

**adidas AG**

Adidas is a leading sporting goods company. The group manufactures various products (including footwear and apparel) in different sport segments (football, tennis, golf, running and basketball) and lifestyle products. Q3 2022 results were broadly in line with mixed pre-announced key figures. The also preannounced guidance cut however was harsher than expected on profitability; this triggered additional consensus (cons.) downgrades. Revenues grew 11.4% y/y (+4% y/y in c.c.) to EUR6.4bn (a 1% miss). Revenues (in c.c. and y/y) were driven by resilient growth of 50.6% in Latin America (Q2 2022: +37.0%, Q1 2022: +38.0%, Q4 2021: +8.7% and Q3: +55.4%), 14.6% in Asia Pacific (Q2 2022: +2.6%, Q1: -15.7%, Q4 2021: -6.0% and Q3: -8.2%), 8.2% in North America (Q2 2022: +21.3%, Q1 2022: +12.8%, Q4 2021: -3.7% and Q3: +8.6%), and 7.4% in EMEA (Q2 2022: +6.8%, Q1 2022: +9.1%, Q4 2021: +15.2% and Q3: +8.8%). However, sales continued to decline in China (y/y and in c.c.), down 26.6% (Q2 2022: -35.1%, Q1: -34.6%, Q4 2021: -24.3% and Q3: -14.6%). The GM narrowed 100bps y/y to 49.1% (in line with cons.). OP fell 16.0% y/y to EUR564m (margin: -290bps y/y to 8.8%). NP from continuing operations decreased 86.3% y/y to EUR66m, impacted by one-off items, and was below expectations. EPS fell 61.3% y/y to EUR 1.91. Adidas reduced its guidance again, mainly due to the termination of the Yeezy partnership on 25 October 2022. It now expects organic growth in low single digits (vs in the mid-single digits earlier), a GM of ca 47% (vs 47.5% previously), an OP margin of 2.5% (vs ca 4% earlier), and a NP from recurring businesses of ca EUR250m (vs ca EUR500m earlier). Management expects a strong recovery in 2023. Adidas appointed Bjorn Gulden as CEO, effective 1 January 2023.

