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**FUNDAMENTAL PAIRS TRADE OF ADIDAS AND PUMA**  
FINANCIAL ANALYSIS AND FORECASTING

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**Abstract:** This thesis explores a fundamental pairs trade strategy of adidas and PUMA. Adidas' volatile unlevered free cash flows, caused by inefficiencies and higher leverage, contrast with PUMA's stable growth, cost efficiency, and conservative capital structure. Forecasts highlight PUMA's focus on Emerging Markets and adidas' reliance on mature markets, providing key insights for the investment proposition. The valuation emphasizes PUMA's undervaluation and growth potential versus adidas' overvaluation and higher risk. The long PUMA, short adidas strategy proves robust, offering investors a promising opportunity for risk reduction and relative returns.

**Keywords:** Fundamental Pairs Trade, adidas, PUMA, Financial Analysis, Profitability, Cash Flow Management, Capital Structure, Income Statement, Balance Sheet, Company Valuation, Discounted Cash Flow, Scenario Analysis, Risk Management, Investment Proposition

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## **Introduction**

In this paper, a detailed analysis of a pairs trade strategy of adidas and PUMA has been conducted. The goal is to assess whether a long position in PUMA combined with a short position in adidas could yield profitable returns by exploiting PUMA's relative strengths and adidas' vulnerabilities. The motivation behind this study lies in the contrasting outlooks for the two companies. While adidas faces operational challenges, such as profitability volatility, inventory issues and weaker growth in key regions, PUMA has proven consistent market share gains, particularly in high-potential Emerging Markets. This divergence, coupled with sector-wide trends such as rising consumer demand for performance and lifestyle products, presents a compelling case for leveraging a fundamental pairs trade to generate alpha. Key valuation insights reveal potential mispricing in both companies' stocks. PUMA offers greater upside potential, while adidas faces downside risks. The findings recommend a zero-cost portfolio with a long position in PUMA and a short position in adidas. PUMA stands out as a strong candidate for a long position due to its consistent growth in Emerging Markets. The company's focus on fast-growing footwear and innovative product offerings aligns well with evolving consumer preferences, enhancing its profitability. Additionally, PUMA has demonstrated superior operational efficiency, with effective working capital management and shorter inventory turnover cycles compared to adidas. Its agility in responding to market trends, such as the rising demand for athleisure and sustainable products, further underscores its competitive edge. Strong brand resonance, particularly among younger demographics, positions PUMA for sustained financial outperformance. Conversely, adidas presents several vulnerabilities that make it a suitable candidate for a short position. The company faces operational challenges, including persistent inventory issues and inefficient working capital management, which undermine profitability. Its heavy reliance on mature markets limits its growth potential compared to PUMA's success in high-growth regions. Financially, adidas faces margin

compression due to higher marketing expenses and operational inefficiencies. With its stock appearing overvalued relative to its growth prospects, and its slower adaptability to intensifying megatrends, adidas faces heightened risks, further supporting a short position. These findings collectively strengthen the recommendation for a pairs trade strategy that capitalizes on PUMA's growth momentum while hedging against adidas' challenges. To address risk, the analysis employs the Fama-French Five-Factor Model to assess exposure to market and economic variables, with results indicating limited factor-driven risks. Nevertheless, robust risk management practices are advised, including monitoring market volatility, valuation multiples, and company-specific developments.

The paper starts with the analysis of the external environment, including macroeconomic and industry dynamics. Next, a comparative assessment of adidas' and PUMA's strategies and financial performance is conducted. Forecasted financial figures and valuations follow, highlighting relative pricing inefficiencies. Scenario analyses test the strategy's resilience under various conditions, and the final section provides actionable recommendations, supported by risk management considerations. The findings offer institutional investors, financial analysts, and portfolio managers a data-driven framework for implementing a pairs trade in the competitive global sportswear market, capitalizing on PUMA's strengths and adidas' challenges to deliver potential outperformance.

**Financial Performance Analysis of adidas and PUMA**

The following chapter provides a detailed comparison of the two companies based on their past financial performance while also benchmarking them against the industry. To enable a meaningful comparison, adidas' and PUMA's financial statements from 2021 to mid-2024 were reformulated to distinguish between operational and financing activities, emphasizing the value generated from sustainable core operations rather than financial leverage. The income statement was adjusted to isolate recurring transactions, forming the foundation for a reliable Discounted Cash Flow (DCF) valuation. Adidas' unlevered free cash flows (UFCF) exhibit significant volatility, with EUR 2,016 million in 2021, a steep decline to EUR -1,682 million in 2022, and recovery to EUR 1,991 million in 2023. This volatility, driven by operational inefficiencies and external challenges such as supply chain disruptions, underscores higher risk and inconsistent performance. In contrast, PUMA demonstrates steadier growth, improving UFCFs from EUR -65 million in 2021 to EUR 330 million in 2023, reflecting greater operational efficiency and resilience, supported by stable cost management and strategic initiatives. PUMA's consistent growth signals stronger fundamentals and reinforces its ability to generate and sustain positive cash flows.

***Evaluation and Analysis of Profitability***

In the highly competitive sportswear market, understanding the drivers of operational performance is vital for strategic decision-making. This analysis incorporates post-pandemic revenue growth and EBIT margin trends, using quarterly data for enhanced reliability to assess market positioning and operational strategies.

Adidas faced challenges with modest sales growth of 6% from 2021 to 2022, followed by a 4.8% decline in 2023, resulting in a net loss of EUR 58 million in its core business. This was driven by lower sales of Yeezy-branded products and a sharp increase in tax burdens (Cooban 2024). Despite these setbacks, adidas achieved a 6.2% sales increase in the first half of 2024

compared to mid-2023, signaling recovery. This rebound was fueled by an improved product range and the impact of major sporting events (adidas 2024b, 163). PUMA’s sales increased significantly by 26.4% from 2021 to 2023, providing a foundation for future growth. While the first half of 2024 showed a slight decline of 2.0%, driven by currency headwinds and reduced consumer spending in Europe, PUMA expects stronger sales in the second half of the year due to a robust order book and brand momentum (PUMA 2024c, 13). From 2021 to 2023, PUMA significantly outpaced adidas in leveraging Emerging Markets growth, achieving a revenue-weighted CAGR of 22.7% compared to adidas’ 1.7%. This highlights PUMA’s aggressive strategy, particularly in targeting younger consumers in these regions. The strong post-pandemic revenue growth correlation of 0.87 between adidas and PUMA reflects their shared reliance on global economic trends and market dynamics. Revenue growth remains a key driver in their competitive strategies (Figure 7). Strategic efforts are further supported by favorable macroeconomic indicators, including projected GDP growth, lower inflation, and improved consumer sentiment, all of which support higher revenue generation. Additionally, by capitalizing on industry trends like the growing demand for athleisure, particularly among younger consumers, a segment where PUMA has established a strong resonance, both companies are well-positioned to drive sustained growth.

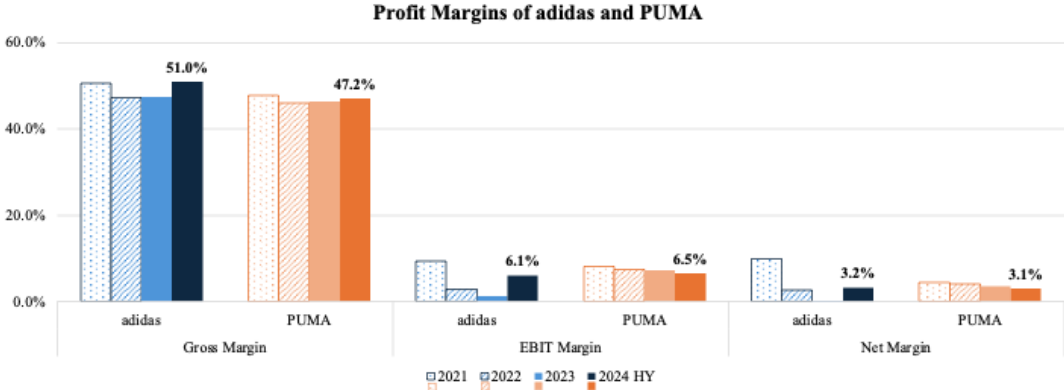


Figure 1: Profit Margins of adidas and PUMA

The detailed analysis of adidas’ and PUMA’s operating profitability, based on profit margins,

Return on Equity (ROE), and Return on Invested Capital (ROIC), highlights their financial trajectories and efficiency in managing revenue relative to associated costs. Between 2021 and mid-2024, adidas and PUMA exhibited relatively stable gross profit margins overall (Figure 1). Adidas' gross margin declined from 50.7% in 2021 to 47.3% in 2022, primarily due to rising supply chain costs and freight expenses. However, it recovered to 51% in the first half of 2024, driven by lower sourcing costs and improved inventory levels. PUMA maintained greater stability, with gross margins fluctuating between 46% and 48% in 2022 and 2023, with a slight improvement to 47.2% in the first half of 2024, reflecting a favorable product mix and optimized distribution channels supported by sourcing and freight efficiencies. In terms of EBIT margin, adidas experienced a sharp decline from 8.9% in 2021 to 1.2% in 2023, before recovering to 6.1% in the first half of 2024, largely due to recent cost-cutting initiatives. PUMA consistently outperformed adidas in EBIT margin, peaking at 7.6% in 2022 and declining slightly to 6.5% in the first half of 2024, demonstrating steadier operational performance. Finally, adidas' net margin followed a similar pattern, falling from 10% in 2021 to -0.4% in 2023, before recovering to 3.2% in the first half of 2024. In contrast, PUMA maintained more consistent net margins, starting at 4.6% in 2021 and stabilizing at 3.1% in the first half of 2024. Overall, PUMA demonstrated operational efficiency across key financial margins, maintaining consistent performance through effective cost management despite macroeconomic challenges. In contrast, adidas showed greater sensitivity to external pressures and inefficiencies in cost management. The post-pandemic EBIT margin correlation of 0.79 highlights shared profitability challenges while indicating differences in their cost structures and operational strategies (Figure 8). PUMA exhibited greater consistency, whereas adidas faced higher volatility.

These patterns are further reflected in the companies' ROE. Adidas showed more volatility, with a significant drop in 2023 to -1.6% driven by a net loss, while PUMA maintained a

relatively strong and stable ROE, ranging from 11.9% to 14.3% (Figure 2).

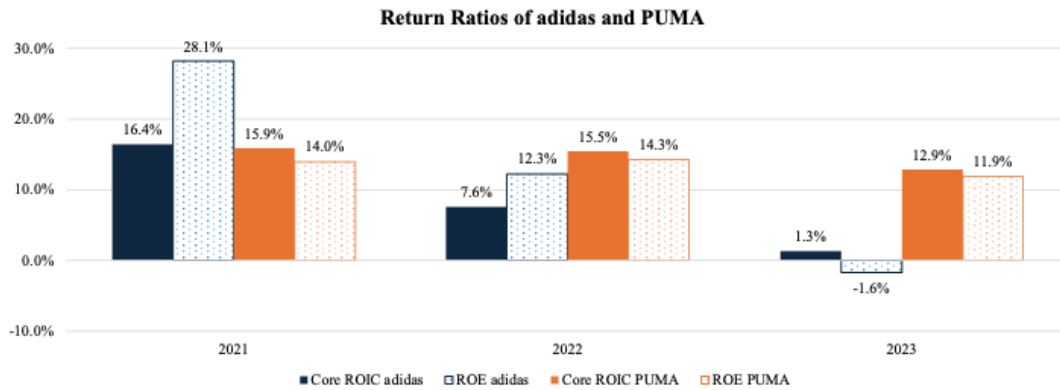


Figure 2: Return Ratios of adidas and PUMA

Moreover, the reformulation enables the calculation of the core ROIC based on the invested capital from the previous year, as it is assumed that this capital generates the returns in the following year. Adidas’ ROIC declined significantly from 16.4% in 2021 to 1.3% in 2023, falling well below its Weighted Average Cost of Capital (WACC) of 9.2% as of June 30, 2024. This indicates value destruction, as the ROIC is insufficient to meet the cost of funding. The ability of adidas to generate robust performance was likely a temporary spike rather than a sustainable trend. In contrast, PUMA maintained a more stable ROIC slightly falling from 15.9% in 2021 to 12.9% in 2023, averaging 14.7% and thus consistently exceeding the footwear and accessories benchmark of 12.5% (FullRatio 2024) and its WACC of 8.5%. This demonstrates PUMA’s capability to create value and sustain profitability in the long term.

**Cash Flow Management**

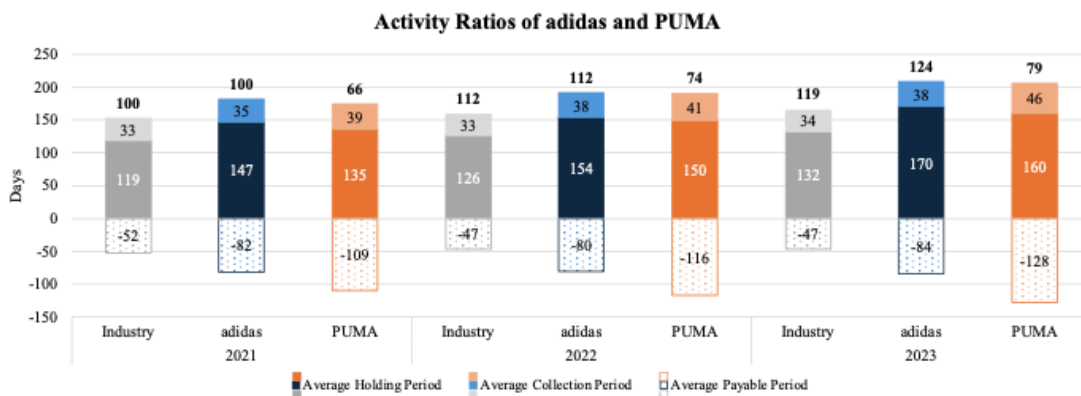


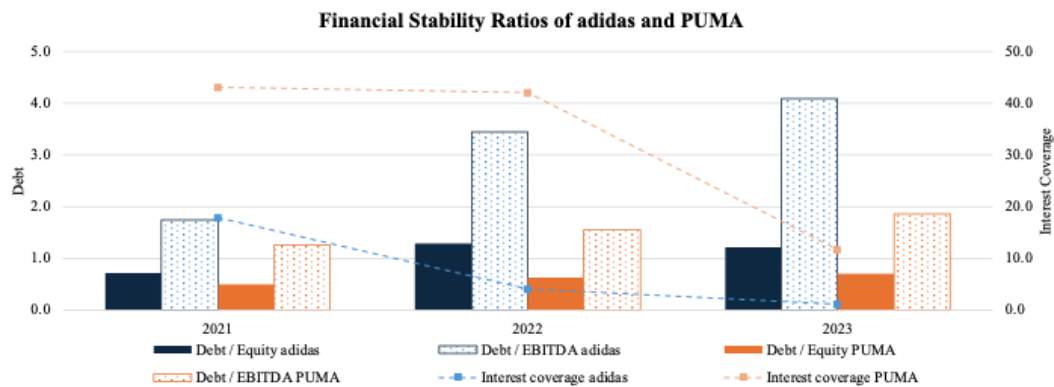
Figure 3: Activity Ratios of adidas and PUMA

Effective cash flow management, as measured by the cash conversion cycle (CCC), is a key indicator of a company's efficiency in optimizing working capital and maintaining liquidity. It is used by investors to assess the business's potential risk level. In 2023, adidas' CCC reached 124 days, reflecting an 11.1% increase from 2022 (Figure 3). This indicates a slower cash cycle, primarily driven by inefficiencies in inventory turnover, despite stable collection periods and slight improvements in payable periods. PUMA's CCC for 2023 was significantly shorter than adidas', at 79 days, although it marked a 5.7% increase from 2022. PUMA benefits from a longer average payable period (APP), which in 2023 was 44 days more than adidas' and 81 days above the industry average. This suggests favorable payment terms with suppliers, allowing PUMA to retain cash for a longer period before settling liabilities. This extended APP is a key factor in PUMA's strong working capital and cash flow management, providing a distinct competitive advantage. However, such favorable terms may pose risks to supplier relationships and reduce negotiation flexibility over time. In contrast, while adidas' reliance on faster supplier payment terms allows for potential early payment discounts, this limits its cash flow flexibility. Over time, these inefficiencies could put financial pressure on the company and reduce liquidity. In terms of receivables, adidas collected cash eight days faster than PUMA in 2023, likely driven by its larger DTC share. This shorter average collection period (ACP), closer to the industry average, improves adidas' liquidity and operational flexibility. While PUMA's reliance on wholesale extends its ACP, it is offset by a longer APP, thus benefiting its CCC overall. Adidas' ACP advantage is notable but does not fully offset inefficiencies in its CCC. Inventory management presents a challenge for both companies. In 2023, adidas' average holding period (AHP) was ten days longer than PUMA's, with both exceeding the industry average of 132 days, signaling inefficiencies in stock turnover. Effective inventory management is particularly critical for adidas and PUMA, given the industry's heightened risk of overstocking due to volatile demand patterns. Both companies have started leveraging AI to

improve warehouse management and optimize inventory processes, with adidas demonstrating a more advanced implementation of AI solutions to date. Additionally, adidas is actively addressing inventory challenges following the end of its partnership with Yeezy in October 2022. The sale of remaining Yeezy products in 2024 could help streamline adidas' inventory turnover process, by clearing excess stock, mitigating overstock risks, and lowering the holding period. CCC directly impacts net working capital (NWC) and cash flow generation, both critical inputs in valuation models. PUMA's shorter CCC and effective supplier negotiations provide a competitive advantage in working capital management, which can result in improved cash flow and lower financial risk, ultimately contributing to a stronger valuation. Conversely, adidas' longer CCC, despite strong receivable management, may face valuation pressures unless it improves its inventory management and explores more favorable supplier negotiation strategies. In 2023, adidas reduced its NWC by 28.7% compared to 2022, primarily through inventory optimization efforts which aligns with its strategic approach to improve liquidity, signaling a reactive approach to prior inefficiencies. PUMA's NWC was stable from 2021 to 2023, reflecting balanced growth in current assets and liabilities. This consistent management reflects a disciplined and sustainable approach to working capital, enhancing its valuation and long-term outlook. While neither company shows immediate signs of liquidity crises, their working capital management strategies differ significantly, adidas aiming to streamline and optimize operations and PUMA focusing on expanding its operations while maintaining sufficient liquidity.

### ***Capital Structure***

The capital structure provides insight into the composition of adidas' and PUMA's debt and equity, helping to understand their respective risk profiles and leverage (Figure 4).



*Figure 4: Financial Stability Ratios of adidas and PUMA*

Focusing on the proportion of a company's invested capital financed by debt, the evolution of the Debt-to-Equity (D/E) ratio highlights that adidas has increasingly relied on debt to finance its operations, potentially increasing its risk profile due to higher exposure to interest rate fluctuations and debt servicing requirements. Notably, for both adidas and PUMA, debt includes borrowings and lease liabilities following the implementation of IFRS 16, which requires companies to recognize operating leases as liabilities on the balance sheets. Over the past three years, adidas' D/E ratio saw a significant increase from 0.7 to 1.2, reflecting the company's strategic decision to leverage debt for potential gains in ROE. This approach is underpinned by adidas' strong long-term A- investment-grade credit rating from S&P Global Ratings (adidas 2024e), which allows it to borrow at relatively low costs. However, the increased reliance on debt heightens adidas' financial risk, particularly in the context of economic uncertainty and fluctuating interest rates. In contrast, PUMA's D/E ratio grew more moderately, from 0.5 to 0.7, over the same period. The increase results from higher borrowing and leasing liabilities as PUMA expanded its operations to support growth initiatives. This increase in borrowings, particularly through promissory note loans, and increased leasing liabilities reflects a more cautious and balanced capital strategy. PUMA's D/E ratio aligns closely with the industry average of 0.7, indicating a disciplined approach to managing financial leverage compared to adidas' more aggressive stance. Moreover, the Debt-to-EBITDA (D/EBITDA) ratio is analyzed since adidas has significantly larger depreciation than PUMA,

which could distort EBIT and make a comparison less meaningful. Adidas' D/EBITDA ratio increased significantly from 1.7 in 2021 to 4.1 in 2023, primarily driven by a sharp reduction in EBITDA rather than a substantial rise in debt levels as adidas' total debt was slightly lower in 2023 than in 2022. Despite the company's policy to keep adjusted net borrowings below two times EBITDA (adidas 2024b, 241), this threshold was exceeded in 2023, with adjusted net borrowings reaching EUR 4,518 million, equating to 3.3 times the current EBITDA. This deviation highlights adidas' struggle to align its debt levels with operating performance. While PUMA's D/EBITDA ratio increased from 1.3 in 2021 to 1.9 in 2023, it remains well below adidas' level. This stability reflects PUMA's consistent EBITDA performance and cautious debt management, aligning borrowings with operating cash flows. Such stability reduces financial risks and ensures sustainable growth. The interest coverage ratio, which measures the capacity to fulfill interest payments, further underscores these contrasts. Adidas has seen a sharp decline in its interest coverage ratio, falling from 17.9 in 2021 to 4.0 in 2022 and further to 1.2 in 2023, indicating that its earnings barely covered interest payments. The substantial decline was largely driven by a reduction in EBIT, which made it more challenging for adidas to service its debt. Although adidas' ratio improved significantly to 6.4 in the first half of 2024 due to a rebound in EBIT, the previous challenges reflect weaknesses that could weigh on its financial stability. Meanwhile, PUMA maintained strong interest coverage ratios, at 43.2 in 2021 and 42.1 in 2022, despite a reduction to 11.7 in 2023. This indicates a robust capacity to service debt, highlighting PUMA's prudent financial management and operational resilience compared to adidas.

