

**adidas GROUP ADIDAS GROUP (ETR: ADS) 3Q16 RESULTS:  
STRONG RESULTS; FY16 GUIDANCE MAINTAINED**

	3Q16	3Q15	YoY Change
Revenues (EUR Mil.)	€5,413	€4,758	13.8%
Gross Margin	47.6%	48.4%	(90) bps
SG&A/Sales	38.0%	38.8%	(80) bps
Operating Margin	10.4%	10.6%	(20) bps
Adjusted EPS	€1.88	€1.67	12.6%

Source: Company reports/Fung Global Retail & Technology

- German athletic and sportswear company Adidas Group reported 3Q16 net sales of €5,413 million, up 13.8% on a reported basis and up 17.0% on a constant-currency basis. Net sales for the quarter were above the consensus estimate of €5,368 million. The strong revenue increase was underpinned by double-digit sales growth in all the group's geographic markets except Russia.
- 3Q16 gross margin contracted by 90 basis points year over year to 47.6%, due to foreign-exchange headwinds. Underlying EPS of €1.88 expanded 12.6% year over year, in line with the analyst consensus estimate.
- For fiscal year 2016, the company confirmed its guidance outlook for group sales to increase in the high teens rate at constant currency. FY16 gross margin is expected to be in the range of 48–48.3%, compared to 48.3% in FY15. The operating margin is expected to reach up to 7.5%, marking a 100bps expansion from 6.5% in FY15. Net income is expected to improve to a range of €975 million to €1 billion, up between 35–39% year over year.

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**SALES BY BRAND**

In terms of brands, Adidas showed the strongest sales growth, with sales up 19.5% at constant-currency to €4,640 million. Reebok sales grew by 7.2% year over year on a constant-currency basis and TaylorMade-adidas Golf revenues increased 6.0% year over year. CCM hockey brand revenues declined 7.3% year over year at constant currency, reflecting the challenging market conditions in the US hockey market.



## FLASH REPORT

**SALES BY REGION**

Across the group's regions of operation, Greater China exhibited the strongest sales growth in the quarter, at 25.3% at constant currency, followed by North America at 20.2%. Western Europe constant currency sales increased 14.5% year over year. All regions exhibited double-digit constant-currency sales growth except Russia, which posted growth of 7.4% year over year.

**9M16 RESULTS**

Revenues for the first nine months of 2016 increased by 14.6% on a reported basis and by 20.0% at constant currency to €14,604 million. 9M16 gross margin contracted 10bps to 48.6%, due to negative currency effects. SG&A expenses as a percentage of sales declined 80bps to 40.5%, and adjusted operating margin expanded 140bps year over year to 10.0%.

**GUIDANCE**

For FY16, the company confirmed its guidance outlook for group sales to increase in the high teens rate at constant currency. FY16 gross margin is expected to be in the range of 48–48.3%, compared to 48.3% in FY15. The operating margin is expected to reach 7.5%, marking 100bps expansion year over year from 6.5% in FY15. Net income is expected to improve to a range of €975 million to €1 billion, up 35–39% year over year.

The FY16 revenue consensus estimate stands at €19,165 million, implying annual reported year-over-year growth of 13.3%. Consensus expects operating profit of €1,448 million, implying year-over-year growth of 32.4%. Consensus EPS for FY16 is €4.90, implying reported growth of 38.0% year over year.



FLASH REPORT

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