietnam and other markets that shoes and apparel would be exempt, but that's not the case. I think that came out actually yesterday for many markets, if I'm right. When it gets to the U.S., the accessory business that is not performance-oriented has been, I would say, first of all, a lot of China sourcing, so that had to change. Secondly, it's been in the distribution that you're trying to upgrade. It's not a one-off in the sense that there is something you do from today to tomorrow. I think there's good, good chances that that will come up again to double-digit increases. There's nothing drama in this, to be honest. Maybe we didn't explain it well, but it did hit us in Q3 for those reasons. There are plans actually to improve that very quickly. There is also no inventory sitting anywhere to clean up. I think people under or overestimated the impact of this.

Speaker 3
1h 35m

Accessories being global is 7% of our business, and we have said all the time that it should grow quicker over time. It's kind of the last thing in the sequence of footwear, apparel, that accessories come. We grew it 1% now, and I do think that in the future, when we get to 2026, we should see double-digit growth there. I think that's my only answer to it. Don't read too much into this because it is not a big, big thing, to be honest. Yeah. Look, when it comes to the FX, you know, for 2026, I understand you all want to have a concrete, you know, % or a number for your spreadsheets. I can just promise you there will be tailwind, you know, given where we are hedged. There is more than just the U.S. dollar. There are other currencies as well, whether it's the Japanese yen or I talked about the Argentinian peso or Mexican peso, whatsoever. There are other currencies as well. We have sizable markets meanwhile, you know, not just in Latin America, but around the world. Also assume it will be tailwind when it comes to EUR/USD. We also, you know, hedge, you know, are fully hedged already for, you know, spring, summer, 2026.

Speaker 3
1h 36m

There are also some open hedges. That's why we normally hedge only 80% of our exposure. It also depends on where the spot rate is. We always run a simulated, you know, hedge rate if you would close it today. Of course, we are waiting. It will be more tailwind. If the dollar goes to 1.25, then we probably struggle on the translation again. Overall, we are going very positively from an FX point of view into 2026. That's all I can say. Thank you.

Speaker 4
1h 36m

Today's last question comes from the line of Anand Reva from Piper Sandler. Please go ahead. Great. Thank you so much for taking our question and happy to have made it. A follow-up on North America. Great to hear about the double-digit strength in footwear and apparel during the quarter. Can you talk about how lifestyle is performing versus performance in the U.S.? Is tariffs still growing in the U.S.? What are you seeing with sell-through in run specialty and other wholesale partners? Separately, on gross margin, improved very nicely sequentially in the region despite the tariffs. Maybe talk about what drove that and sustainability of that as we get into the fourth quarter. Thank you so much.

Speaker 3
1h 37m

Yeah, I think it's fair to say that the growth in the U.S. has been more lifestyle-driven than performance. I do think it's fair to say that for us to be a real sports brand in the U.S., we need to continue to invest to get better distribution. Our market share in the sports trade is very low. You're asking about the running specialty. We were almost out of it. We expect actually over the next 18 months to see pretty high growth when it gets to running specialty because we're coming from a low base. We are 100% sure that the investments that we're currently doing in American sports connecting to both college and professional sport will help us to get much better distribution with the Dixies of this world and the academies and also in the specialties. I think it's fair to say that it's obviously been lifestyle-driven so far. Terrific. On gross margin, as a follow-up, thank you again. Yeah, as I said, I do think that the gross margin in the U.S. is, of course, dependent on that you get good distribution and that you avoid discounting. I do think also that the margin in general in the U.S. has to do with scale.

Speaker 3
1h 39m

There is an upside on margin in the U.S., no doubt about it. You have seen improvement. That has, of course, to do with that we have had better sell-through and we got more of the right product into the wholesale business. We have run especially our factory outlet much better than we used to do. That has cleared an upside. We see optimistic, okay, if you take the tariffs out, which, of course, is then the negative side of it. Everything being equal, we should be able to build gross margin and actually, you know, our operating margin in the U.S. over time because we have not run that market optimal, to be honest with you. Terrific. Thank you so much. Thanks very much, Ana. Thanks very much, Mora. Thanks very much to Bjørn and Harm. Thanks very much to all of you for participating in our call today. Before concluding today's call, I would like to highlight that we will be welcoming a group of investors here at the World of Sports next week. We've talked quite a bit about our excitement about our product pipeline, be it HyperBoost, our new original sports line, the Superstar, but also the material updates within tariffs.

Speaker 3
1h 40m

If you're interested in experiencing that, please let us know. We'll be happy to host you next week as well. If you have any more questions to ask, please feel free to reach out to Adrian, Philip, myself, or any other member of the IR team. With that, thanks very much again for your participation. We wish you a good and golden autumn season and look forward to chatting with you soon. Bye-bye.