### ***Key Findings of Financial Performance Analysis***

This analysis underlines PUMA's steady profitability, with higher and more consistent profit margins compared to adidas, as well as superior ROE and ROIC, reflecting efficient operations and sustainable growth. In contrast, adidas has faced significant volatility, recently recovering

after sharp declines, which suggests less stability in its core operations. PUMA's superior CCC, driven by extended supplier payment terms, highlights effective working capital management and stronger liquidity. In contrast, adidas' longer CCC underscores inefficiencies in inventory turnover, despite slight improvements in 2024. These differences position PUMA as the stronger performer in cash flow generation and risk management. Adidas' rising reliance on debt amplifies financial risk and limits flexibility, further highlighted by weaker interest coverage in recent years. PUMA maintained a more balanced capital structure, ensuring lower financial exposure and greater resilience to market changes.

### **Forecast of Financial Statements of adidas and PUMA**

To forecast the financial statements, key drivers have been identified using relevant data from recent annual reports and historical trends. These drivers, carefully chosen for their significant impact on each company's future performance, serve as a foundation for projecting free cash flow and assessing financial health. This structured approach forms the basis for constructing the valuation model, carrying significant quantitative weight in determining the final long-short strategy. The following part outlines the assumptions used to forecast the reformulated financial statements from full year 2024 to 2030, with a focus on the core items that are most critical for understanding the business. The same methodology has been applied to both companies to ensure a fair and accurate comparison, while considering company-specific characteristics (Table 1 and Table 2). The forecast excludes macroeconomic effects such as currency fluctuations and changes in raw material prices, allowing the analysis to focus solely on operational performance and company-specific dynamics.

#### ***Income Statement***

Revenue forecasting is critical for projecting financial performance, as key reporting elements are closely tied to sales. The first step in this process was identifying and analyzing the key drivers of revenue. These include factors such as organic growth, market demand, and

macroeconomic trends. To ensure realistic projections, the analysis focused on two primary drivers, namely the growth of each product segment and the performance of the respective sales regions. Based on the companies’ most recent updated outlook for full year 2024, adidas expects currency-neutral revenue to increase at a high-single-digit rate (adidas 2024c, 15), while PUMA reiterates its outlook of mid-single-digit currency-adjusted sales growth (PUMA 2024c, 13). To address potential optimism in these company-provided forecasts, the lower end of their respective growth ranges was assumed, with growth rates of 7% and 5% respectively. These growth rates form the baseline for the forecasts, with the subsequent projections being determined using region- and segment-specific CAGRs (Table 3). These growth rates have been adjusted to account for regional inflation, quoted in EUR. Inflation for 2030 is assumed to be the 2% target for Europe and North America (European Central Bank 2024), while for other regions the inflation rate observed in 2029 is used as a proxy for future inflation (Table 4). Applying this nominal growth rate to each product segment across regions (Table 5 and Table 6) results in the sales forecast for 2025 to 2030 (Figure 5).

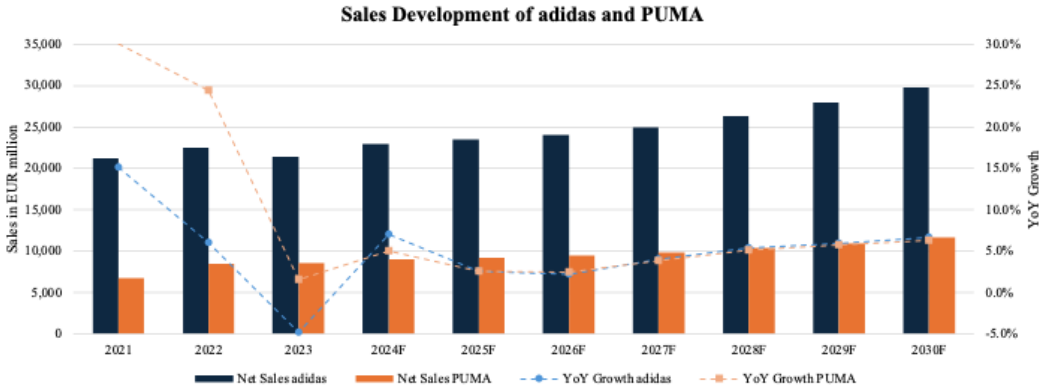


Figure 5: Actual and Expected Net Sales Development of adidas and PUMA

The share of sales from mature markets is expected to decline for both companies as they shift their focus to Emerging Markets, which are increasingly driving growth. PUMA’s reliance on mature markets is projected to decrease more significantly than adidas’, reflecting a stronger focus on growth in high-potential regions. PUMA’s development is in line with its strong historical performance in Emerging Markets. Nevertheless, mature markets continue to provide

a stable and significant sales base for both brands, supporting their overall performance, while Emerging Markets form the basis for future growth. Over the forecasted period, PUMA's revenue share of Emerging Markets is expected to increase by 5.5 percentage points, reaching 51.3% by 2030, while adidas' share will increase by 4.4 percentage points to just below 50%. This highlights PUMA's ongoing strategic focus on expanding its presence in this region, signaling strong potential for future growth. For the revenue CAGR in Emerging Markets from 2024 to 2030, PUMA is expected to grow at 8.3% annually, slightly behind adidas' 8.5%. This difference is due to the companies' distinct geographic segmentation of Emerging Markets, resulting in variations in growth rates and inflation across these sub-regions. Emerging Markets remain a key driver of global economic expansion and rising consumer demand, shaping the long-term terminal growth rates of both companies.

The resulting total CAGR for revenue from 2024 to 2030 is 6.7% for adidas and 6.5% for PUMA. This similarity in weighted CAGR is primarily due to their heavy reliance on Emerging Markets, which account for the largest portion of each brand's total revenue growth, 4.2% for adidas and 4.3% for PUMA. This reflects PUMA's slightly greater revenue share in this market. Adidas, however, benefits from a stronger contribution from Europe, accounting for 1.4% of its total revenue CAGR compared to 0.9% for PUMA, highlighting its more balanced performance across both mature and Emerging Markets. PUMA offsets this difference with a higher contribution from North America, which represents 1.3% of its total revenue CAGR, compared to 1.1% for adidas, keeping its total CAGR closely aligned with that of adidas.

After 2030, the terminal growth rate is applied, assuming stable business conditions moving forward. The calculation ensures a logical continuation of revenue growth by adjusting the CAGR for each region and product segment. To enhance realism, the growth rates of 2030 are adjusted downward by 1.5% (Table 7) and refined using the projected long-term product share (Table 8), resulting in region-specific real growth rates for the long-term (Table 9). These

regional growth rates are then weighted by their forecast market share in 2030 (Table 10) to calculate a comprehensive terminal growth rate that accounts for both regional and segment-specific trends. Adding a 2% inflation target to the nominal terminal growth rates results in a real terminal growth of 4.4% for adidas and 3.9% for PUMA. This slight difference arises from adidas' more balanced performance across mature and Emerging Markets and its advantageous product mix. In particular, the footwear segment, projected to be the fastest growing segment, comprises 58% of its product portfolio compared to 52% for PUMA.

The costs of goods sold (COGS) correlate strongly with revenue and are therefore forecast as a percentage of sales. As part of establishing next-level supply chain responsiveness (adidas 2024b, 65), adidas aims to maintain its current COGS level at 49% of sales from 2024 onwards. This target appears achievable, given adidas' strategic focus on leveraging long-term supplier relationships to maintain a reliable and qualified workforce, thereby ensuring cost stability. PUMA experienced a COGS increase in 2022 and 2023, mainly due to rising raw material and freight costs. Currently, Asia accounts for 95% of PUMA's total sourcing volume (PUMA 2024a, 221), a reliance that exposes the company to supply chain risks. To mitigate these risks, PUMA plans to diversify its sourcing and strengthen strategic partnerships with long-term suppliers. As a result, COGS are expected to gradually decline as a percentage of sales, reaching 52.2% by 2026, corresponding to the 2021 level.

Other operating expenses include various company-specific categories of expenses. For adidas, these are core to running the business and are forecast as a percentage of sales due to scalability. Marketing expenses, driven by its strategy to support major sporting events and product launches, are expected to increase from 12.1% in 2024 to 12.9% over the next five years. However, these expenses will eventually return to a lower level by 2028, as the increase in marketing expenses will reach a sustainable limit. Distribution and selling costs, which include R&D, are expected to gradually decline until 2028 before stabilizing. The increase in R&D

expenses driven by investments in products and technological innovation is effectively offset by improvements in the efficiency of an agile distribution network. General and administrative (G&A) expenses, which vary across functions such as Information Technology, Human Resources, and Finance, are best forecast as a constant percentage of revenue, reflecting their diverse drivers while accounting for business scale. Contrary to adidas, which is focusing on optimizing its distribution, PUMA is currently in a growth phase, aiming to boost brand visibility through global marketing campaigns. As a result, distribution expenses are expected to rise in line with revenue development over the next five years, before returning to the share of 2022. Similarly, R&D expenses will follow this upward trend, reflecting PUMA's focus on product innovation and excellence. G&A expenses are projected as a constant percentage of sales, following adidas' rationale to allow for scalability and business support functions. Product management and merchandising costs, which constitute a small portion of operating expenses, are assumed to remain constant based on historical trends.

The last reported items in the core section relate to other operating income. Income from release of accrued liabilities and other provisions is a one-time and unpredictable event for adidas, therefore, forecasting zero beyond 2024 is a conservative approach. For PUMA, it includes income from the sale of fixed assets, and as such, it is forecast as a percentage of Property, Plant, and Equipment (PPE) which is assumed to remain constant moving forward as continuous rental income is expected to run the businesses.

Based on the assumptions, adidas is projected to achieve a core result CAGR of 11.6% from 2023 to 2030, driven by moderate sales growth and improvements in operational efficiency (Table 11). In comparison, PUMA's core result is expected to grow at a faster CAGR of 15.4%, reflecting its aggressive expansion, market share gains in high-growth regions, and more efficient cost management (Table 12).

### ***Balance Sheet***

The balance sheet highlights adidas' larger scale compared to PUMA's business (Table 13 and Table 14). Operating cash, which corresponds to the liquidity required to sustain daily operations, is included in the NWC and has been set at 2% of sales for both companies, based on industry benchmarks (Damodaran 2005). NWC is largely driven by inventories, receivables, and payables. Adidas is projected to align its AHP with the industry benchmark of 139 days in the long term, driven by investments in inventory management and AI-driven warehouse systems. Additionally, adidas is committed to optimizing its working capital management by targeting a reduction in ACP to 30 days. Simultaneously, assuming further improvement in payment terms, APP will be extended to 87 days, which will strengthen its competitive position. For PUMA, the ACP is anticipated to drop to 40 days over time, as the company has already negotiated favorable customer terms in previous periods. It is also expected to align its AHP with the industry average. However, its exceptionally high APP in 2023, largely driven by reduced sourcing volumes, is expected to normalize to 118 days, the average of 2021 to 2023, which is nearly double the industry average, providing PUMA a competitive advantage. The assumptions offer a clear view of the operating working capital targets relative to sales. Adidas has set an average operating working capital target between 21% and 22% of sales for 2024. However, year-end working capital is projected to be 17.9% of sales by the end of 2024. While this year-end figure is not directly comparable to the average target, it serves as a useful indicator of adidas' progress. In line with improvement in its CCC, projections show continued improvement, with working capital reaching 15.1% of sales by 2030. Similarly, PUMA's year-end working capital is projected at 18.3% in 2024, with further efficiency gains bringing it to 13.9% by 2030, reflecting faster improvements compared to adidas.

Focusing on key non-current assets, PPE is primarily driven by capital expenditure (CAPEX) and depreciation. CAPEX, essential for driving innovation and maintaining competitiveness in the sportswear market, is projected as a consistent percentage of sales based on historical trends.

Depreciation, which reflects the gradual decline in asset value, is estimated as a percentage of PPE, derived from historical averages. Impairment losses, which have historically been negligible and are considered unlikely and unpredictable, are forecast at zero. Similarly, Right of Use (ROU) assets, which represent future lease agreements planned by the companies, are projected as a consistent percentage of sales. It is assumed that these assets will increase annually in line with inflation or that their recognition aligns with projected lease activity. Depreciation of ROU assets is forecast as a constant percentage of the ROU balance, consistent with historical trends.

For both companies, net financial debt is projected to increase over time in line with their targeted D/E ratios, reflecting strategic decisions to support growth and expand operational capabilities. Adidas' D/E ratio is expected to rise from 12.5% in 2023 to a target of 17.6%, while PUMA's ratio is projected to increase more significantly from 13.3% to 33.3%. These projections are based on the targeted Debt-to-Enterprise Value (D/EV) ratios, which align with companies' growth strategies. Additional details on the targeted capital structure can be found in the valuation chapter.

### ***Key Findings of Forecast of Financial Statements***

Both companies are well positioned for growth, driven by the expanding sportswear market in Emerging Markets, which play a central role in their strategies. While adidas demonstrates slightly stronger long-term sales performance, supported by its established presence in mature markets and a favorable product mix, particularly in the fast-growing footwear segment. In contrast, PUMA outpaces adidas in profitability, leveraging an aggressive sales strategy in Emerging Markets and more efficient operations to maintain higher margins. Additionally, both companies are optimizing working capital management to support growth while increasing financial leverage. These strategies are expected to improve operational efficiency and sustain financial stability, ensuring long-term growth.

## **Valuation of adidas and PUMA**

To determine the long-term enterprise value of adidas and PUMA, both cash flow-based and relative valuation were performed. The resulting share price is compared to the current stock price to assess whether the stock is overvalued or undervalued. A sensitivity analysis is conducted for each method, using key value drivers to account for uncertainties in the assumptions. All valuations are carried out as of June 30, 2024, reflecting the most recent business figures available for both companies. The discount rates used to determine enterprise value, along with the methodologies applied, are explained in greater detail below to ensure that a well-founded investment decision can be made.

### ***Discount Rate***

The forecasted future cash flows must be discounted at an appropriate discount rate to calculate a final enterprise value (Schmidlin 2012). The cost of capital, which represents the minimum return required to finance operations before generating added value, helps investors to determine the financial risk of an investment and its potential returns (Saalmuller 2022). The WACC is the most commonly used method for determining the cost of capital in enterprise DCF valuations. It incorporates all financing sources by weighting equity and debt according to their respective market values (CFI 2024c). The WACC comprises three key components namely cost of equity, after-tax cost of debt, and the targeted capital structure. Each element and its application for adidas and PUMA is further discussed for clarity.

### ***Cost of Equity***

The cost of equity represents the rate of return that is expected by equity investors (Saalmuller 2022). In practice, it is typically calculated using the Capital Asset Pricing Model (CAPM), which measures the riskiness of an investment compared to the market (Saalmuller 2022).

The risk-free interest rate, which assumes neither default risk nor reinvestment risk, is usually determined using the return of a long-term government bond (Damodaran 2008). As this pairs

trade investment strategy targets a global audience, it is crucial to select an appropriate risk-free interest rate. Due to its high liquidity, the 10-year US treasury bond serves as a proxy for the global benchmark. However, as the valuation is conducted in EUR, the US risk-free rate on the valuation date of 4.4% is converted using the 10-year cross-currency basis swap spread. The approximated global risk-free interest rate, quoted in EUR, therefore amounts to 4.25% (Bloomberg 2024).

Furthermore, beta quantifies the sensitivity of a company's stock to market movements, measuring its systematic risk relative to the broader market (CFI 2024b). Unsystematic risk, being company-specific, can be mitigated through portfolio diversification and is therefore excluded from this analysis (CFI 2024b). For adidas and PUMA, the equity beta was calculated using a regression of their respective daily returns from mid-2021 to mid-2024 against market returns. Three indices, representing distinct market segments, were selected for this analysis. The Deutscher Aktienindex, representing the German market, was included as both adidas and PUMA are headquartered in Germany, despite the index's relatively small size. The Euro Stoxx 50, which encompasses major companies within the eurozone, was included due to Europe's status as one of the most significant markets for both companies. Finally, the Morgan Stanley Capital International World index was chosen to represent the global developed market, reflecting the companies' global operations and exposure to global economic conditions. The average beta from regressions against these indices was calculated for each stock. The historically levered betas were adjusted towards the market average of one (CFI 2024a) to estimate future betas, as adidas and PUMA are expected to grow in size. This results in an adjusted beta of 1.02 for adidas and 0.98 for PUMA. To reflect the targeted capital structure in the WACC, the betas were first unlevered with the capital structures on the valuation date and then re-levered to the new financial structures. This results in a levered beta of 1.08 for adidas and 1.03 for PUMA, indicating that adidas is slightly more volatile than the market, while

PUMA is marginally less risky. When considering operational risk using the unlevered betas, assuming no debt, the sensitivity of the two companies appears to be very similar. This reflects the fact that the core businesses are the same and therefore their operations are exposed to almost identical risks. Consequently, differences in stock performance are primarily due to variations in capital structure and strategic measures.

The market risk premium represents the expected excess return of the market portfolio over a risk-free investment, compensating investors for taking on additional risk (Saalmuller 2022). To maintain consistency with the perspective of the risk-free rate, the global equity risk premium, weighted by regional GDP, was 5.5% as of the valuation date (Damodaran 2024a). Based on the CAPM, the cost of unlevered equity is 9.4% for adidas and 8.8% for PUMA. Given their updated capital structures, investors demand a 10.2% return on adidas' stock to compensate for its market risk, while a 10.1% return is required for PUMA's stock.

### ***Cost of Debt***

The cost of debt represents the pretax interest rate that a company pays on its borrowed capital (Saalmuller 2022). This compensates creditors for the risks of lending (CFI 2024d). Therefore, the interest rate reflects the company's default risk. There are different approaches to determine the cost of debt. For companies with observable market debt, the current yield to maturity of the company's debt can be used (Damodaran 2024d). This approach was applied to adidas. The bond with the longest maturity, in this case 15 years, was chosen to align with the long-term valuation horizon. The bond's yield to maturity is 3.0% (TradingView 2024). The default spread is derived from the difference between the bond's yield and the 10-year German government bond yield of 2.5% on the valuation date (TRADING ECONOMICS 2024), which serves as the risk-free rate for the company bond listed in Germany. This results in a default spread of 0.6% and an overall cost of debt of 4.8% for adidas. For companies without outstanding market debt, the cost of debt can be estimated by calculating a synthetic credit

rating based on financial ratios, such as the interest coverage ratio (Damodaran 2024d). This method was applied to PUMA, which currently has no outstanding market debt. In 2023, PUMA's interest coverage ratio of 11.7 corresponds to a credit rating of AAA based on the scale for large-cap firms (Damodaran 2024b). Consequently, a default spread of 0.75% was applied, resulting in a cost of debt of 5.0%.

The after-tax cost of debt, which incorporates the tax benefits known as the interest tax shield from corporate bonds, is applied in the WACC calculation. No changes are expected in the tax rates of the two companies, as they have remained constant over the last four years. Therefore, a tax rate of 27.4% is assumed for adidas and of 27.2% for PUMA. The similarity in tax rates can be explained by shared business, geographical, structural, and tax conditions. After incorporating tax benefits, the after-tax cost of debt is 3.5% for adidas and 3.6% for PUMA.