Corporate Ratings		Periodicity	Fiscal Quarterly	Currency	Default	Parent/Consolidated			C	Data	Adjusted (if Available)			
S&P	A+													
Outlook	Negative													
Moody's	A2													
Outlook	Negative													
Fitch	-													
Outlook	-													
CDS Data														
5 YR CDS	#N/A N/A													
% 3 Months	#N/A N/A													
% 6 Months	#N/A N/A													
% 1 Year	#N/A N/A													
52 Week Low	#N/A N/A													
52 Week High	#N/A N/A													
Profitability		Income Statement Summary		03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
EBIT	1,452	Revenue	5,748.9	5,782.0	22,443.0	6,408.0	5,596.0	5,302.0	5,137.0	5,752.0	5,077.0	5,268.0	4,914.0	
Operating Margin	6.47	Operating Income	406.9	-503.3	1,452.0	569.0	394.0	439.0	50.0	671.0	543.0	704.0	110.0	
Pretax Margin	5.16	Pretax Income	327.7	-687.5	1,158.0	416.0	302.0	413.0	27.0	628.0	510.0	669.0	45.0	
Return on Assets	3.73	Income bef XO Items	265.4	-395.9	860.0	66.0	360.0	310.0	124.0	479.0	387.0	502.0	206.0	
Return on Common Equity	11.81	Net Income	254.8	-503.7	815.4	64.5	347.4	303.4	100.1	454.3	377.0	506.0	68.8	
Return on Capital	8.24	Basic EPS Before XO Items	--	--	4.37	0.36	1.89	1.61	0.52	2.34	1.93	2.60	0.35	
Asset turnover	1.03	Basic EPS	1.43	-2.39	4.40	0.34	1.88	1.60	0.58	2.34	1.93	2.59	0.77	
		Diluted EPS Before XO Items			4.37	0.36	1.89	1.61	0.52	2.34	1.93	2.60	0.35	
		Diluted EPS			7.11	1.91	1.60	2.55	1.05	4.94	2.03	2.86	0.78	
		Dividends per Share	0.22	--	--	--	--	--	--	--	--	--	--	
		EBITDA	686.3	-190.0	--	823.0	--	805.0	375.0	918.0	826.0	978.0	484.0	
		Return on Common Equity	1.4	3.9	19.2	19.2	29.5	29.4	30.3	29.0	24.8	13.8	6.5	
Structure		Balance Sheet Summary		03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Current Ratio	1.25	Total Current Assets			13,217.0	13,217.0	12,828.0	13,028.0	13,944.0	14,142.0	14,136.0	13,846.0	12,154.0	
Quick Ratio	0.52	Total Long-Term Assets			8,533.0	8,533.0	8,496.0	8,384.0	8,193.0	7,804.0	7,741.0	7,851.0	8,899.0	
Total Debt to Total Assets	30.05	Total Assets			21,750.0	21,750.0	21,324.0	21,412.0	22,137.0	21,946.0	21,877.0	21,697.0	21,053.0	
Total Debt to Com Equity	107.11	Total Current Liabilities			10,605.0	10,605.0	9,602.0	9,024.0	8,965.0	8,517.0	9,161.0	9,014.0	8,827.0	
Acct Receivable Turnover	7.30	Total Long-Term Liabilities			4,625.0	4,625.0	5,301.0	5,419.0	5,335.0	5,438.0	5,357.0	5,158.0	5,535.0	
Inventory Turnover	2.27	Total Liabilities			15,230.0	15,230.0	14,903.0	14,443.0	14,300.0	13,955.0	14,518.0	14,172.0	14,362.0	
Gross Margin	49.59	Total Shareholders' Equity			6,520.0	6,520.0	6,421.0	6,969.0	7,837.0	7,991.0	7,359.0	7,525.0	6,691.0	
EBIT / Total Inter	4.37	Shares Outstanding			179.2	179.2	182.5	186.3	191.6	193.2	195.1	195.1	195.1	
		Book Value per Share	29.8	30.4	34.0	34.0	33.1	35.5	39.2	39.9	36.4	37.3	33.1	
		Tangible Book Value / Sh			24.2	24.2	23.8	26.9	31.0	32.0	28.9	29.8	21.8	
		Shareholder Equity/Total Liab			30.0	30.0	30.1	32.5	35.4	36.4	33.6	34.7	31.8	
Growth Potential		Cash Flow Summary		03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Sales 1yr Growth	15.18	Net Income	265.4	-395.9	1,324.0	347.0	294.0	482.0	201.0	960.0	397.0	558.0	151.0	
Asset 1yr Growth	5.15	Depreciation and Amortization	343.6	285.4	--	--	285.0	--	--	--	283.0	278.0	--	
Capital 1yr Growth	4.53	Change in Working Capital			-3,013.0	-614.0	-778.0	-975.0	-646.0	650.0	143.0	1,505.0	-113.0	
		Cash - Operating Activities			265.0	-390.0	-48.0	-459.0	1,162.0	807.0	1,039.0	86.0	2,315.0	
		Capital Expenditures	-158.0	-244.2	-576.0	-129.0	-122.0	-82.0	-243.0	-121.0	-82.0	-54.0	-103.0	
		Cash - Investing Activities			411.0	-184.0	-206.0	1,073.0	-272.0	-72.0	-91.0	-1.0	-105.0	
		Cash - Financing Activities			-3,538.0	-252.0	-1,219.0	-1,392.0	-675.0	-1,272.0	-720.0	-156.0	-1,441.0	
		Net Changes in Cash			-2,862.0	-826.0	-1,473.0	-778.0	215.0	-537.0	228.0	-71.0	769.0	
		Free Cash Flow	932.8	162.4	-311.0	-519.0	-170.0	-541.0	919.0	686.0	957.0	32.0	2,212.0	

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