### ***Targeted Capital Structure***

The capital structure that companies adopt to finance their operations has a major impact on their cost of capital. Well-established companies like adidas and PUMA tend to be in a better position for higher leverage. The targeted capital structure of adidas and PUMA was determined by analyzing their current market value-based structure (Table 15), the industry benchmark, and company-specific investment plans. A constant D/E ratio is assumed for both companies. For a fair estimation of the market value of adidas' and PUMA's debt, the carrying amounts of the net financial debt were used. The market value of equity is calculated by multiplying the number of shares outstanding by the share price on the valuation date. Adidas' current capital structure averaged 11.8% debt from 2021 to 2024, with a peak of 19.9%, a low of 4.2%, and 9.1% as of June 30, 2024. The number of outstanding shares and net financial debt were relatively constant during this period, with the ratio primarily influenced by share price fluctuations. The target is an increase in D/EV ratio from 9.1% in the first half of 2024 to 15%. This rise is supported by its strong investment-grade rating and stable future cash flows, which

make it well positioned to increase leverage. In addition, the company intends to invest further in the business, which will require additional financing. Adidas' current D/E ratio of 10.1%, significantly below the industry average of 47.7%, suggests the company is underleveraged, with room to increase leverage and enhance financial efficiency. PUMA has an average debt of 11.5% of the total enterprise value. A steady increase to 17.2% was reported by mid-2024, due to a slight increase in net financial debt and a simultaneous decrease in its share price. The current D/E ratio of 20.8% is already higher than that of Adidas, but remains well below the industry benchmark, indicating potential to increase leverage. Furthermore, PUMA operates on a much smaller scale than Adidas, which means that additional leverage can enable PUMA to finance growth initiatives and expand its business, aligning with its already announced investment plans. A D/EV ratio of 25% is targeted and factored into the WACC. For both companies, raising additional debt could increase their D/E ratios, enhancing ROE and potentially improving their attractiveness to investors.

### ***Weighted Average Cost of Capital***

The WACC is calculated using the cost of equity, cost of debt, and targeted capital structure for each company (Table 16). For Adidas, the WACC is 9.2%, while for PUMA it is lower at 8.5%. Adidas' higher WACC is primarily driven by its elevated cost of equity, reflecting greater volatility relative to the market, and its lower reliance on debt. This makes it more challenging for Adidas to achieve returns above its cost of capital. In contrast, PUMA benefits from a more balanced D/E ratio and a slightly better risk profile than Adidas. PUMA's ability to utilize capital more efficiently than Adidas is reflected in its lower WACC, which provides a competitive advantage.

### ***Cash Flow-based Valuation***

The DCF method estimates enterprise value using projected cash flows and growth, with risk captured by the discount rate (Damodaran 2024c). For Adidas and PUMA, the UFCFs from

2024 to 2030 were used (Table 17 and Table 18). Beyond the forecast period, the companies are assumed to operate in a stable environment with cash flows valued using a perpetuity-based continuing value. The terminal value is a critical component of the valuation, as it represents a substantial component of the total enterprise value. This approach is particularly suitable for companies that pursue a target capital structure (Damodaran 2024c). Given the assumption of a constant D/EV ratio for adidas and PUMA going forward, it appears reasonable to use this method to define the value of both companies. The final enterprise value is determined by discounting the core UFCFs of the forecast period and the terminal value and then adding the non-core UFCFs. The market value of equity is calculated by subtracting net debt including non-controlling interests, as defined by the targeted D/EV ratio. The share price is then derived by dividing the market value of equity by the number of outstanding shares, which is assumed to remain constant as no changes have been announced by adidas or PUMA. The share prices are further analyzed using a sensitivity analysis to assess the impact of key assumptions. The WACC and terminal growth rate, based on forward-looking assumptions about capital costs, returns, and growth, are varied by  $\pm 0.2\%$ . These key variables are particularly suitable for sensitivity analysis, as small changes significantly affect both the forecasted enterprise value and the terminal value, which constitutes a major portion of it. This allows for a better assessment of uncertainties in financing costs and growth assumptions, verifying the robustness of the valuation.

As of June 30, 2024, adidas' enterprise value of operations is EUR 28,343 million (Table 19). Of this total, 76.2% comes from the discounted terminal value, calculated using a perpetual growth rate of 4.4%, while the remaining 23.8% is attributed to the forecast period. After considering the non-operating UFCF at market value and deducting net debt of 15%, the equity value available to shareholders on the valuation date is EUR 24,091 million. With currently 178.55 million shares outstanding, the enterprise DCF method indicates a 39.5% downside from

the market share price of EUR 223 on June 30, 2024. Therefore, the enterprise DCF indicates that adidas is significantly overvalued in the market, as the projected growth in core UFCFs does not support the current share price. PUMA's business is significantly smaller than adidas, as reflected in its core UFCFs. Its enterprise value from the operating business amounts to EUR 11,238 million (Table 20), representing 39.9% of adidas' enterprise value. While PUMA's perpetual growth rate of 3.9% is slightly lower than adidas', its terminal value plays a more important role, accounting for 84.4% of the core enterprise value, due to PUMA's lower risk profile. Additionally, the non-operating business is valued at EUR 94 million. After deducting 25% net debt, the equity value is EUR 8,499 million, corresponding to a share price of EUR 56.95, a potential increase of 32.8% compared to the current market price as of mid-2024.

In conclusion, both companies are growing steadily within the projected period, considering their difference in scale. However, PUMA offers a more favorable opportunity for investors with an appreciation in the current share price, while adidas may be significantly overvalued.

The sensitivity analysis of the enterprise DCF method demonstrates that adidas and PUMA are more sensitive to fluctuations in the WACC than in the terminal growth rate (Table 21 and Table 22), which indicates that both companies are more dependent on macroeconomic factors such as interest rates and capital market risks. Changes in the global financial markets could therefore have a major impact on their valuation. For adidas, the sensitivity analysis suggests that a potential undervaluation is unlikely. Even with a 0.8% reduction in the WACC and a simultaneous 0.8% increase in growth after the forecast period, the resulting share price is EUR 195.30. This remains well below the current market price of EUR 223, signaling limited upside potential in the valuation of adidas. This suggests that although adidas' valuation responds positively to improvements in both variables, its stock price would still reflect a loss of 12.4% even under highly favorable conditions. Thus, moderate improvements are insufficient to justify a buy recommendation for adidas. In contrast, the sensitivity analysis suggests that PUMA may

be slightly overvalued under certain conditions. If the WACC increases by 0.8% and the terminal growth rate decreases by 0.8%, the resulting share price would be 0.4% lower than the current market price of EUR 42.87, indicating minimal downside risk. Conversely, if both key variables improve, PUMA's share price could rise to EUR 86.42, reflecting a potential upside of 101.6%. This makes PUMA an attractive investment opportunity for investors anticipating favorable market conditions.

### ***Relative Valuation***

Relative valuation, unlike intrinsic valuation, assesses a company's value based on the current market prices of comparable companies (Damodaran 2024c). The market prices of a peer group are converted into multiples of common variables representative of adidas' and PUMA's enterprise value. This method is less time- and resource-intensive, easier to apply, and more intuitive than the cash flow-based approach, as it reflects the current market sentiment (Damodaran 2024c). In addition, some multiples serve as an important decision-making basis for investors (CFI 2024e). However, relative valuation often provides only a snapshot of the company's current status and does not include future forecasts. This limitation can be mitigated by using forward-looking multiples instead of current ones. In addition, there may be a lack of transparency in determining the multiples and the valuation may lead to distorted results due to an over- or undervaluation of the market (CFI 2024e). To minimize the risk of incorrect investment decisions, multiples valuation should complement, rather than replace, cash flow-based methods.

Two steps in particular are essential for conducting a robust valuation (Damodaran 2024c). First, the peer group for adidas and PUMA must be determined. For this purpose, publicly listed competitors within the same industry and with similar fundamentals such as operations, product portfolio, market presence, profitability, growth, and risk are selected. Since both companies operate globally and are positioned among the top ten globally, the peer group includes Nike,

Under Armour, lululemon, VF Corporation, Skechers, Anta, Li Ning, and Asics. Under Armour and VF Corporation were excluded due to losses in their last fiscal year, which hinder comparability. The second step involves adjusting market prices to standardized variables. There are a large number of multiples that can be used. For adidas and PUMA, three multiples, divided into the categories equity and enterprise value, proved to be the most useful. It is particularly important that the multiples are consistent. Depending on the category, the value in the numerator and the standardized variable in the denominator must correspond to the same claim holders of the company, either equity holders or equity and debt holders. The price-to-earnings (P/E) ratio is the most widely used equity multiple (Damodaran 2024c). However, when comparing this within the industry, it should be noted that this category includes different levels of debt. To eliminate the effect of debt financing and disregard the capital structure, enterprise value multiples are used in addition (CFI 2024e). For this purpose, the enterprise value-to-EBIT (EV/EBIT) and enterprise value-to-revenue (EV/Revenue) ratios are applied to adidas and PUMA. The latter is the least affected by the accounting rules of the individual peer companies. The comparability of the individual multiples shows that the profit-related multiples of adidas are extraordinarily high. This is due to the losses in 2023, which are not representative of the future performance of the business. For instance, adidas' EV/EBIT ratio was 201.7x, significantly inflated by weak profits in that year. To maintain comparability and preserve the integrity of both companies throughout this analysis, adidas is included in PUMA's peer group, even though its 2023 results were atypical. To mitigate the effect of outliers and adjust for skewed distribution, the median is used to determine the industry indicators.

The low earnings and efficiency of adidas in 2023 are reflected in a weak enterprise value (Table 23). The median share price of the three multiples is EUR 25.22, which signals a current overvaluation of 88.7%, and is significantly below the result from the cash flow-based valuations. The sensitivity analysis, with a median-based fair market value deviation of  $\pm 10\%$ ,

also indicates a potential downside risk of at least 87.6% for adidas' price. Excluding the earnings multiples, the EV/Revenue multiple still leads to a downside of 8.0%, with a share price of EUR 205.23. Since historical data includes losses and is not representative, multiples should be applied to the forecasted year-end 2024. The analysis then shows that adidas is still significantly overvalued, with a 52.6% overvaluation compared to the share price at the valuation date. Consistent with the previous valuation method, the multiples valuation for PUMA issues a clear buy signal. The application of the fair market multiples results in a median share price of EUR 51.02 for PUMA, corresponding to an upside potential of 19.0% (Table 24). The valuation of PUMA is also confirmed in the best- and worst-case.

### ***Key Findings of Valuation***

The valuation highlights adidas' higher WACC compared to PUMA's, driven by adidas' greater market volatility and less efficient capital structure, which increase its risk for investors. The enterprise DCF method shows that adidas is overvalued, with a 39.5% downside, whereas PUMA offers a 32.8% upside. The relative valuation further reinforces these results, with adidas displaying inflated multiples, while PUMA remains attractively undervalued. The sensitivity analyses underscore the resilience and growth potential of PUMA.

### **Scenario Analysis**

The scenario analysis assesses the impact of key value drivers on the financial performance of adidas and PUMA under three scenarios, focusing on major market drivers that could influence the pairs trade recommendation. The particular focus lies on the implications of their post-pandemic revenue growth and EBIT margin correlations. The strong revenue growth and moderate EBIT margin correlations emphasize the importance of considering the interdependencies between the two companies when analyzing potential scenarios, ensuring that assumptions about their performance are aligned.

***Scenario 1 – Trump’s Presidential Election of the US and his Tariff Policy on Imports***

Donald Trump’s re-election on November 6, 2024, marks a pivotal moment with significant implications for global markets and company valuations worldwide. Although both adidas and PUMA are headquartered in Germany, as one of the world’s largest economies, the US exerts considerable influence over trade, monetary policy, and global economic stability, especially as Trump’s trade policies could negatively impact the world (Wolf 2024). A central component of Trump’s economic policy includes imposing tariffs, with rates as high as 20% on imports from most countries and up to 60% on imports from China (Wolf 2024). The proposed tariffs could lead to increased costs, which may be passed on to consumers, thereby affecting demand. Analysts have expressed concerns that these two German companies could soon face higher tariffs on their US business (DPA 2024). The overall impact on revenue remains uncertain, as it depends on consumer responses to price changes and the companies’ abilities to mitigate increased costs. However, the initial impact on North American revenue is expected to be significant for both companies, due to tariffs, reduced consumer spending, and increased prices. This aligns with the high historical correlation of revenue growth, as the companies are expected to respond similarly to a shared external shock.

PUMA’s total revenue is projected to decline by 16% in 2025, slightly steeper than adidas’ 13% decline, reflecting PUMA’s higher reliance on North American sales versus adidas’ broader global footprint and stronger brand positioning (Table 25 and Table 26). As the companies begin adapting by diversifying supply chains or sourcing locally to mitigate tariff impacts, following Steve Madden’s model of reducing reliance on Chinese production (Goldman 2024), it can be assumed that the revenue declines moderates by 2026, with further stabilization by 2027 and recovery to pre-tariff levels by 2030.

Additionally, tariffs may prompt Chinese manufacturers to target European markets to offset losses from the US, which would increase competition, particularly in the footwear sector,

where Chinese products could be seen as lower-cost alternatives (Martuscelli 2024). As a result, the European market is expected to decline in parallel, with adidas being less affected due to its stronger brand loyalty in its top-selling region and its resilience to price pressure. The impact on sales is expected to be relatively moderate, with a 3% decline for adidas and 5% for PUMA in 2025, as both will be able to maintain brand loyalty. In the medium term, the decline may accelerate to 6% and 8% respectively, due to increased competition from Chinese brands. By 2027, market dynamics are expected to stabilize as both companies innovate, leading to a smaller decline of 2% in the following years, with no further impact expected by 2029.

The trend in COGS for adidas and PUMA would likely follow a multi-year pattern similar to the revenue decline trend, with an initial spike in COGS due to tariffs in 2025, followed by gradual stabilization until 2028 as supply chain adaptations come into effect. Assuming no immediate alternative supply sources, COGS of products sourced from China may increase by 9% in 2025 for both companies. With 32% of production being based in China, PUMA's COGS would see an immediate rise due to its greater reliance on Chinese products and thus higher import costs. However, as adidas sources only 16% of its supplies from China, its overall reliance on Chinese manufacturing is lower. As a result, while both companies face the same tariff impact on Chinese imports, the overall increase in adidas' total COGS would be proportionally smaller than PUMA's due to its more diversified supply chain. From 2026 to 2028, COGS could potentially return to pre-tariff levels as companies shift production to countries less affected by tariffs.

Moreover, both companies are expected to incur supply chain adjustment costs to diversify or relocate their production. These costs will primarily appear in Operating Expenses, specifically under G&A, with temporary increases in Sales and Distribution Expenses due to higher logistics and shipping costs associated with new sourcing locations. The increase in costs is less severe for adidas, as it had strategically planned to cease sourcing US goods from China (Scott 2024).

However, the difference is not significant, as PUMA's smaller number of facilities and lower trading volumes make relocating factories comparatively easier.

Overall, PUMA's EBIT margins are expected to decline more sharply than adidas' due to operational factors and different cost structures, such as PUMA's higher reliance on North American sales, Chinese imports, and associated tariff costs. In 2025, PUMA's margin is projected to drop by 2.8 percentage points, while adidas experiences a smaller decline by 2.0 percentage points, reflecting its lower sales and cost pressures. As both companies adjust supply chains and reduce dependency on Chinese manufacturing, the margin impact moderates, with PUMA showing a 0.7 percentage point decline by 2028 and adidas a 0.4 percentage point decline. By 2029, both companies stabilize close to pre-tariff margin levels.

The rise in PPE due to increased CAPEX reflects the necessary investments in relocating or setting up new factories outside of China, with an assumed 1% increase from 2025 to 2028 for adidas and a 2% increase for PUMA, reflecting its higher dependency on Chinese production.

Ultimately, Trump's policies are expected to lower core UFCFs of both adidas and PUMA from 2025 to 2028, the period of his administration. However, these effects are largely temporary and are expected to have a minimal impact on their long-term valuations. PUMA's core UFCF is projected to turn negative in 2025 and 2026, driven by core EBIT declines, with an estimated reduction of 41.1% compared to 2024, attributed to increased operational costs and competitive pressures in key markets. Additionally, higher cash adjustments, mainly from increased CAPEX investments and a smaller reduction in NWC, are expected to further impact cash flows during these years. In contrast, adidas is forecast to maintain positive UFCF, albeit at a lower level, throughout this period. Its diversified business model and broader market reach provide resilience against market fluctuations and trade-related challenges, allowing adidas to sustain core EBIT, which is expected to decrease by 25.2% in 2025 and mitigate the impact on cash flows despite the political headwinds. PUMA, despite greater exposure to this scenario, faces

relatively modest impact on its share price, which is expected to decline by only 6.4%. This suggests a potential undervaluation of 24.3%, even after adjusting for policy-driven effects. As for adidas, although less impacted operationally, a smaller decline of 4.9% is expected, positioning its share price as overvalued by 42.5%, reflecting no change in the final recommendation. This scenario has a high likelihood of materializing, as Trump's trade policies, well-established during his first term as US president, have since been reinforced.

### ***Scenario 2 –The Rising Importance of Sustainability***

Adidas and PUMA have taken different approaches to sustainability, particularly in terms of reducing Scope 1, 2, and 3 emissions. PUMA has pursued a more aggressive approach to achieve significant and rapid reductions across all emission scopes, while adidas has adopted a more measured strategy, balancing sustainability goals with other business priorities. This difference is evident in their respective Carbon Disclosure Project climate scores, with adidas improving from a B-score in 2017 to an A- by 2023 (CDP 2024), while PUMA showed a greater commitment to sustainability, advancing from a C in 2017 to the highest possible score of A by 2023 (PUMA 2024a, 106). These contrasting strategies offer valuable insights into the performance of each company under varying future scenarios.

In the scenario where sustainability becomes a key source of competitive advantage driven by stricter regulations, evolving consumer awareness, and global climate agreements, the financial implications of carbon pricing will be significant (Table 27 and Table 28). By 2030, the average global carbon price is expected to reach USD 300 per ton of Carbon Dioxide (Systems Change Lab 2023). Under this high-carbon price scenario, adidas' and PUMA's emission reduction targets appear reasonable, as achieving them would help offset the substantial financial burden of rising carbon costs. Adidas aims to reduce GHG emissions across its entire value chain by 30% until 2030, measured against its 2017 baseline (adidas 2024b, 84). In contrast, PUMA has adopted a more ambitious approach targeting a 90% reduction in Scope 1 and 2 emissions and

a 33% reduction in Scope 3 by 2030, similarly measured against 2017 (PUMA 2024a, 105), implying a total reduction across all scopes of 35%. PUMA's more aggressive approach to reduce emissions, particularly of Scope 3, which accounted for 97.3% of total GHG emissions for adidas and 99.4% for PUMA in 2023, positions the company to be significantly less impacted by this rise in carbon prices. The additional carbon emission costs will result in an increase in COGS and operating expenses, rising from 0.8% in 2024 to 1.7% in 2030 for PUMA, and more significantly from 1.6% to 3.5% for adidas. The post-pandemic EBIT margin correlation indicates that while both companies face similar pressures from rising carbon costs, their sustainability strategies affect their cost structures differently. This difference in costs highlights PUMA's more proactive sustainability strategy and its relative advantage in mitigating the financial impact of rising carbon prices on the EBIT margin due to much lower total emissions. In contrast, adidas, with its slower progress in addressing sustainability challenges, will face more significant increases in operating costs and a greater impact on profitability.

Balancing the effect of increased carbon prices, both companies will benefit from the attraction of consumers to brands prioritizing eco-friendly products by actively reducing GHG emissions and adopting more sustainable production methods. Showcasing their commitment to sustainability offers the potential to gain market share in the growing market for environmentally responsible goods. The sustainable footwear market size per region has been analyzed using the regional CAGR (Grand View Research 2024b). For example, Greater China is projected to grow annually at 7.5% from 2024 to 2030, driven by the increasing prominence of sustainability on social media and other online platforms, which are reshaping consumers' perceptions of eco-friendly products. Similarly, Asia-Pacific, including Japan and South Korea, shows strong potential for sustainable growth at 7.1%, as this market offers favorable conditions for producing sustainable products while maintaining affordability. The sustainability trend

reflects a shared macroeconomic impact on adidas and PUMA, with both potentially benefiting from increasing demand for eco-friendly products. However, the post-pandemic revenue growth correlation of 0.87 suggests that the impact on both will be similar in some respects but different in terms of market positioning. Adidas' stronger presence in these regions supports a 13.5% sales CAGR through 2030, compared to 11.9% for PUMA. However, PUMA's advanced sustainability efforts are expected to drive higher long-term growth, with a terminal growth rate of 1% compared to adidas' 0.5%.

From a valuation perspective, PUMA would benefit much more under this scenario due to its higher sustainability efforts and lower emissions, as the cost increase is less detrimental than for adidas. PUMA's share price of EUR 57.52 indicates a 34.2% undervaluation while adidas' share price of EUR 65.13 suggests a 70.8% overvaluation. This disparity is driven by the higher carbon-related costs associated with adidas' larger GHG emissions and its slower progress in addressing sustainability challenges. If adidas does not take more decisive action, investors are likely to favor more eco-responsible competitors like PUMA. This becomes particularly critical in a future scenario where stricter regulations and consumer demand for sustainability redefine the competitive landscape.

In contrast, a less likely, but possible scenario, is that sustainability loses relevance or even becomes detrimental to the success of companies like adidas and PUMA (Table 29 and Table 30). This scenario stems primarily from Trump's recent victory, with his advocacy for anti-ESG rules, alongside geopolitical uncertainties leading to other important issues taking top priority. At the international level, a US withdrawal from the Paris Climate Agreement under Trump's leadership would not only lower US commitments but also undermine the resolve of other major emitters, such as China and India, to meet their pledges (Carlin 2024). For adidas and PUMA, this shift could ease the pressure to meet their ambitious emissions reduction targets, particularly for Scope 3, which is tied to supply chains in regions like Asia, where local

environmental commitments might weaken. It is assumed that adidas will adjust its Scope 3 emissions reduction target from 30% to 10%, and PUMA from 33% to 15%. These changes are likely driven by expectations of weaker environmental regulations and reduced pressure to achieve aggressive sustainability goals, prompting both companies to scale back their targets while still focusing on emissions reduction in a more cost-conscious environment. However, Scope 1 and 2 emissions for internal operations, directly controlled by the companies, remain crucial. Reducing these emissions is, on the one hand, essential for aligning with ESG goals and, on the other hand, for driving cost savings and improving operational efficiency. Even in a less ESG-focused environment, these reductions remain a key strategic priority for both companies. For PUMA, this means a 90% reduction of Scope 1 and 2 emissions by 2030, while a more conservative approach has been adopted for adidas. Adidas' Scope 1 and 2 emissions increased significantly by 171.4% from 2017 to 2023, making a 90% reduction by 2030 less feasible. Consequently, the target has been adjusted to 60%. Overall, the reduction of total emissions by 2030 is 10% for adidas and 17% for PUMA, which continues to represent PUMA's greater ESG commitment.

Simultaneously, in this scenario, climate damage is less penalized, and a lower carbon tax on emissions is expected, set at the global minimum price of USD 170 in 2030 (Systems Change Lab 2023). When sustainability is deprioritized compared to the opposite scenario, the operating and sales costs rise on average 0.6 percentage points less at adidas and 0.3 percentage points less at PUMA. PUMA's lower decline reflects higher risk and less flexibility to reduce costs as it allocates more resources to sustainability, whereas adidas' less aggressive approach allows greater cost-cutting flexibility, despite its total emission cost share remaining higher.

Moreover, a lower attraction to sustainability impacts the growth of sustainable products. Despite a global decline in ESG priority, Europe could continue to secure demand for sustainable products due to strict regulations and strong consumer expectations. Adidas and

PUMA could maintain higher investments to adapt to local expectations, with PUMA having a competitive advantage. If Trump's policies lead to an easing of climate regulations and an aggressive request to rethink America's climate policy, sustainable products will completely lose their appeal in this market. In this context, a significant decline in demand in China and Asia-Pacific is assumed, by 4% each. In the remaining markets, a moderate decline of 2% is forecast due to a general reduction in sustainability and cost efficiencies. Overall, PUMA's CAGR from 2024 to 2030 is 2.8 percentage points lower compared to the scenario where sustainability gains importance, while adidas' is 3.2 percentage points lower. This small difference suggests a similar impact from shifts in sustainability priorities due to their strong correlation, albeit shaped differently by their respective market positioning. Even in the long term, PUMA gains only a slight advantage due to the strong integration of sustainability into its corporate strategy, reflected in a modest increase of 0.5% in the terminal growth rate, resulting in 4.4%.

The reduced emphasis on sustainability, characterized by significantly lower carbon taxes despite higher emissions, leads to lower overall emissions costs for adidas. This positively impacts short-term profitability, on average by 0.6 percentage points per year, allowing the company to achieve slightly better EBIT margins compared to the opposite scenario. The substantial price reduction of USD 130 per ton of Carbon Dioxide more than offsets the impact of increased emissions caused by lower targets, as well as the loss of additional sales. This leads to a slightly better valuation of adidas compared to the opposite scenario, with an increase in share price of 19.4%, yet the stock remains overvalued by 65.1%. PUMA's margin, in contrast, faces immediate pressure as the losses due to lower consumer appeal in high-sales regions cannot offset the relatively high emission costs. This leads to a largely negative development of the EBIT margin by 1.8 percentage points in 2025, followed by a recovery of 0.3 percentage points per year. This divergence underscores the impact of their strategic differences in

managing sustainability and cost pressures, as evidenced by the correlation. A lower share price for PUMA of 9.1% is reflected compared to the favorable sustainability scenario, still signaling a potential undervaluation of 21.9%. The significant integration of sustainability into PUMA's business model and the lead in emissions reduction could allow the company to maintain a cost advantage in the future if sustainability regains importance and requires less future reinvestment.

In both scenarios, the valuation results remain robust to changes in sustainability. It can be assumed that the sustainability trend will gain importance in the future with a probability of 65%, driven by global climate commitments of most stakeholders, evolving consumer values, and increasing environmental risks. PUMA's deeper ESG commitment provides a compelling long-term advantage in a strong ESG commitment scenario, supporting the portfolio's positioning. The occurrence of an anti-ESG scenario is expected to be 35%, which could result from potential changes in political power or economic pressure, thereby temporarily reducing the importance of ESG efforts. Nonetheless, the increased cost pressure on PUMA should be considered. Adidas' relative flexibility and immediate cost benefits could challenge the portfolio's short-term performance.

### ***Scenario 3 – The Rise of Artificial Intelligence and E-Commerce***

The final scenario explores the megatrend of technological development and the resulting opportunities for the global sporting goods industry, particularly through increased e-commerce sales and reduced overstocking. The use of advanced technologies, such as AI, can enable companies like Adidas and PUMA to achieve both short- and long-term goals, ultimately gaining a competitive advantage (von der Gathen et al. 2024). Increased implementation can significantly impact the businesses in many ways (Table 31 and Table 32), with similar financial consequences due to shared business models. This scenario assumes a long-term impact starting from 2025 onwards, and the forecasts partly reflect the current level of

technology adoption at adidas and PUMA. Adidas began addressing this megatrend several years ago by implementing adaptations across multiple areas of its business, while PUMA only began relevant implementations this year, focusing on e-commerce and inventory management. Firstly, by focusing on the expansion of e-commerce, both companies can reach a broader audience, allowing customers to shop at any time and from anywhere. By investing in digital infrastructure, AI-driven personalization, and mobile-friendly experiences, online shopping can be customized, improving decision-making, and ultimately enhancing customer understanding and loyalty for both adidas and PUMA (Sinha, Shastri, and Lorimer 2023). Additionally, conversion rates are expected to improve, which is beneficial, as retaining customers is less expensive than acquiring new ones (von der Gathen et al. 2024). This is expected to increase the companies' e-commerce sales share, which were 20% for adidas and approximately 12.1% for PUMA in 2023. According to the "Own The Game" strategy, adidas' target for online sales is to reach EUR 9 billion in 2025 (Mixson 2022), which corresponds to a forecast share of 36.7%. Due to numerous investments in online sales, the share is expected to increase by 2% per year, as the company aims to generate predominantly digital sales and thus achieve nearly 50% by 2030. Similarly, PUMA expects a continuous increase in e-commerce sales over the next years as a result of the multi-year agreement with Google Cloud, which supports the optimization of e-commerce with AI (Google Cloud 2024a). However, PUMA's sales are heavily driven by wholesale, which may limit the potential of this sales channel. With annual growth of 1%, PUMA aims to approach the global 2023 industry share of online sales of 29.7% in the long run (Euromonitor International 2024), which is important for its business growth. The scenario assumes that both companies benefit from the megatrend of e-commerce growth, aligning with the historical high correlation between them, while adidas is able to adopt more quickly, resulting in strategic divergence. The e-commerce sales forecast incorporates the regional CAGR of online footwear and apparel sales from 2025 to 2030. According to the

market analysis, the global growth of 6.8% for footwear is two percentage points lower than for apparel purchased online (Grand View Research 2024a). The potential increase in sales leads to a CAGR from 2024 to 2030 of 10% for adidas and 7.5% for PUMA, indicating that adidas is leveraging AI technologies more effectively, while PUMA is slowed to implement them, partly due to its reliance on wholesale. In the long term, a 1% terminal growth rate increase is assumed for both, as strong investments in digital technologies can lead to greater and more efficient scaling of their business models.

However, increased R&D costs will be incurred for expanding e-commerce and investments in other business areas where the introduction of AI will increase efficiency. R&D costs, which are linked to sales, are expected to increase in the short term, as companies seek to unlock optimization potential. Sustained effort in innovation is reflected in adidas' relatively stable R&D costs over the last ten years with a CAGR of 2% (adidas 2024g). For this reason, it is assumed that R&D costs will continue to grow constantly at this rate. PUMA, in contrast, has experienced a significant increase in R&D costs related to new technologies in the last two years (PUMA 2024f). To close the gap with competitors and capitalize on the AI megatrend, R&D costs for PUMA are projected to grow by 8.3% annually over the next four years, based on 2023 growth. The elevated costs will be gradually reduced by 1% annually starting in 2029. Capitalized investments in the latest technologies are included in the balance sheet within other intangible assets. For the integration of more efficient systems and software, an annual increase of 3% of sales for adidas, which aligns with planned investments in digital transformation of EUR 1 billion by 2025 (Mixson 2022), and 4% of sales for PUMA is assumed starting in 2025. With ongoing technological advancements, it is anticipated that systems such as Amazon Web Services, used for adidas' corporate infrastructure, and PUMA's warehouse management system, which is to be deployed in all regions soon, will require continuous updates. For PUMA, these investments are particularly critical, as this system has yet to be fully

implemented across all company functions.

In addition, expert teams will be needed for technology integration (von der Gathen et al. 2024). G&A costs will rise, especially during the initial roll-out phase, with an estimated increase of 4%. Over time, despite constant human monitoring of the systems by technology teams, adidas' advanced technological expertise is projected to result in a 0.5% faster annual cost reduction compared to PUMA. In the long term, simple activities can also be replaced by AI leading to savings in personnel costs (Morel 2023).

Furthermore, the implementation of new technologies, particularly in the sporting goods industry, can help companies reduce the risk of overstocking and stock-outs through better demand forecasting and inventory management. Both adidas and PUMA are focused on optimizing working capital, making this advantage especially relevant as AI continues to grow. Both companies have already started investing in the digitalization of their warehouse infrastructure to optimize inventory operations. With continuous improvements from 2025 onwards, inventory optimization may lead to an AHP reduction below the industry average by 2030, with a reduction of ten days for adidas and five days for PUMA. Adidas gains a greater advantage due to its more comprehensive warehouse system. Favorable inventory management will also impact production and slightly lower COGS, while also reducing the number of returns and generating efficiencies, especially in waste management. From 2025 to 2030, these potentials can be further exploited, starting with a COGS reduction of 1% for adidas and 0.5% for PUMA and thus leading to a steady margin improvement for both.

Ultimately, the successful implementation of AI technologies and long-term planning in the growing e-commerce and other business areas can increase the profitability and efficiency of adidas and PUMA and thus offset high initial costs. In terms of operational efficiency, adidas' EBIT margins are expected to improve steadily in the long term, with a change compared to the base case of -0.6 percentage points in 2025 to 2.4 percentage points in 2030. This aligns with

adidas' ability to leverage technological advancements to enhance sales growth and supply chain efficiency. PUMA's EBIT margins are forecast to improve at a slower pace, ranging from -0.1 percentage points in 2025 to 1.7 percentage points in 2030. The slower shift to digital sales helps to protect its margins in the short term. While both companies are benefiting from similar technological trends, the difference in their speed of improvement is mainly driven by the time lag in PUMA's technological roll-out. Adidas' more aggressive technological implementation allows it to capture greater efficiency gains and thus results in higher EBIT margins, outpacing PUMA in this regard.

In the cash flow-based valuation, the impact of this scenario positively affects the estimated fair share prices of adidas and PUMA compared to the base case, with the effect being more pronounced for adidas. Despite the growing AI trend, adidas' stock remains overvalued by 11.4%, even as it reflects a 46.5% improvement from the base case. For PUMA, the impact is more moderate due to its less developed technological infrastructure at present, leading to higher investments and lower leverage. Nevertheless, its share price is expected to improve by 14.9% compared to the base scenario, indicating a potential undervaluation of 52.6%. While adidas gains greater benefits from AI integration, PUMA offers investors a more attractive opportunity in the event of a greater AI evolution in business. This scenario is most likely to occur in the future given the rapid advancements of AI technologies, growing consumer preference for online shopping, and businesses' increasing reliance on data-driven solutions to enhance efficiency and personalization in a digitally driven economy.

### ***Key Findings of Scenario Analysis***

In conclusion, the positioning of adidas and PUMA across the three scenarios is shaped by recent macroeconomic events like Trump's presidential re-election, and megatrends such as sustainability and technological development. Their outcomes are heavily influenced by their strong correlation in revenue growth and EBIT margin. Although the overall impacts on sales

and costs are similar, key differences arise from each company's regional presence, sourcing strategies, sustainability efforts, and innovation initiatives. Adidas shows greater resilience in navigating political headwinds, benefits from its fast adoption of sustainability initiatives in an anti-ESG scenario and capitalizes on its technological advancements. Conversely, PUMA's proactive commitment to sustainability and recent digital transformation position it strongly for future success, despite short-term challenges. Ultimately, the valuation result – overvaluation of adidas and undervaluation of PUMA – remains unchanged.

### **Recommendation of an Investment Strategy for adidas and PUMA pairs trade**

The recommendation for a fundamental pairs trade strategy involving adidas and PUMA is based on the comprehensive analysis of their strategic approach, financial performance, and response to current economic and industry trends. This includes evaluating their forecasts, competitive positioning, and valuation resilience under various potential future scenarios.

Both adidas and PUMA demonstrate strong growth prospects, with each company capitalizing on market trends within the challenging macro- and microeconomic environment. Both brands' strategies have been shaped by a growing fitness culture, the increasing demand for female and athleisure wear, running products, and the incorporation of sustainable materials, with each emphasizing certain differentiations that appeal to their customer demographics. Adidas benefits from a strong market position, supported by high brand loyalty and a stable customer base that has grown over time. A key advantage is its broad product portfolio, enabling it to appeal to a diverse demographic, including older consumers who seek quality, comfort, and premium offerings. This positions adidas uniquely to capture the growing demand from an aging population. Additionally, adidas excels in advanced sports technology and smart clothing initiatives, capitalizing on the trend of tech integration. Its well-established e-commerce strategy and balanced distribution mix further enhance its adaptability in the industry's digital transformation. However, adidas' heavy reliance on footwear makes it vulnerable to shifts in

demand within this segment. While its dominance in Europe and Greater China drives global reach, the slower growth potential in Emerging Markets and intense competition from local players in North America and Asia-Pacific constrains expansion. Moreover, its diversified sourcing strategy, while reducing risk exposure, comes at the cost of slightly higher operational complexity compared to its peers. PUMA, in contrast, has exhibited agility and alignment with youth-driven fashion and cultural trends, particularly in North America, where PUMA has captured significant revenue growth. PUMA has effectively leveraged post-pandemic trends, focusing on running shoes and strategic collaborations, enhancing its brand appeal. Its diversified revenue streams, including a larger share from accessories, provide additional growth opportunities by attracting new consumers through trendy, affordable products that serve as accessible entry points to the brand. PUMA's smaller footprint in Greater China presents untapped growth potential. Its lack of deep market penetration suggests room for expansion through localized campaigns and stronger engagement with athleisure and streetwear trends among Chinese consumers. While its concentrated reliance on Asia for sourcing exposes its supply chain to geopolitical risks, this focus enables significant cost efficiencies, supporting margin sustainability. Both brands' sustainability efforts resonate to eco-conscious consumers while the growing athleisure trend and Emerging Markets expansion, particularly in Latin America, present opportunities. Adidas offers stability and established recognition, but its growth appears more mature. PUMA presents higher growth potential, especially for investors willing to accept slightly higher risks to capitalize on its undervalued market position and brand momentum.

Additionally, adidas and PUMA show distinct financial performance trends that are relevant for the investment strategy. While adidas remains significantly larger than PUMA in terms of revenue, it has shown greater volatility in profitability. The loss in 2023 was mainly a one-time write-off. Since then, adidas has rebounded, driven by strong demand for specific footwear

products, signaling a recovery and improved outlook. PUMA has achieved stable profitability, proving resilience in a competitive market as well as effective, above-average cash flow management, allowing the company to maintain a robust operating framework. Although both companies have increased their reliance on debt, PUMA has maintained a more prudent approach to leverage, reflecting its healthier capital structure. Given PUMA's consistent performance, efficient asset management, and stronger liquidity position, it represents a more attractive investment option, potentially offering higher and more stable returns.

A comparison of adidas and PUMA valuations using both enterprise DCF and multiples shows that the relative valuation leads to more extreme results. While the cash flow-based method estimates adidas' share price to be overvalued by 39.5%, the relative valuation indicates an even greater downside of 52.6%. For PUMA, the relative valuation indicates a larger upside of 38.6% compared to the current price, exceeding the cash flow-based projection by 5.8 percentage points. Nevertheless, both valuation methods provide the same conclusions. Adidas appears significantly overvalued, with its current market price of EUR 223 exceeding the average fair value of EUR 120.37 by 46.0%. Sensitivity analysis suggests limited upside potential but a downside risk of up to 53.1%. PUMA's fair price averages EUR 58.19, an upside potential of 35.7% with potential ranging from -0.4% to 101.6%, highlighting a significant upside potential. This suggests that the share price could be corrected to a more realistic value in the near future if market sentiment or investor confidence increases.

The base case valuation demonstrates the investment strategy's resilience across future scenarios. US tariff policy shifts, which are likely to occur due to Trump's strong conviction in his revised policy, could impact PUMA more than adidas, which is better positioned to navigate political changes. However, despite this potential development, PUMA's stock remains undervalued and continues to offer upside potential for investors. PUMA's stronger sustainability focus offers a strategic advantage in a high-ESG scenario, while adidas' cost

flexibility provides a temporary edge in a scenario where sustainability holds less importance. However, due to the strong demand for sustainability from many stakeholders such as investors and consumers, it is likely that this megatrend will continue and even intensify, while anti-ESG movements will take place regionally and are unlikely to reach a global scale. Additionally, adidas can benefit from potentially far-reaching advancements in AI and e-commerce, driven by its more mature implementation of advanced technologies, still signaling a slight overvaluation. For PUMA, this future case also offers opportunities, which the company is increasingly addressing through various technological initiatives. Overall, the scenario analysis underscores PUMA as an appealing long-term opportunity for investors, consistently undervalued across scenarios, whereas adidas continues to trade at an inflated level.

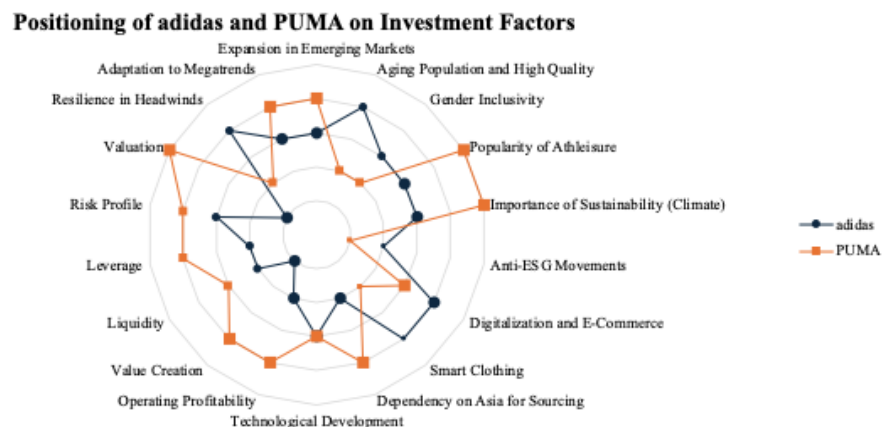


Figure 6: Positioning of adidas and PUMA on Investment Factors

Combining the current positioning of adidas and PUMA with the importance of each factor to global investors, it is clear that PUMA outperforms its direct competitor adidas in key business areas such as expansion in Emerging Markets, popularity of athleisure and importance of sustainability, particularly on environmental matters (Figure 6). This signals growth potential for investors as opportunities are exploited. In terms of digital transformation and supply chain diversification, PUMA is somewhat lagging behind, although it has already begun implementing these trends and is well-positioned to overcome this delay. Financially, PUMA has secured an outstanding position with its consistently strong operating profitability and

effective financial management. This forms a solid basis for valuation, which, together with a lower risk profile, leads to a clear undervaluation, while adidas remains significantly overvalued. Additionally, PUMA demonstrates resilience in responding to intensifying megatrends. Thus, based on the comprehensive fundamental pairs trade analysis, the investment strategy of going long on PUMA and short on adidas presents a promising opportunity for investors. By betting on PUMA's potential to outperform and adidas' likelihood of underperformance, the portfolio aims to capitalize on PUMA's strengths while hedging against potential declines in adidas' share price due to financial challenges.

### **Risk Management**

For effective risk management, historical performance is analyzed using the past seven years of adidas' and PUMA's share prices and multiples. This period reflects recent market dynamics, including economic cycles, industry trends, inflationary periods, and customer sentiment, while minimizing distortions from outlier events, such as the COVID-19 pandemic.

### ***Historic Stock Development and Weights of the Long-Short Portfolio***

During the reviewed period, PUMA achieved an average annual return of 9.4%, slightly outperforming adidas' 8.6% return, signaling increased investor confidence in PUMA's stock (Table 33). However, PUMA carried a higher risk, with a volatility of 34.5%, compared to adidas' 30.4%, reflecting PUMA's potentially greater returns with increased risk. Historically, risk-seeking investors may have favored PUMA, while risk-averse investors leaned toward adidas. Yet, the fundamental pairs trade analysis indicates that PUMA's returns are projected to increase with potentially lower volatility relative to adidas in the future. A zero-cost portfolio with a 100% long position in PUMA and a 100% short position in adidas is selected to focus on relative performance without the influence of general market trends. This approach provides a relative annual gain of 0.8% over this period, without requiring additional capital, and reduces risk to 29.7% by largely neutralizing systematic risk and focusing on the idiosyncratic risk specific to each stock (Table 34). However, the portfolio's risk exhibits moderate volatility over

time, peaking at 45.6% in the first year, falling to 16.2% by mid-2022 and rebounding thereafter (Figure 9). Nonetheless, the portfolio metrics demonstrate an effective pairs trading strategy based on fundamental analysis. From 2020 to 2021, cumulative excess portfolio returns increased due to PUMA's outperformance, peaking at the end of 2021. However, from 2022 onwards, macroeconomic challenges affected PUMA's performance and led to cumulative portfolio losses (adidas 2023). In contrast, market performance remained stable, highlighting the portfolio's exposure to unique risk factors (Figure 10).

### ***Fama-French Five-Factor Model***

According to the Fama-French (FF) model, the portfolio returns can be predicted based on its sensitivity to macroeconomic risk factors. Developed market factors are selected for this analysis because the proposed investment is intended for international investors who primarily operate in well-established and highly developed stock markets. These factors are the most relevant and representative of the investment environment in which the investors participate. For this long-short portfolio, the five-factor model was applied using the FF factors market risk premium (Mkt-RF), small-minus-big (SMB), high-minus-low (HML), robust-minus-weak (RMW), and conservative-minus-aggressive (CMA) (French 2024). With an R-squared of 9.3%, the model explains a limited part of the portfolio's returns, suggesting other factors may drive performance. The F-statistic of 1.59 and p-value of 0.1727 indicate that the model is not statistically significant, suggesting it does not robustly explain returns. The portfolio's annualized alpha of 3.2% represents the excess return earned with the long-short portfolio. However, the intercept lacks statistical significance, potentially indicating limited impact on returns. Among the five factors, the Mkt-RF has a coefficient of -0.4164, indicating that the portfolio may have a defensive characteristic, potentially performing better during market downturns. However, with a p-value of 0.0667, this factor is not statistically significant, thus no confident conclusion can be drawn that the portfolio consistently benefits from market

declines. The HML factor, with a coefficient of 1.0174, reflects a potential tilt toward value stocks, which aligns with PUMA's recent financial performance. Similarly, the SMB factor of 1.0436 and the RMW factor of 1.2925 suggest a slight tendency toward small-cap and profitable companies, respectively. These factors are consistent with PUMA's characteristics as a relatively smaller, profitable company within the industry. However, the p-values for HML, SMB, and RMW indicate that none of these factors are statistically significant. Therefore, while these coefficients align with PUMA's profile, the lack of significance indicates that these characteristics do not drive portfolio returns with confidence. The only statistically significant factor at a 5% level is CMA, with a coefficient of -1.7938. This loading suggests a strong preference for companies with aggressive investment strategies, aligning with PUMA's growth-oriented initiatives.

In summary, while the model shows certain alignment with characteristics such as value, small-cap, and profitability, the statistical insignificance of these factors prevents final conclusions from being drawn about their influence on portfolio performance. Only the CMA factor demonstrates statistical significance, indicating a preference for growth-oriented, aggressive investments. The model's overall low explanatory power suggests that factors beyond the FF five may be influencing returns.

### ***Performance of Current Multiples and Historical Signal-Based Long-Short Strategy***

The analysis of the current multiples as of June 2024, along with a historical trend, provides further insights into the suggested pairs trade strategy. As of June 2024, the trading multiples for both companies show notable shifts. Adidas' EV/EBIT multiple has decreased from 201.7x in 2023 to 60.1x, based on trailing twelve months data, suggesting improved profitability. Despite this reduction, Adidas' multiple remains substantially higher than PUMA's, which recorded an EV/EBIT multiple of 11.2x in June 2024, indicating a continued overvaluation of Adidas. PUMA's multiple has remained stable, suggesting consistent operational performance.

Similarly, adidas' P/E ratio has decreased by more than two-thirds, despite an improvement in net income. This implies that investors continue to price adidas optimistically relative to its earnings. In contrast, PUMA's ratio remained constant. Moreover, while adidas' EV/Revenue fell to 1.86x by mid-2024, it still commands a premium over PUMA's 0.82x, reinforcing the conclusion that PUMA is relatively undervalued. Despite a reduction in the average multiple gaps by 75.8%, a divergence of 29.9x persists. Therefore, the current multiples support the recommended pairs trade strategy, offering the opportunity for abnormal returns through this long-short strategy.

To further support the strategy, a signal-based trading framework is developed using the historical multiples EV/EBIT and EV/Revenue of adidas and PUMA over the last seven years. Based on the relative positions and a sigma threshold of 0.5, which represents a conservative approach that reduces the risk of extreme volatility, a signal strategy with a 3-month rolling period is created. This approach generates trade signals of +1 indicating a recommendation to buy PUMA, while selling adidas, and -1, suggesting the opposite. These signals are derived by combining EV/EBIT and EV/Revenue, as investors typically assess both metrics for a holistic view. EV/EBIT reflects efficiency and profitability, while EV/Revenue highlights top-line valuation relative to enterprise value, providing complementary insights into financial and operational performance. This signal-based strategy reflects proactive investor behavior, leveraging the overvaluation of one company's ratios by selling its stock while capitalizing on the undervaluation of the other by buying its shares. By integrating this rebalancing approach into the portfolio, the strategy aligns with the broader recommendation of exploiting valuation discrepancies for consistent returns. Over the past seven years, the signal trading strategy delivered an average monthly return of 1.5%, with a standard error of 0.007, indicating a high precision in the average return estimate. The corresponding t-test provides statistically significant evidence against the null hypothesis at the 5% level, with the p-value of 0.0263. This

suggests that the observed positive returns are unlikely to be due to chance. These results provide evidence that a long-short strategy of adidas and PUMA generates positive returns. Breaking down the strategy by signal, the average return for the signal recommending the long-short strategy is 2.9%, while the return for the opposite signal is significantly lower at 1.5%. The historical results show that the recommended long PUMA and short adidas strategy has been more profitable, reinforcing the recommendation to pursue this approach based on relative performance insights.

### ***Key Findings of Risk Management***

The risk analysis shows that a portfolio with a 100% long position in PUMA and a 100% short position in adidas effectively reduces systematic risk, being primarily defined by idiosyncratic risk factors, resulting in an annualized relative return of 0.8%. While PUMA has historically delivered higher returns, it is associated with greater volatility due to its growth-oriented nature. Despite moderate fluctuations in overall portfolio risk, the strategy demonstrates a robust approach to mitigating market impact, with a focus on the relative performance of the two stocks. Both historical and current valuation multiples support this strategy, highlighting consistent profitability due to the undervaluation of PUMA and the overvaluation of adidas.

### **Conclusion**

Overall, the recommended pairs trade strategy of going long on PUMA and short on adidas remains promising, as PUMA is likely to maintain its competitive edge, while adidas may continue to be overvalued. PUMA's attractive valuation, coupled with its steady financial performance and growth potential in Emerging Markets, offers a promising opportunity for investors willing to embrace slightly higher risk. The company's agility, strong brand appeal in key markets, along with its alignment with current consumer trends in athleisure and sustainability, position it well for future growth. The undervaluation, highlighted by both cash flow-based and relative valuation methods, further strengthens the case for a long position in

PUMA, with substantial upside potential. On the other hand, adidas, despite its established market position and strong brand loyalty, faces significant challenges, including overvaluation based on current market conditions. The company's volatility and substantial debt exposure present risks that are not fully priced into its stock. While adidas benefits from its leadership in markets such as Europe and Greater China, an established e-commerce presence, and resilience to macroeconomic headwinds, its growth prospects are constrained by slower adaptation to opportunities in Emerging Markets, comparatively lower investment in emissions reduction initiatives, and weaker capitalization on the growing athleisure trend. The downside risk is notably higher for adidas, making it less attractive at its current valuation.

Considering risk management, the strategy remains compelling and demonstrates significant potential for outperformance. The portfolio has successfully mitigated systematic market risk, as evidenced by a reduction in portfolio volatility over time, while maintaining exposure to the idiosyncratic risks of each stock. While the FF model provided some insights, particularly regarding the portfolio's preference for growth-oriented companies, its limited explanatory power suggests that other factors may be affecting returns. The signal-based trading framework has generated larger abnormal returns for a long position in PUMA and a short position in adidas, further supporting the viability of this approach. The concept of pairs trade aims to construct a market-neutral portfolio by offsetting positions, thereby mitigating systematic risk and minimizing the portfolio's sensitivity to broader market fluctuations. This strategy centers on capitalizing on the relative performance of two stocks, leveraging their strong correlation within the sportswear sector to enhance potential returns. Since this strategy is inherently concentrated within a single industry and lacks diversification, international investors should incorporate it into a broader, more diversified portfolio. By combining the potential of this long-short pairs trade strategy with exposure to unrelated industries, investors can mitigate industry-specific risks and enhance the overall risk-return profile of their investments.

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## **Appendix**

### ***Glossary***

ACP	Average Collection Period
AHP	Average Holding Period
AI	Artificial Intelligence
APP	Average Payable Period
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CCC	Cash Conversion Cycle
CMA	Conservative-Minus-Aggressive
COGS	Costs Of Goods Sold
D/E	Debt-to-Equity
D/EBITDA	Debt-to-EBITDA
D/EV	Debt-to-Enterprise Value
DCF	Discounted Cash Flow
DTC	Direct-to-Consumer
EBIT	Earnings Before Interests and Taxes
EBITDA	Earnings Before Interests, Taxes, Depreciation and Amortization
ESG	Environmental, Social and Governance
EUR	Euro
EV/EBIT	Enterprise Value-to-EBIT
EV/Revenue	Enterprise Value-to-Revenue
FF	Fama-French
G&A	General and Administrative

GDP	Gross Domestic Product
GHG	Greenhouse Gas
HML	High-Minus-Low
Mkt-Rf	Market Risk Premium
NWC	Net Working Capital
P/E	Price-to-Earnings
PPE	Property, Plant, and Equipment
R&D	Research and Development
RMW	Robust-Minus-Weak
ROE	Return On Equity
ROIC	Return On Invested Capital
ROU	Right of Use
SMB	Small-Minus-Big
UFCF	Unlevered Free Cash Flow
US	United States
WACC	Weighted Average Cost of Capital

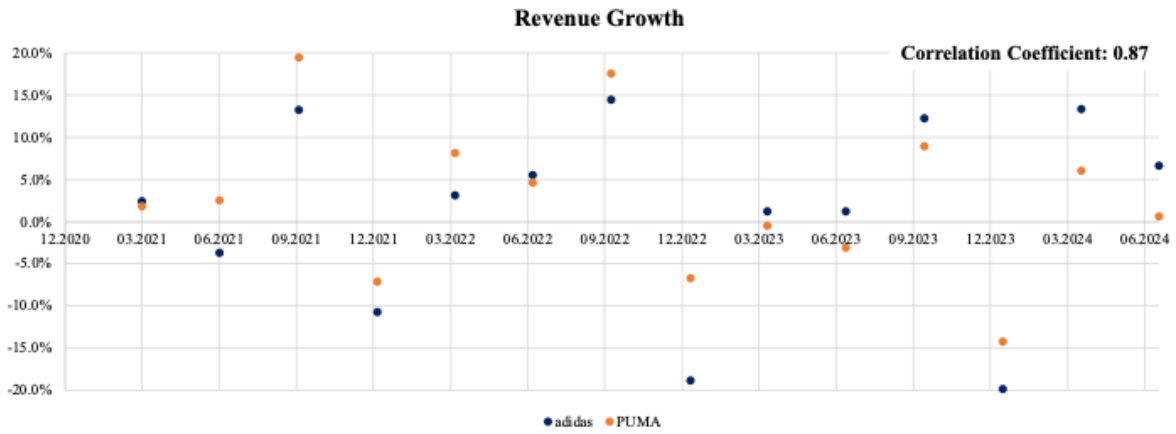


Figure 7: Revenue Growth Correlation post-pandemic

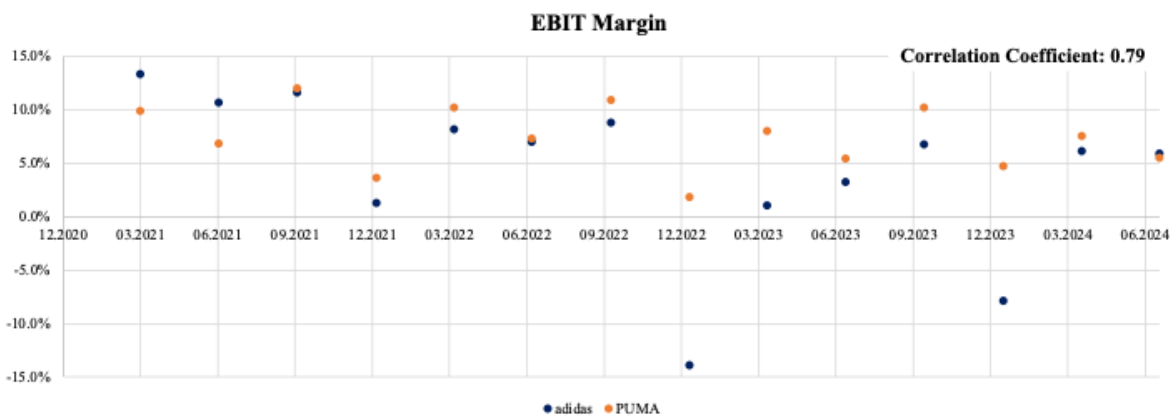


Figure 8: EBIT Margin Correlation post-pandemic

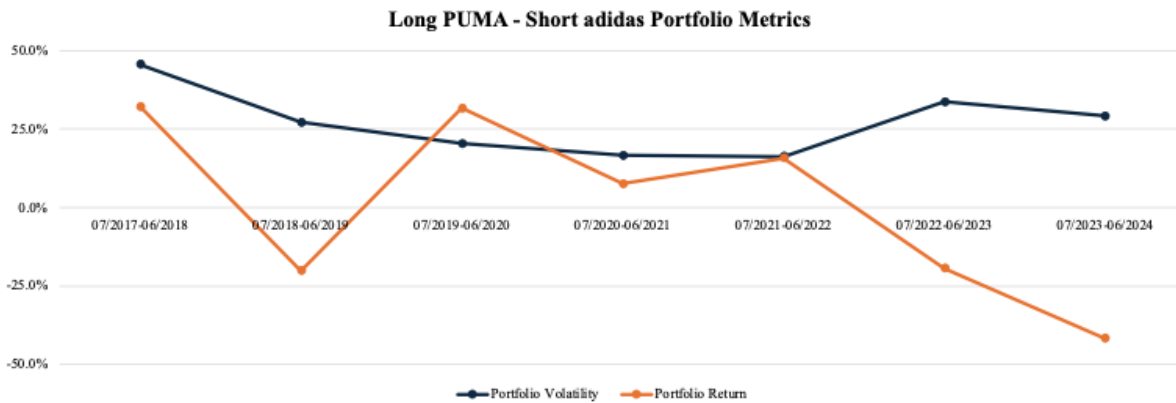


Figure 9: Long PUMA – Short adidas Portfolio Metrics

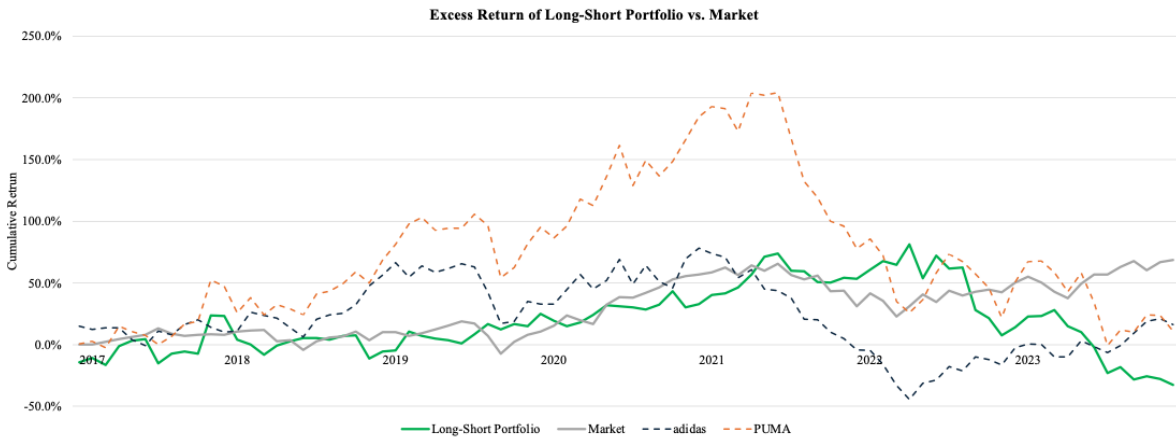


Figure 10: Excess Return of Long-Short Portfolio vs. Market

Table 1: Main Assumptions of adidas' Forecast

		2024	2025	2026	2027	2028	2029	2030	Information
<b>Income Statement</b>									
Revenue growth	%	7.0%	7.0%	6.8%	6.6%	6.6%	6.6%	6.5%	Industry CAGR adjusted for inflation weighted per region and product segment
COGS margin	% of sales	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%	Level of half year 2024 moving forward as the company will be able to maintain reliable and qualified suppliers as part of its strategy
Other operating expenses	Marketing and point-of-sale expenses	12.1%	12.3%	12.5%	12.7%	12.9%	12.1%	12.1%	Gradual increase until going back to half year 2024 level supporting major sporting events/product launches
	Distribution and selling expenses	24.5%	24.0%	23.5%	23.0%	22.5%	22.5%	22.5%	Gradual decrease until stabilization as part of the agile and efficient centre network
	General and administration expenses	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	Level of half year 2024 moving forward accounting for overall scale of the business due to the diverse nature of G&A expenses across different functions
Royalty and commission income		52.0	52.0	52.0	52.0	52.0	52.0	52.0	Level of half year 2024 moving forward reflecting the divestiture of Reebok business and stability from existing contracts
Financial income / expenses	Interest income from financial instruments measured at amortized cost	43.4	29.4	29.4	29.4	29.4	29.4	29.4	Historical average (2021-HY 2024) depending only on income from bank deposits which remained quite stable
	Interest expense on financial instruments measured at amortized cost	144.5	151.8	160.7	194.4	194.4	194.4	194.4	Depend on the new targeted debt to equity ratio defined as net debt* cost of debt
	Net foreign exchange losses	151.4	105.9	84.8	80.0	80.0	80.0	80.0	Gradual decrease until stabilization due to increased hedge coverage
Other comprehensive income		192.0	0.0	0.0	0.0	0.0	0.0	0.0	0 as a best approximation since this item is unpredictable
Tax rate	%	27.4%	27.4%	27.4%	27.4%	27.4%	27.4%	27.4%	Historical statutory tax rate (2020-2023)
<b>Balance Sheet</b>									
Operating Cash	% of sales	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	According to NYU: Following the rule of thumb of defining operating cash to be 2% of sales.
Average collection period	days	36.7	36.7	35.6	34.4	33.3	32.2	30.0	Following the company's target of working capital efficiency. In 2030, below industry average by 6 days, due to prior efficient A/R management
Average holding period	days	144.9	143.9	142.8	141.8	140.7	139.6	138.6	Reaching industry average by 2030 (in line with adidas' aim of inventory management); in 2024 reduction of Yezezy inventory considered
Average payable period	days	84.5	85.0	85.4	85.8	86.2	86.6	87.0	Gradual increase up to 87 days, in line with previous long term conditions with suppliers
Property, Plant & Equipment	Depreciation PP&E	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	18.6%	Historical average (2021-2023)
	Impairment losses	30.3	30.3	30.3	30.3	30.3	30.3	30.3	Historical absolute average (2021-2023)
	Reversal of impairment losses	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	Historical average (2021-2023)
Right-of-use assets	CAPEX	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	In 2024, CAPEX target is assumed to be achieved splitted up by share in 2023; 2% going forward based on history
	Investments	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	Historical average (2021-2023)
	Depreciation	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	Historical average (2021-2023)
Goodwill	Impairment losses	49.7	49.7	49.7	49.7	49.7	49.7	49.7	Historical absolute average (2021-2023)
	Impairment losses	410.3	410.3	410.3	410.3	410.3	410.3	410.3	Historical absolute average (2021-2023)
	Investments	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	Historical average (2021-2023), no acquisitions known for future
Trademarks and other intangible assets	Amortization	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	Historical average (2021-2023)
	Impairment losses	12.7	12.7	12.7	12.7	12.7	12.7	12.7	Historical absolute average (2021-2023)
	Reversal of impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Historical absolute average (2021-2023)
Net Financial Debt	Investments	0.7%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	In 2024, CAPEX target is assumed to be achieved splitted up by share in 2023; 1% going forward based on history
	Debt-to-Enterprise Value	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	Targeted a fixed ratio based on previous debt level and potential of leverage

Table 2: Main Assumptions of PUMA's Forecast

		2024	2025	2026	2027	2028	2029	2030	Information
<b>Income Statement</b>									
Revenue growth	%	5.0%	7.2%	6.6%	6.4%	6.3%	6.3%	6.1%	Industry CAGR adjusted for inflation weighted per region and product segment
COGS margin	% of sales	53.2%	52.7%	52.2%	51.7%	51.7%	51.7%	51.7%	Slight decrease in the level of costs due to improve sourcing and relationship to suppliers
Royalty and commission income		38.5	38.5	38.5	38.5	38.5	38.5	38.5	Historical level of 2023 as the newly granted licenses of 2023 stay in place
Other operating expenses	Sales and distribution expenses	33.6%	33.7%	33.8%	33.9%	34.0%	34.1%	31.6%	Gradual increase until going back to initial 2022 level due to increase in brand visibility and global marketing campaign
	Product management/merchandising	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	Historical level of 2023 and half year 2024
	Research and development	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.0%	Gradual increase until going back to initial 2022 level due to focus on product excellence
Other financial income	Administrative and general expenses	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	Level of half year 2024 moving forward accounting for overall scale of the business due to the diverse nature of G&A expenses across different functions
	Interest expense	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	Level of half year 2024 moving forward due to continuous rental income
Other operating expenses		173.5	183.0	194.4	205.9	218.0	239.8	239.8	Depend on the new targeted debt to equity ratio defined as net debt* cost of debt
Other comprehensive income		91.4	0.0	0.0	0.0	0.0	0.0	0.0	0 as a best approximation since this item is unpredictable
Tax rate	%	27.2%	27.2%	27.2%	27.2%	27.2%	27.2%	27.2%	Historical statutory tax rate (2020-2023)
<b>Balance Sheet</b>									
Operating Cash	% of sales	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	According to NYU: Following the rule of thumb of defining operating cash to be 2% of sales.
Average holding period	days	157.1	154.0	150.9	147.8	144.7	141.7	138.6	Reaching industry average by 2030 (in line with PUMA's aim of inventory management)
Average collection period	days	45.4	44.5	43.6	42.7	41.8	40.9	40.0	Following the company's target of working capital reduction. In 2030, above industry average by 4 days, due to prior extension in customer terms
Average payable period	days	116.6	116.8	117.0	117.2	117.4	117.6	117.8	Gradual increase up to historical average (2021-2023) in line with previous long term conditions with suppliers
Property, Plant & Equipment	Depreciation PP&E	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	Historical average (2021-2023)
	Impairment losses	0.2	0.2	0.2	0.2	0.2	0.2	0.2	Historical absolute average (2021-2023)
	CAPEX	3.3%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	Historical average (2021-2023)
Right-of-use assets	Investments	2.0	7.1	7.1	7.1	7.1	4.9	4.9	Full recognition of future lease payments added to previous year
	Depreciation	19.2%	19.2%	19.2%	19.2%	19.2%	19.2%	19.2%	Constant at 2023 level, assuming lower trend going forward
Goodwill	Investments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No acquisitions known for future
	Depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Historical average (2021-2023)
Intangible assets (indefinite life)	Investments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Historical average (2021-2023)
	Depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Historical average (2021-2023)
Net Financial Debt	Debt-to-Enterprise Value	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	Targeted a fixed ratio based on previous debt level and potential of leverage

Table 3: Compound Annual Growth Rate per Product and Region

adidas		PUMA	
<b>Footwear</b>	<b>CAGR (2023-2028)</b>	<b>Footwear</b>	<b>CAGR (2023-2028)</b>
Europe	2.6%	Europe	2.1%
North America	3.5%	EEMEA	3.7%
Greater China	5.4%	North America	3.5%
Emerging Markets	6.3%	Latin America	3.7%
Latin America	3.7%	Greater China	5.4%
Japan/South Korea	1.9%	Asia Pacific (without Greater China)	6.4%
Other Businesses	10.8%	stichd	0.0%
HQ/Consolidation	0.0%	Central Units	0.0%
<b>Apparel</b>	<b>CAGR (2023-2028)</b>	<b>Apparel</b>	<b>CAGR (2023-2028)</b>
Europe	2.1%	Europe	1.7%
North America	3.4%	EEMEA	3.8%
Greater China	5.5%	North America	3.4%
Emerging Markets	5.3%	Latin America	3.0%
Latin America	3.0%	Greater China	5.5%
Japan/South Korea	2.4%	Asia Pacific (without Greater China)	5.0%
Other Businesses	10.1%	stichd	0.0%
HQ/Consolidation	0.0%	Central Units	0.0%
<b>Accessories and Gear</b>	<b>CAGR (2024-2029)</b>	<b>Accessories</b>	<b>CAGR (2024-2029)</b>
Europe	1.9%	Europe	1.9%
North America	3.0%	EEMEA	3.8%
Greater China	2.9%	North America	3.0%
Emerging Markets	5.1%	Latin America	3.6%
Latin America	3.6%	Greater China	2.9%
Japan/South Korea	1.5%	Asia Pacific (without Greater China)	3.4%
Other Businesses	8.9%	stichd	0.0%
HQ/Consolidation	0.0%	Central Units	0.0%

Table 4: Expected Inflation from 2025 to 2030 per Region

adidas	2025F	2026F	2027F	2028F	2029F	2030F
Europe	2.7%	2.5%	2.4%	2.4%	2.4%	2.0%
North America	2.1%	2.1%	2.2%	2.2%	2.2%	2.0%
Greater China	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Emerging markets	6.2%	4.9%	4.5%	4.3%	4.2%	4.2%
Latin America	7.7%	5.6%	4.4%	3.8%	3.6%	3.6%
Japan/South Korea	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>PUMA</b>						
Europe	2.7%	2.5%	2.4%	2.4%	2.4%	2.0%
EEMEA	6.2%	4.9%	4.5%	4.3%	4.2%	4.2%
North America	2.1%	2.1%	2.2%	2.2%	2.2%	2.0%
Latin America	7.7%	5.6%	4.4%	3.8%	3.6%	3.6%
Greater China	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Asia Pacific (without Greater China)	2.8%	2.7%	2.7%	2.6%	2.6%	2.6%
stichd	2.7%	2.5%	2.4%	2.4%	2.4%	2.4%
Central Units						
<b>Global</b>	<b>4.50%</b>	<b>3.70%</b>	<b>3.50%</b>	<b>3.40%</b>	<b>3.40%</b>	<b>3.40%</b>

Table 5: Expected Nominal Growth Rate per Product and Region for adidas

<b>Footwear</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>	<b>2030F</b>
Europe	5.4%	5.2%	5.1%	5.1%	5.1%	4.7%
North America	5.7%	5.7%	5.8%	5.8%	5.8%	5.6%
Greater China	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Emerging Markets	12.9%	11.5%	11.1%	10.9%	10.8%	10.8%
Latin America	11.7%	9.5%	8.3%	7.7%	7.5%	7.5%
Japan/South Korea	4.0%	3.9%	3.9%	3.9%	3.9%	3.9%
Other Businesses	15.7%	14.9%	14.6%	14.5%	14.5%	14.5%
HQ/Consolidation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Apparel</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>	<b>2030F</b>
Europe	4.8%	4.6%	4.5%	4.5%	4.5%	4.1%
North America	5.5%	5.5%	5.6%	5.6%	5.6%	5.4%
Greater China	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Emerging Markets	11.8%	10.4%	10.0%	9.8%	9.7%	9.7%
Latin America	10.9%	8.8%	7.5%	6.9%	6.7%	6.7%
Japan/South Korea	4.5%	4.4%	4.4%	4.4%	4.4%	4.4%
Other Businesses	15.1%	14.2%	14.0%	13.9%	13.9%	13.9%
HQ/Consolidation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Accessories</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>	<b>2030F</b>
Europe	4.7%	4.5%	4.4%	4.4%	4.4%	3.9%
North America	5.2%	5.2%	5.3%	5.3%	5.3%	5.1%
Greater China	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Emerging Markets	11.6%	10.2%	9.8%	9.6%	9.5%	9.5%
Latin America	11.6%	9.4%	8.1%	7.5%	7.3%	7.3%
Japan/South Korea	3.6%	3.5%	3.5%	3.5%	3.5%	3.5%
Other Businesses	13.8%	13.0%	12.8%	12.6%	12.6%	12.6%
HQ/Consolidation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 6: Expected Nominal Growth Rate per Product and Region for PUMA

<b>Footwear</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>	<b>2030F</b>
Europe	4.9%	4.7%	4.6%	4.6%	4.6%	4.2%
EEMEA	10.2%	8.8%	8.4%	8.2%	8.1%	8.1%
North America	5.7%	5.7%	5.8%	5.8%	5.8%	5.6%
Latin America	11.7%	9.5%	8.3%	7.7%	7.5%	7.5%
Greater China	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Asia Pacific (without Greater China)	9.4%	9.2%	9.2%	9.2%	9.2%	9.2%
stichd	2.7%	2.5%	2.4%	2.4%	2.4%	2.4%
Central Units	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Apparel</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>	<b>2030F</b>
Europe	4.43%	4.22%	4.12%	4.12%	4.12%	3.72%
EEMEA	10.2%	8.9%	8.4%	8.2%	8.2%	8.2%
North America	5.5%	5.5%	5.6%	5.6%	5.6%	5.4%
Latin America	10.9%	8.8%	7.5%	6.9%	6.7%	6.7%
Greater China	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Asia Pacific (without Greater China)	7.9%	7.8%	7.8%	7.8%	7.7%	7.7%
stichd	2.7%	2.5%	2.4%	2.4%	2.4%	2.4%
Central Units	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Accessories</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>	<b>2030F</b>
Europe	4.7%	4.5%	4.4%	4.4%	4.4%	3.9%
EEMEA	10.3%	8.9%	8.4%	8.2%	8.2%	8.2%
North America	5.2%	5.2%	5.3%	5.3%	5.3%	5.1%
Latin America	11.6%	9.4%	8.1%	7.5%	7.3%	7.3%
Greater China	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Asia Pacific (without Greater China)	6.3%	6.2%	6.2%	6.2%	6.1%	6.1%
stichd	2.7%	2.5%	2.4%	2.4%	2.4%	2.4%
Central Units	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 7: Perpetual Growth Rate per Product and Region

adidas		PUMA	
<b>Footwear</b>	<b>Perpetual Growth Rate</b>	<b>Footwear</b>	<b>Perpetual Growth Rate</b>
Europe	1.1%	Europe	0.6%
North America	2.0%	EEMEA	2.2%
Greater China	3.9%	North America	2.0%
Emerging Markets	4.8%	Latin America	2.2%
Latin America	2.2%	Greater China	3.9%
Japan/South Korea	0.4%	Asia Pacific (without Greater China)	4.9%
Other Businesses	9.3%	stichd	0.0%
HQ/Consolidation	0.0%	Central Units	0.0%
<b>Apparel</b>	<b>Perpetual Growth Rate</b>	<b>Apparel</b>	<b>Perpetual Growth Rate</b>
Europe	0.6%	Europe	0.2%
North America	1.9%	EEMEA	2.3%
Greater China	4.0%	North America	1.9%
Emerging Markets	3.8%	Latin America	1.5%
Latin America	1.5%	Greater China	4.0%
Japan/South Korea	0.9%	Asia Pacific (without Greater China)	3.5%
Other Businesses	8.6%	stichd	0.0%
HQ/Consolidation	0.0%	Central Units	0.0%
<b>Accessories and Gear</b>	<b>Perpetual Growth Rate</b>	<b>Accessories and Gear</b>	<b>Perpetual Growth Rate</b>
Europe	0.4%	Europe	0.4%
North America	1.5%	EEMEA	2.3%
Greater China	1.4%	North America	1.5%
Emerging Markets	3.6%	Latin America	2.1%
Latin America	2.1%	Greater China	1.4%
Japan/South Korea	0.0%	Asia Pacific (without Greater China)	1.9%
Other Businesses	7.4%	stichd	0.0%
HQ/Consolidation	0.0%	Central Units	0.0%

Table 8: Revenue Share per Product Segment for adidas and PUMA

Revenue Share by Product	adidas		PUMA	
	Full Year 2024	Long term	Full Year 2024	Long term
Footwear	60%	58%	54%	52%
Apparel	34%	36%	31%	33%
Accessories and Gear	6%	6%	15%	15%

Table 9: Weighted Long-Term Growth Rate per Region

adidas		PUMA	
Europe	0.9%	Europe	0.4%
North America	1.9%	EEMEA	2.3%
Greater China	3.8%	North America	1.9%
Emerging Markets	4.4%	Latin America	2.0%
Latin America	2.0%	Greater China	3.6%
Japan/South Korea	0.5%	Asia Pacific (without Greater China)	4.0%
Other Businesses	8.9%	stichd	0.0%
HQ/Consolidation	0.0%	Central Units	0.0%

Table 10: Revenue Share per Region for adidas and PUMA

adidas			PUMA		
Revenue Share by Region	FY 2024	Long term	Revenue share by region	FY 2024	Long term
Europe	32.3%	29.1%	Europe	23.5%	20.9%
North America	21.5%	20.3%	EEMEA	18.9%	21.3%
Greater China	15.3%	15.9%	North America	24.3%	23.2%
Emerging Markets	13.0%	16.3%	Latin America	14.6%	16.3%
Latin America	11.4%	12.6%	Greater China	7.0%	7.3%
Japan/South Korea	5.9%	5.1%	Asia Pacific (without Greater China)	5.9%	6.5%
Other Businesses	0.5%	0.7%	stichd	5.5%	4.4%
HQ/Consolidation	0.2%	0.0%	Central Units	0.3%	0.2%

Table 11: Reformulated Income Statement of adidas

(in million EUR)	2021	2022	2023	2024	2024	2025	2026	2027	2028	2029	2030	
			HV	FY	HV	FY						
<b>Core Business</b>												
Net sales	21,233	22,511	10,617	21,427	11,280	22,927	24,531	26,203	27,944	29,782	31,743	33,793
<b>Total region</b>												
<i>EMEA</i>	7,760	8,550	3,975	8,235	0							
<i>Europe</i>	0	0	0	0	3,645	7,406	7,788	8,173	8,569	8,985	9,421	9,839
<i>North America</i>	5,105	6,404	2,575	5,219	2,424	4,922	5,199	5,491	5,804	6,136	6,487	6,845
<i>Greater China</i>	4,597	3,179	1,650	3,190	1,719	3,500	3,758	4,037	4,336	4,657	5,002	5,373
<i>Asia-Pacific</i>	2,180	2,241	1,117	2,254	0							
<i>Emerging Markets</i>	0	0	0	0	1,461	2,970	3,340	3,711	4,105	4,534	5,004	5,524
<i>Latin America</i>	1,446	2,104	1,191	2,291	1,288	2,617	2,917	3,187	3,444	3,599	3,966	4,252
<i>Japan/South Korea</i>	0	0	0	0	660	1,343	1,399	1,456	1,516	1,577	1,642	1,709
<i>Other Businesses</i>	145	150	81	155	55	112	130	148	170	194	221	253
<i>HQ / Consolidation</i>	0	-117	28	83	28	56	0	0	0	0	0	0
<b>By region, by product</b>												
<b>Footwear</b>												
<i>Europe</i>						4,446	4,686	4,929	5,179	5,442	5,719	5,986
<i>North America</i>						2,955	3,124	3,302	3,494	3,697	3,912	4,132
<i>Greater China</i>						2,101	2,259	2,429	2,613	2,809	3,021	3,249
<i>Emerging Markets</i>						1,783	2,013	2,245	2,494	2,765	3,064	3,395
<i>Latin America</i>						1,571	1,755	1,923	2,082	2,242	2,410	2,590
<i>Japan/South Korea</i>						806	839	872	906	942	979	1,018
<i>Other Businesses</i>						67	78	90	103	118	135	154
<i>HQ / Consolidation</i>						34	0	0	0	0	0	0
<b>Apparel</b>												
<i>Europe</i>						2,516	2,637	2,759	2,883	3,014	3,150	3,279
<i>North America</i>						1,672	1,764	1,862	1,966	2,077	2,194	2,313
<i>Greater China</i>						1,189	1,279	1,376	1,480	1,592	1,713	1,843
<i>Emerging Markets</i>						1,009	1,128	1,246	1,370	1,505	1,651	1,812
<i>Latin America</i>						889	986	1,073	1,154	1,234	1,317	1,405
<i>Japan/South Korea</i>						456	477	498	520	543	567	592
<i>Other Businesses</i>						38	44	50	57	65	74	84
<i>HQ / Consolidation</i>						19	0	0	0	0	0	0
<b>Accessories and Gear</b>												
<i>Europe</i>						444	465	486	507	529	552	574
<i>North America</i>						295	311	327	344	362	381	400
<i>Greater China</i>						210	220	231	243	255	268	281
<i>Emerging Markets</i>						178	199	219	241	264	289	317
<i>Latin America</i>						157	175	192	207	223	239	257
<i>Japan/South Korea</i>						81	83	86	89	93	96	99
<i>Other Businesses</i>						7	8	9	10	11	12	14
<i>HQ / Consolidation</i>						3	0	0	0	0	0	0
Cost of sales	-10,469	-11,867	-5,535	-11,244	-5,525	-11,230	-12,015	-12,834	-13,687	-14,587	-15,548	-16,552
Other operating expenses (Core)	-8,810	-10,015	-4,827	-9,914	-5,037	-10,239	-10,882	-11,545	-12,228	-12,943	-13,541	-14,416
<i>Marketing and point-of-sale expenses</i>	-2,547	-2,763	-1,218	-2,528	-1,364	-2,772	-3,015	-3,273	-3,546	-3,839	-4,138	-4,486
<i>Distribution and selling expenses</i>	-4,782	-5,601	-2,787	-5,547	-2,759	-5,608	-6,877	-7,147	-7,416	-7,689	-7,962	-8,235
<i>General and administration expenses</i>	-1,481	-1,651	-822	-1,839	-915	-1,859	-1,989	-2,125	-2,266	-2,415	-2,574	-2,740
Other operating income (Core)	14	7	2	7	1	1	0	0	0	0	0	0
<i>Income from release of accrued liabilities and other provisions</i>	14	7	2	7	1	1	0	0	0	0	0	0
Core Result Before Taxes	1,968	636	257	276	718	1,459	1,634	1,824	2,029	2,252	2,654	2,825
Statutory Tax	-539	-174	-70	-76	-197	-400	-448	-500	-556	-617	-727	-774
Tax Adjustments	7	160	234	-61	-9	0	0	0	0	0	0	0
<b>Total Core Result</b>	1,436	622	421	139	512	1,059	1,186	1,324	1,473	1,635	1,927	2,051
<b>Non-Core Business</b>												
Royalty and commission income	86	112	46	83	36	52	52	52	52	52	52	52
Other operating income (Non-Core)	15	166	55	64	7	18	14	12	12	12	12	13
<i>Income from transitional service agreements</i>	0	156	51	50	6	11	3	0	0	0	0	0
<i>Gains from disposal of fixed assets</i>	5	3	1	7	1	5	5	5	5	6	6	6
<i>Sundry income</i>	10	7	2	7	1	2	6	6	6	6	6	6
Other operating expenses (Non-Core)	-82	-245	-122	-156	-78	-135	-140	-145	-150	-157	-164	-191
<i>Sundry expenses</i>	-76	-182	-91	-137	-68	-127	-131	-136	-141	-148	-155	-163
<i>Impairment losses (net) on accounts receivable and contract assets</i>	-6	-63	-31	-19	-9	-8	-8	-9	-9	-9	-10	-29
Non-Financial income / expenses (Non-Core)	-2	-12	-4	-3	-2	-1	-5	-5	-6	-6	-6	-7
<i>Interest income from non-financial assets</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Interest expense on other provisions and non-financial liabilities</i>	-2	-12	-4	-3	-2	-1	-5	-5	-6	-6	-6	-7
Non-Core Result Before Taxes	17	21	-25	-12	-36	-66	-78	-86	-92	-99	-106	-133
Statutory Tax	-5	-6	7	3	10	18	21	24	25	27	29	36
Tax Adjustments	141	-188	-274	-46	-7	0	0	0	0	0	0	0
Gains / (losses) from discontinued operations, net of tax	666	384	-7	44	-7	-7	0	0	0	0	0	0
Other Comprehensive Income	572	18	-130	-238	192	192	0	0	0	0	0	0
<b>Total Non-Core Result</b>	1,391	230	-429	-248	152	137	-57	-63	-67	-72	-77	-97
<b>Operating Result</b>	2,827	851	-8	-109	664	1,196	1,130	1,262	1,406	1,563	1,850	1,955
<b>Financing Business</b>												
Financial income / expenses (Financial)	-131	-269	-77	-201	-131	-268	-290	-281	-289	-301	-313	-324
<i>Interest income from financial instruments measured at amortized cost</i>	12	23	18	39	22	43	29	29	29	29	29	29
<i>Interest expense on financial instruments measured at amortized cost</i>	-109	-125	-43	-157	-98	-203	-213	-226	-238	-251	-262	-274
<i>Net foreign exchange losses</i>	-37	-166	-58	-121	-76	-151	-106	-85	-80	-80	-80	-80
<i>Other</i>	3	-1	6	38	21	42	0	0	0	0	0	0
Financing Result Before Taxes	-131	-269	-77	-201	-131	-268	-290	-281	-289	-301	-313	-324
Statutory Tax	36	74	21	55	36	74	79	77	79	83	86	89
<b>Total Financing Result</b>	-95	-195	-56	-146	-95	-195	-210	-204	-210	-219	-227	-236
<b>Total Comprehensive Income</b>	2,732	656	-64	-255	569	1,002	919	1,058	1,196	1,344	1,622	1,719

Table 12: Reformulated Income Statement of PUMA

(in million EUR)	2021	2022	2023	2024	2024	2025	2026	2027	2028	2029	2030	
			HY	FY	HY	FY						
<b>Core Business</b>												
Net sales	6,805	8,465	4,308	8,602	4,220	9,032	9,682	10,323	10,981	11,669	12,399	13,161
Total region												
<i>Europe</i>	1,524	1,923	1,013	2,016	1,003	2,126	2,226	2,327	2,429	2,536	2,647	2,753
<i>EEMEA</i>	975	1,333	801	1,626	791	1,703	1,876	2,042	2,213	2,394	2,589	2,800
<i>North America</i>	1,969	2,531	1,037	2,096	1,024	2,198	2,320	2,450	2,589	2,735	2,891	3,049
<i>Latin America</i>	631	1,098	626	1,240	628	1,316	1,467	1,603	1,732	1,861	1,995	2,139
<i>Greater China</i>	767	521	305	582	315	632	677	726	778	834	894	958
<i>Asia/Pacific (without Greater China)</i>	533	589	283	552	202	530	575	623	675	731	792	858
<i>stichd</i>	406	470	237	459	245	496	510	522	535	548	561	574
<i>Central units</i>	0	0	6	30	13	30	30	30	30	30	30	30
By region, by product												
Footwear	3,164	4,318	2,336	4,583	2,279	4,877	5,238	5,594	5,961	6,345	6,754	7,181
<i>Europe</i>						1,148	1,204	1,260	1,318	1,378	1,441	1,501
<i>EEMEA</i>						919	1,013	1,102	1,194	1,291	1,396	1,509
<i>North America</i>						1,187	1,255	1,326	1,403	1,485	1,571	1,659
<i>Latin America</i>						711	794	870	942	1,014	1,090	1,172
<i>Greater China</i>						341	367	395	424	456	491	528
<i>Asia/Pacific (without Greater China)</i>						286	313	342	374	408	445	486
<i>stichd</i>						268	275	282	289	296	303	310
<i>Central units</i>						16	16	16	16	16	16	16
Apparel	2,517	2,896	1,311	2,763	1,314	2,811	3,010	3,204	3,404	3,612	3,833	4,062
<i>Europe</i>						662	691	720	750	781	813	843
<i>EEMEA</i>						530	584	636	690	746	807	873
<i>North America</i>						684	722	762	805	850	898	946
<i>Latin America</i>						410	455	494	532	569	607	648
<i>Greater China</i>						197	212	228	245	263	283	305
<i>Asia/Pacific (without Greater China)</i>						165	178	192	207	223	240	259
<i>stichd</i>						154	159	163	166	170	175	179
<i>Central units</i>						9	9	9	9	9	9	9
Accessories	1,125	1,251	661	1,255	628	1,343	1,435	1,525	1,616	1,712	1,813	1,918
<i>Europe</i>						316	331	346	361	376	393	408
<i>EEMEA</i>						253	279	304	330	357	386	418
<i>North America</i>						327	344	361	380	401	422	443
<i>Latin America</i>						196	218	239	258	278	298	320
<i>Greater China</i>						94	99	104	109	114	120	126
<i>Asia/Pacific (without Greater China)</i>						79	84	89	95	100	107	113
<i>stichd</i>						74	76	78	80	81	83	85
<i>Central units</i>						5	5	5	5	5	5	5
Cost of sales	-3,548	-4,562	-2,342	-4,615	-2,230	-4,801	-5,098	-5,384	-5,672	-6,028	-6,404	-6,798
Other operating expenses	-2,727	-3,296	-1,692	-3,421	-1,734	-3,709	-3,996	-4,280	-4,575	-4,886	-5,216	-5,131
<i>Sales and distribution expenses</i>	-2,207	-2,677	-1,374	-2,799	-1,418	-3,035	-3,264	-3,490	-3,723	-3,969	-4,229	-4,162
<i>Product management/merchandising</i>	-53	-71	-36	-83	-42	-88	-94	-101	-107	-114	-121	-128
<i>Research and development</i>	-62	-82	-42	-89	-45	-97	-113	-131	-150	-171	-194	-128
<i>Administrative and general expenses</i>	-405	-466	-239	-451	-228	-489	-524	-559	-595	-632	-671	-713
Other operating income	3	0	0	18	9	11	13	15	17	19	21	23
Core Result Before Taxes	533	607	275	583	265	533	601	673	750	775	800	1,255
Statutory Tax	-145	-165	-75	-159	-72	-145	-164	-183	-204	-211	-218	-342
Tax Adjustments	9	17	4	22	9	0	0	0	0	0	0	0
Total Core Result	397	459	205	446	202	388	438	490	546	564	582	913
<b>Non-Core Business</b>												
Royalty and commission income	24	34	16	39	11	39	39	39	39	39	39	39
Financial expenses (Non-Core)	-1	-1	0	-1	0	-1	-1	-1	-1	-1	-1	-2
Non-Core Result Before Taxes	23	33	16	38	11	38	37	37	37	37	37	37
Statutory Tax	-6	-9	-4	-10	-3	-10	-10	-10	-10	-10	-10	-10
Tax Adjustments	0	5	1	-10	-4	0	0	0	0	0	0	0
Other Comprehensive Income	207	8	-26	-107	91	91	0	0	0	0	0	0
Total Non-Core Result	224	38	-13	-89	95	119	27	27	27	27	27	27
<b>Operating Result</b>	622	497	191	357	297	506	465	517	573	591	609	940
<b>Financing Business</b>												
Financial Income (Financial)	30	79	28	113	55	110	91	91	91	91	91	91
<i>Interest Income</i>	12	32	11	37	18	37	37	37	37	37	37	37
<i>Interest Income - lease receivables</i>	0	0	0	1	1	1	1	1	1	1	1	1
<i>Other</i>	18	47	16	75	36	72	53	53	53	53	53	53
Financial Expenses (Financial)	-81	-168	-58	-255	-124	-277	-263	-252	-240	-229	-219	-227
<i>Interest Expense</i>	-13	-15	-5	-53	-26	-96	-102	-110	-118	-126	-136	-142
<i>Interest Expense - lease liabilities</i>	-32	-39	-13	-47	-23	-47	-49	-50	-52	-54	-55	-57
<i>Expenses from currency-conversion differences, net</i>	-9	-2	-1	-69	-34	-58	-46	-35	-23	-12	0	0
<i>Other</i>	-28	-112	-39	-86	-42	-76	-67	-57	-47	-38	-28	-28
Financing Result Before Taxes	-51	-88	-31	-143	-69	-166	-172	-161	-149	-138	-128	-135
Statutory Tax	14	24	8	39	19	45	47	44	41	38	35	37
Total Financing Result	-37	-64	-22	-104	-50	-121	-125	-117	-109	-101	-93	-99
<b>Total Comprehensive Income</b>	584	433	169	253	247	385	340	400	465	490	516	842

Table 13: Reformulated Balance Sheet of adidas

(in million EUR)	2021	2022	2023 HY	2023 FY	2024 HY	2024 FY	2025	2026	2027	2028	2029	2030
<b>Core Business</b>												
Operating Cash	425	450	212	429	116	459	491	524	559	596	635	676
Accounts receivable	2,175	2,529	2,567	1,906	2,771	2,303	2,464	2,552	2,637	2,720	2,802	2,778
Inventories	4,009	5,973	5,540	4,524	4,544	4,394	4,736	5,022	5,315	5,623	5,948	6,284
Other current assets	637	693	597	634	613	693	746	803	862	925	959	1,021
<i>Prepaid expenses</i>	270	250	215	295	285	289	315	342	370	401	401	427
<i>Return assets</i>	294	338	291	275	266	319	341	364	388	414	441	470
<i>Contract assets</i>	15	15	13	10	10	14	15	16	17	18	19	21
<i>Sundry</i>	58	90	77	54	52	71	76	81	86	92	98	104
Accounts payable	-2,294	-2,908	-2,210	-2,276	-2,560	-2,601	-2,797	-3,002	-3,216	-3,444	-3,688	-3,945
Other provisions (Core)	-1,360	-1,339	-1,196	-1,205	-1,240	-1,393	-1,483	-1,574	-1,669	-1,769	-1,872	-1,981
<i>Marketing</i>	-22	-26	-23	-29	-30	-27	-30	-32	-35	-38	-38	-40
<i>Personnel</i>	-284	-222	-198	-214	-220	-273	-284	-293	-302	-312	-321	-330
<i>Returns and warranty</i>	-709	-815	-728	-646	-665	-762	-816	-871	-929	-990	-1,055	-1,124
<i>Sundry</i>	-345	-276	-247	-316	-325	-331	-354	-378	-403	-429	-458	-487
Accrued liabilities (Core)	-2,660	-2,376	-2,405	-2,243	-2,507	-2,441	-2,610	-2,785	-2,968	-3,161	-3,367	-3,582
<i>Goods and services not yet invoiced</i>	-1,002	-994	-1,006	-835	-933	-845	-916	-992	-1,071	-1,156	-1,248	-1,345
<i>Marketing and sales</i>	-1,205	-1,124	-1,138	-969	-1,083	-1,161	-1,242	-1,327	-1,415	-1,508	-1,607	-1,711
<i>Personnel</i>	-453	-258	-261	-439	-491	-435	-452	-467	-482	-496	-512	-526
Other current liabilities (Core)	-192	-204	-237	-221	-287	-223	-236	-249	-262	-276	-290	-305
<i>Liabilities due to personnel</i>	-55	-52	-60	-37	-48	-55	-57	-59	-60	-62	-64	-66
<i>Liabilities due to social security</i>	-26	-33	-38	-28	-36	-32	-33	-35	-36	-37	-38	-39
<i>Deferred income</i>	-83	-77	-89	-108	-140	-95	-101	-108	-115	-123	-131	-139
<i>Contract liabilities</i>	-3	-3	-3	-1	-1	-2	-3	-3	-3	-3	-3	-4
<i>Sundry</i>	-25	-39	-45	-47	-61	-39	-42	-45	-48	-51	-54	-57
<b>Net Working Capital</b>	<b>740</b>	<b>2,818</b>	<b>2,868</b>	<b>1,548</b>	<b>1,450</b>	<b>1,190</b>	<b>1,312</b>	<b>1,291</b>	<b>1,258</b>	<b>1,213</b>	<b>1,126</b>	<b>944</b>
<b>Property, plant and equipment</b>	<b>2,256</b>	<b>2,278</b>	<b>2,148</b>	<b>2,158</b>	<b>2,095</b>	<b>2,165</b>	<b>2,221</b>	<b>2,296</b>	<b>2,389</b>	<b>2,498</b>	<b>2,623</b>	<b>2,763</b>
Right-of-use assets	2,569	2,665	2,350	2,247	2,702	2,237	2,263	2,319	2,401	2,505	2,629	2,772
Goodwill	1,228	1,260	1,247	1,238	1,256	1,258	1,282	1,307	1,333	1,361	1,392	1,424
Trademarks and other intangible assets	352	429	436	442	446	477	566	651	732	812	891	971
Other non-current assets	74	77	62	49	69	71	77	83	90	98	98	104
Deferred taxes (Core)	963	955	1,018	951	859	969	1,035	1,098	1,165	1,234	1,307	1,381
<i>Non-current assets</i>	-67	40	43	125	113	33	34	36	37	39	41	43
<i>Current assets</i>	121	174	185	317	286	201	216	228	240	252	264	274
<i>Liabilities and provisions</i>	909	741	790	509	460	735	784	835	888	943	1,002	1,064
Other non-current liabilities (Core)	-9	-6	-7	-8	-6	-8	-9	-9	-10	-11	-11	-12
<i>Deferred income</i>	-7	-6	-7	-4	-3	-6	-6	-7	-7	-8	-8	-9
<i>Liabilities due to personnel</i>	-2	0	0	0	0	-1	-1	-1	-1	-1	-1	-1
<i>Sundry</i>	0	0	0	-4	-3	-1	-2	-2	-2	-2	-2	-2
<b>Net Core Non-current Assets</b>	<b>7,433</b>	<b>7,658</b>	<b>7,254</b>	<b>7,077</b>	<b>7,421</b>	<b>7,169</b>	<b>7,434</b>	<b>7,745</b>	<b>8,099</b>	<b>8,497</b>	<b>8,928</b>	<b>9,402</b>
<b>Core Invested Capital</b>	<b>8,173</b>	<b>10,476</b>	<b>10,121</b>	<b>8,625</b>	<b>8,871</b>	<b>8,359</b>	<b>8,746</b>	<b>9,035</b>	<b>9,357</b>	<b>9,710</b>	<b>10,054</b>	<b>10,346</b>
<b>Non-Core Business</b>												
Short-term financial assets	0	0	0	34	0	0	0	0	0	0	0	0
Assets classified as held for sale	2,033	0	0	0	0	0	0	0	0	0	0	0
Long-term financial assets	291	300	309	301	329	329	329	329	329	329	329	329
Other current liabilities (Non-Core)	0	0	0	-20	-26	-26	0	0	0	0	0	0
Liabilities classified as held for sale	-594	0	0	0	0	0	0	0	0	0	0	0
Pensions and similar obligations	-267	-118	-121	-139	-110	-145	-150	-155	-160	-165	-170	-175
Other non-current liabilities (Non-Core)	0	0	0	-95	-73	-73	0	0	0	0	0	0
<b>Non-Core Invested Capital</b>	<b>1,463</b>	<b>182</b>	<b>188</b>	<b>81</b>	<b>120</b>	<b>86</b>	<b>179</b>	<b>174</b>	<b>169</b>	<b>164</b>	<b>159</b>	<b>154</b>
<b>Total (Core and Non-Core) Invested Capital</b>	<b>9,636</b>	<b>10,658</b>	<b>10,309</b>	<b>8,706</b>	<b>8,991</b>	<b>8,445</b>	<b>8,925</b>	<b>9,209</b>	<b>9,526</b>	<b>9,874</b>	<b>10,213</b>	<b>10,500</b>
<b>Financial</b>												
Excess of cash	-3,403	-348	-781	-1,002	-1,544							
Other current financial assets	-745	-1,014	-795	-755	-925							
Income tax receivables	-91	-102	-122	-156	-232							
Other current assets (Financial)	-426	-624	-537	-369	-356							
Other non-current financial assets	-160	-336	-345	-418	-393							
Deferred taxes (Financial)	-178	-126	-134	-260	-235							
Short-term borrowings	29	527	915	549	615							
Current lease liabilities	573	643	572	545	582							
Other current financial liabilities	363	424	337	266	160							
Income taxes	536	302	343	323	394							
Other provisions (Financial)	247	338	302	306	315							
Accrued liabilities (Financial)	32	43	44	30	34							
Other current liabilities (Financial)	243	248	288	247	320							
Long-term borrowings	2,466	2,946	2,938	2,430	2,422							
Non-current lease liabilities	2,263	2,343	2,110	2,039	2,479							
Other non-current financial liabilities	51	44	13	6	2							
Non-controlling interests	318	360	372	345	366							
<b>Net Financial Debt</b>	<b>2,118</b>	<b>5,668</b>	<b>5,519</b>	<b>4,126</b>	<b>4,004</b>	<b>4,214</b>	<b>4,431</b>	<b>4,698</b>	<b>4,957</b>	<b>5,219</b>	<b>5,461</b>	<b>5,697</b>
<b>Total Shareholder's Equity</b>	<b>7,518</b>	<b>4,990</b>	<b>4,790</b>	<b>4,580</b>	<b>4,987</b>	<b>4,230</b>	<b>4,495</b>	<b>4,511</b>	<b>4,569</b>	<b>4,654</b>	<b>4,752</b>	<b>4,803</b>
<b>Total Funding</b>	<b>9,636</b>	<b>10,658</b>	<b>10,309</b>	<b>8,706</b>	<b>8,991</b>	<b>8,445</b>	<b>8,925</b>	<b>9,209</b>	<b>9,526</b>	<b>9,874</b>	<b>10,213</b>	<b>10,500</b>

Table 14: Reformulated Balance Sheet of PUMA

(in million EUR)	2021	2022	2023 HY	2023 FY	2024 HY	2024 FY	2025	2026	2027	2028	2029	2030
<b>Core Business</b>												
Operating Cash	136	169	86	172	84	181	194	206	220	233	248	263
Inventories	1,492	2,245	2,146	1,804	1,961	2,066	2,151	2,226	2,297	2,390	2,485	2,581
Trade receivables	848	1,065	1,348	1,118	1,395	1,124	1,181	1,233	1,285	1,337	1,389	1,442
Other current assets	201	236	374	270	494	271	291	311	332	353	376	387
<i>Prepaid expenses related to the subsequent period</i>	90	86	137	98	180	109	117	126	134	143	153	150
<i>Other receivables</i>	111	150	238	172	314	162	174	186	198	210	223	237
Trade payables	-1,176	-1,735	-1,457	-1,500	-1,648	-1,534	-1,632	-1,726	-1,821	-1,939	-2,063	-2,194
Other current provisions	-9	-10	-11	-10	-11	-13	-14	-14	-15	-16	-17	-18
<i>Warranties</i>	-2	-3	-3	-2	-2	-5	-5	-5	-6	-6	-6	-7
<i>Purchasing risks</i>	-7	-7	-8	-7	-8	-8	-9	-9	-10	-10	-11	-12
<i>Personnel provisions</i>	0	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	-549	-619	-707	-493	-547	-640	-684	-726	-769	-814	-862	-912
<b>Net Working Capital</b>	<b>943</b>	<b>1,352</b>	<b>1,779</b>	<b>1,363</b>	<b>1,728</b>	<b>1,454</b>	<b>1,487</b>	<b>1,510</b>	<b>1,527</b>	<b>1,544</b>	<b>1,556</b>	<b>1,550</b>
Property, plant and equipment	472	592	638	686	720	847	1,019	1,186	1,350	1,511	1,672	1,833
Right-of-use assets	941	1,111	1,063	1,088	1,069	1,132	1,176	1,219	1,261	1,302	1,341	1,378
Intangible assets	472	507	545	531	557	552	573	594	614	635	655	677
Deferred tax assets	238	285	310	262	245	300	319	338	356	376	396	417
<i>Inventories</i>	0	91	99	75	69	84	88	91	94	98	102	105
<i>Remaining current assets</i>	77	14	15	14	13	14	15	16	16	17	18	18
<i>Non-current assets</i>	51	38	41	56	52	58	63	69	74	79	84	89
<i>Provisions and other liabilities</i>	110	143	156	118	110	143	153	162	172	182	193	204
Other non-current provisions	-19	-7	-11	-6	-4	-13	-14	-15	-15	-16	-17	-17
<i>Warranties</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Purchasing risks</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Personnel provisions</i>	-19	-7	-11	-6	-4	-13	-14	-15	-15	-16	-17	-17
Deferred tax liabilities	-81	-379	-413	-346	-323	-381	-402	-423	-444	-464	-484	-503
<i>Current assets</i>	-12	-38	-41	-17	-16	-24	-25	-26	-27	-28	-29	-30
<i>Intangible assets</i>	0	-44	-48	-42	-39	-46	-48	-49	-51	-53	-55	-56
<i>Right-of-use assets</i>	0	-261	-284	-258	-241	-267	-277	-288	-297	-307	-316	-325
<i>Remaining non-current assets</i>	-63	-32	-35	-25	-23	-38	-46	-54	-61	-68	-76	-83
<i>Provisions and other liabilities</i>	-6	-4	-4	-4	-4	-6	-6	-6	-7	-7	-8	-8
<b>Net Core Non-current Assets</b>	<b>2,023</b>	<b>2,109</b>	<b>2,133</b>	<b>2,214</b>	<b>2,264</b>	<b>2,438</b>	<b>2,672</b>	<b>2,899</b>	<b>3,123</b>	<b>3,344</b>	<b>3,565</b>	<b>3,784</b>
<b>Core Invested Capital</b>	<b>2,966</b>	<b>3,461</b>	<b>3,912</b>	<b>3,577</b>	<b>3,992</b>	<b>3,892</b>	<b>4,159</b>	<b>4,410</b>	<b>4,650</b>	<b>4,888</b>	<b>5,121</b>	<b>5,334</b>
<b>Non-Core Business</b>												
Other non-current non-financial assets	9	9	9	26	27	17	18	19	21	22	23	23
Other non-current financial assets	25	22	23	21	22	22	22	22	22	22	22	22
Other current provisions	-39	-40	-15	-18	-2	-38	-40	-42	-44	-47	-49	-52
Pension provisions	-32	-22	-20	-23	-24	-27	-31	-34	-37	-41	-45	-49
Other non-current provisions	-19	-23	-35	-21	-16	-26	-29	-32	-35	-39	-42	-45
Other non-current liabilities	-2	-1	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1
<b>Non-Core Invested Capital</b>	<b>-58</b>	<b>-56</b>	<b>-39</b>	<b>-17</b>	<b>7</b>	<b>-53</b>	<b>-61</b>	<b>-68</b>	<b>-75</b>	<b>-83</b>	<b>-91</b>	<b>-101</b>
<b>Total (Core and Non-Core) Invested Capital</b>	<b>2,909</b>	<b>3,404</b>	<b>3,873</b>	<b>3,560</b>	<b>3,999</b>	<b>3,839</b>	<b>4,098</b>	<b>4,341</b>	<b>4,574</b>	<b>4,805</b>	<b>5,030</b>	<b>5,233</b>
<b>Financial</b>												
Excess of cash	-621	-294	-222	-381	-187							
Income tax receivables	-38	-54	-22	-90	-49							
Other current financial assets	-153	-138	-55	-95	-52							
Deferred tax assets	-74	-347	-379	-368	-343							
Other non-current financial assets	-39	-37	-40	-62	-66							
Current financial liabilities (current borrowings)	69	76	361	146	467							
Income tax liabilities	86	87	31	79	7							
Current lease liabilities	172	200	197	212	213							
Other current financial liabilities	64	76	28	79	7							
Non-current borrowings	0	252	392	426	358							
Non-current lease liabilities	851	1,030	997	1,020	982							
Other non-current financial liabilities	314	14	22	11	8							
Non-controlling interests	65	67	68	29	30							
<b>Net Financial Debt</b>	<b>695</b>	<b>933</b>	<b>1,378</b>	<b>1,007</b>	<b>1,375</b>	<b>2,849</b>	<b>3,009</b>	<b>3,203</b>	<b>3,398</b>	<b>3,604</b>	<b>3,821</b>	<b>3,970</b>
<b>Total Shareholder's Equity</b>	<b>2,214</b>	<b>2,472</b>	<b>2,494</b>	<b>2,554</b>	<b>2,624</b>	<b>989</b>	<b>1,090</b>	<b>1,138</b>	<b>1,177</b>	<b>1,201</b>	<b>1,208</b>	<b>1,263</b>
<b>Total Funding</b>	<b>2,909</b>	<b>3,404</b>	<b>3,873</b>	<b>3,560</b>	<b>3,999</b>	<b>3,839</b>	<b>4,098</b>	<b>4,341</b>	<b>4,574</b>	<b>4,805</b>	<b>5,030</b>	<b>5,233</b>

Table 15: Current Capital Structure based on Market Values

	2021	2022	2023 HY	2023 FY	2024 HY
<b>adidas</b>					
Market Capitalization	48,512	22,756	31,742	32,882	39,816
Shares Outstanding	191.6	178.5	178.5	178.5	178.5
Stock Price	253.2	127.5	177.8	184.2	223.0
Net Financial Debt*	2,118	5,668	5,519	4,126	4,004
EV	50,629	28,425	37,262	37,007	43,820
D/EV	4.2%	19.9%	14.8%	11.1%	9.1%
E/EV	95.8%	80.1%	85.2%	88.9%	90.9%
<b>PUMA</b>					
Market Capitalization	16,082	8,485	8,257	7,571	6,421
Shares Outstanding	149.6	149.6	149.8	149.9	149.8
Stock Price	107.5	56.7	55.1	50.5	42.9
Net Financial Debt*	695	933	1,378	1,007	1,333
EV	16,777	9,418	9,635	8,577	7,754
D/EV	4.1%	9.9%	14.3%	11.7%	17.2%
E/EV	95.9%	90.1%	85.7%	88.3%	82.8%

\*Assumption: Book Value is the approximated Market Value.

Table 16: Weighted Average Cost of Capital

<b>adidas</b>		<b>PUMA</b>	
US treasury bond 10 year	4.4%	US 10 year treasury bond	4.4%
Cross currency basis swap spread USD to EUR	0.1%	Cross currency basis swap spread USD to EUR	0.1%
Risk-free rate	4.3%	Risk-free rate	4.3%
Market risk premium	5.5%	Market risk premium	5.5%
YTM of bonds issued by adidas (10-year maturity)	3.0%	Interest expense FY 2023 (million EUR)	53.1
		EBIT FY 2023 (million EUR)	621.5
		Interest coverage ratio	11.70
Credit spread	0.6%	Credit spread	0.8%
Debt beta	10.1%	Cost of debt	5.0%
Cost of debt	4.8%	Debt beta	13.6%
Corporate tax rate	27.4%	Corporate tax rate	27.2%
After-tax Cost of debt	3.5%	After-tax Cost of debt	3.6%
Systematic risk of unlevered cost of equity	93.2%	Systematic risk of unlevered cost of equity	83.1%
Old Systematic risk of levered cost of equity	101.6%	Old Systematic risk of levered cost of equity	97.6%
Equity beta (relevered)	107.9%	Equity beta (relevered)	106.3%
E/EV	85.0%	E/EV	75.0%
D/EV	15.0%	D/EV	25.0%
Cost of unlevered equity	9.4%	Cost of unlevered equity	8.8%
Cost of levered equity	10.2%	Cost of levered equity	10.1%
<b>WACC</b>	<b>9.2%</b>	<b>WACC</b>	<b>8.5%</b>

Table 17: Reformulated Cash Flow Statement of adidas

(in million EUR)	2021	2022	2023	2024 HY	2024 FY	2025	2026	2027	2028	2029	2030
<b>Core Business</b>											
Core EBIT	1,968	636	276	718	1,459	1,634	1,824	2,029	2,252	2,654	2,825
Statutory Tax	-539	-174	-76	-197	-400	-448	-500	-556	-617	-727	-774
Tax Adjustments	7	160	-61	-9	0	0	0	0	0	0	0
Core NOPLAT	1,436	622	139	512	1,059	1,186	1,324	1,473	1,635	1,927	2,051
<b>Cash Adjustments:</b>											
Depreciation, amortization and impairment losses	1,149	1,375	1,212	560	976	1,009	1,045	1,083	1,123	1,166	1,212
Change in NWC	242	-2,079	1,271	405	260	-122	21	33	45	87	182
Change in PP&E	-1,388	-1,493	-674	-1,051	-582	-1,091	-1,176	-1,257	-1,336	-1,416	-1,495
Change in Goodwill	-20	-32	22	-6	-2	-23	-25	-27	-28	-30	-32
Investments in other intangible assets	650	-77	-13	2	-31	-89	-85	-81	-80	-79	-80
Change in other operating net assets	-53	2	34	58	-110	-71	-70	-72	-76	-72	-79
Total Cash Adjustments	580	-2,304	1,852	-31	512	-387	-289	-322	-353	-344	-292
Core Unlevered Free Cash Flow	2,016	-1,682	1,991	481	1,571	799	1,035	1,151	1,282	1,583	1,760
<b>Non-Core Business</b>											
Non-Core EBIT	17	21	-12	-36	-66	-78	-86	-92	-99	-106	-133
Statutory Tax	-5	-6	3	10	18	21	24	25	27	29	36
Tax Adjustments	141	-188	-46	-7	0	0	0	0	0	0	0
Gains / (losses) from discontinued operations, net of tax	666	384	44	-7	-7	0	0	0	0	0	0
Non-Core NOPLAT	819	212	-10	-40	-55	-57	-63	-67	-72	-77	-97
<b>Cash Adjustments:</b>											
Change in Other Non-Core Assets	-1,970	2,024	-35	-7	0	0	0	0	0	0	0
Change in Other Non-Core Liabilities	577	-743	136	-26	35	-93	5	5	5	5	5
Other comprehensive income	572	18	-238	192	192	0	0	0	0	0	0
Total Cash Adjustments	-821	1,299	-137	159	227	-93	5	5	5	5	5
Non-Core Unlevered Free Cash Flow	-1,662	1,511	-147	119	172	-150	-58	-62	-67	-72	-92
Total Unlevered Free Cash Flow	2,014	-171	1,844	600	1,743	649	978	1,089	1,215	1,511	1,668
<b>Financing Business</b>											
Net financial cost	-131	-269	-201	-131	-268	-290	-281	-289	-301	-313	-324
Tax Shield	36	74	55	36	74	79	77	79	83	86	89
Change in Net Debt	-253	3,551	-1,543	-55	210	216	267	259	263	242	235
Net Change in Equity	-1,666	-3,184	-155	-450	-1,758	-655	-1,041	-1,138	-1,259	-1,525	-1,668
Total	-2,014	171	-1,844	-600	-1,743	-649	-978	-1,089	-1,215	-1,511	-1,668

Table 18: Reformulated Cash Flow Statement of PUMA

(in million EUR)	2021	2022	2023 FY	2024 HY	2024 FY	2025	2026	2027	2028	2029	2030
<b>Core Business</b>											
Core EBIT	533	607	583	265	533	601	673	750	775	800	1,255
Statutory Tax	-145	-165	-159	-72	-145	-164	-183	-204	-211	-218	-342
Tax Adjustments	9	17	22	9	0	0	0	0	0	0	0
Core NOPLAT	397	459	446	202	388	438	490	546	564	582	913
<b>Cash Adjustments:</b>											
Depreciation and impairment	306	359	358	184	404	446	486	526	566	605	644
Change in NWC	-282	-408	-11	160	274	-33	-23	-17	-17	-13	6
Change in PP&E	-434	-649	-427	-194	-595	-661	-696	-732	-769	-804	-842
Investments in intangible assets	-28	-35	-24	-10	5	-21	-21	-20	-20	-21	-21
Change in other operating net assets	-24	239	-11	-1	12	3	3	3	1	0	-1
Total Cash Adjustments	-462	-494	-116	138	100	-267	-251	-240	-239	-233	-213
Core Unlevered Free Cash Flow	-65	-35	330	340	487	171	239	306	326	349	700
<b>Non-Core Business</b>											
Non-Core EBIT	23	33	38	11	38	37	37	37	37	37	37
Statutory Tax	-6	-9	-10	-3	-10	-10	-10	-10	-10	-10	-10
Tax Adjustments	0	5	-10	-4	0	0	0	0	0	0	0
Non-Core NOPLAT	17	30	18	4	27	27	27	27	27	27	27
<b>Cash Adjustments:</b>											
Change in Other Non-Core Assets	-2	4	-16	-1	10	-1	-1	-1	-1	-1	0
Change in Other Non-Core Liabilities	4	-5	-23	-1	50	9	9	9	9	9	10
Other comprehensive income	207	8	-107	91	91	0	0	0	0	0	0
Total Cash Adjustments	210	7	-147	90	152	8	7	7	8	8	10
Non-Core Unlevered Free Cash Flow	226	36	-129	94	179	35	35	34	35	35	37
Total Unlevered Free Cash Flow	162	1	201	434	666	206	274	340	360	384	737
<b>Financing Business</b>											
Net financial cost	-51	-88	-143	-69	-166	-172	-161	-149	-138	-128	-135
Tax Shield	14	24	39	19	45	47	44	41	38	35	37
Change in Net Debt	-31	237	74	-26	1,475	159	195	195	206	218	149
Net Change in Equity	-93	-174	-171	-357	-2,020	-239	-352	-426	-466	-509	-787
Total	-162	-1	-201	-434	-666	-206	-274	-340	-360	-384	-737

Table 19: Enterprise Discounted Cash Flow Model of adidas

(in million EUR, except per share data)	HY	FY						Terminal value	
	30.06.24	2024	2025	2026	2027	2028	2029	2030	2031
Core Unlevered FCF		1,571	799	1,035	1,151	1,282	1,583	1,760	1,836
Core Enterprise Value	28,224	27,923	29,688	31,378	33,106	34,863	36,480	38,070	
Non-Core Unlevered FCF	119	172	-150	-58	-62	-67	-72	-92	
<b>Total Enterprise Value</b>	<b>28,343</b>	<b>28,095</b>	<b>29,538</b>	<b>31,320</b>	<b>33,044</b>	<b>34,796</b>	<b>36,408</b>	<b>37,978</b>	
Net Debt	4,251								
Equity available to Common Shareholders (30.06.2024)	24,091								
<b>Share Price</b>	<b>134.93</b>								
Current Share Price (30.06.2024)	223.00								
<b>Overvaluation</b>	<b>-39.5%</b>								

Table 20: Enterprise Discounted Cash Flow Model of PUMA

(in million EUR, except per share data)	HY	FY						Terminal value	
	30.06.24	2024	2025	2026	2027	2028	2029	2030	2031
Core Unlevered FCF		487	171	239	306	326	349	700	727
Core Enterprise Value	11,238	11,219	11,999	12,778	13,556	14,380	15,251	15,844	
Non-Core Unlevered FCF	94	179	35	35	34	35	35	37	
<b>Total Enterprise Value</b>	<b>11,332</b>	<b>11,398</b>	<b>12,034</b>	<b>12,812</b>	<b>13,590</b>	<b>14,415</b>	<b>15,286</b>	<b>15,881</b>	
Net Debt	2,833								
Equity available to Common Shareholders (30.06.2024)	8,499								
<b>Share Price</b>	<b>56.95</b>								
Current Share Price (30.06.2024)	42.87								
<b>Overvaluation</b>	<b>32.8%</b>								

Table 21: Sensitivity Analysis of adidas on Share Price

		WACC								
		8.4%	8.6%	8.8%	9.0%	9.2%	9.4%	9.6%	9.8%	10.0%
Long term growth rate	3.6%	139.92	134.26	129.03	124.18	119.69	115.50	111.60	107.95	104.52
	3.8%	144.75	138.65	133.05	127.87	123.08	118.63	114.49	110.62	107.01
	4.0%	150.01	143.43	137.40	131.85	126.72	121.98	117.58	113.48	109.66
	4.2%	155.77	148.64	142.13	136.16	130.66	125.59	120.90	116.54	112.49
	4.4%	162.11	154.34	147.28	140.84	<b>134.93</b>	129.49	124.48	119.83	115.52
	4.6%	169.10	160.61	152.93	145.94	139.56	133.72	128.34	123.37	118.77
	4.8%	176.87	167.54	159.13	151.53	144.62	138.30	132.52	127.19	122.28
	5.0%	185.55	175.23	165.99	157.67	150.15	143.31	137.06	131.33	126.06
	5.2%	195.30	183.82	173.60	164.46	156.23	148.78	142.01	135.83	130.16

Table 22: Sensitivity Analysis of PUMA on Share Price

		WACC								
		7.7%	7.9%	8.1%	8.3%	8.5%	8.7%	8.9%	9.1%	9.3%
Long term growth rate	3.1%	59.14	56.47	54.03	51.77	49.68	47.75	45.95	44.27	42.71
	3.3%	61.46	58.58	55.94	53.52	51.29	49.23	47.31	45.53	43.87
	3.5%	64.01	60.88	58.03	55.42	53.03	50.82	48.77	46.88	45.12
	3.7%	66.81	63.40	60.31	57.49	54.91	52.53	50.35	48.33	46.45
	3.9%	69.90	66.17	62.80	59.74	<b>56.95</b>	54.40	52.05	49.89	47.89
	4.1%	73.34	69.23	65.54	62.21	59.18	56.42	53.89	51.57	49.43
	4.3%	77.19	72.64	68.58	64.92	61.62	58.63	55.90	53.39	51.10
	4.5%	81.52	76.45	71.95	67.93	64.31	61.05	58.08	55.38	52.90
	4.7%	86.42	80.73	75.72	71.26	67.28	63.71	60.48	57.54	54.86

Table 23: Multiples Valuation of adidas

Trading multiples			
	EV/EBIT	EV/Revenue	P/E
Nike	16.4x	2.0x	20.3x
Under Armour	-41.4x	0.5x	-33.8x
Lululemon	16.0x	3.7x	23.1x
ASICS	22.8x	2.9x	32.7x
V.F Corporation	-57.6x	1.2x	-4.5x
Skechers	12.3x	1.2x	17.6x
Anta	13.0x	3.4x	13.3x
Li Ning	7.4x	1.2x	78.0x
Puma	12.9x	1.0x	24.6x
adidas	201.7x	2.1x	204.6x

Worst Case			
	EV/EBIT	EV/Revenue	P/E
Mean	13.0x	2.0x	26.9x
Median	11.7x	1.8x	20.8x

Best Case			
	EV/EBIT	EV/Revenue	P/E
Mean	15.8x	2.4x	32.9x
Median	14.3x	2.2x	25.4x

FY 2023			
	EV/EBIT	EV/Revenue	P/E
Implied Enterprise Value	2,930	43,110	
(-) Net Debt	439	6,467	
Implied Equity Value	2,490	36,644	
# of Shares Outstanding	178.55	178.55	
<b>Implied Share Price</b>	<b>13.95</b>	<b>205.23</b>	<b>25.22</b>
<b>Median of Share Price</b>	<b>25.22</b>		
Potential	-88.7%		

Forecasted FY 2024			
	EV/EBIT	EV/Revenue	P/E
Implied Enterprise Value	18,150	46,128	
(-) Net Debt	2,723	6,919	
Implied Equity Value	15,428	39,209	
# of Shares Outstanding	178.55	178.55	
<b>Implied Share Price</b>	<b>86.41</b>	<b>219.60</b>	<b>105.80</b>
<b>Median of Share Price</b>	<b>105.80</b>		
Potential	-52.6%		

Table 24: Multiples Valuation of PUMA

Trading multiples			
	EV/EBIT	EV/Revenue	P/E
Nike	16.4x	2.0x	20.3x
Under Armour	-41.4x	0.5x	-33.8x
Lululemon	16.0x	3.7x	23.1x
ASICS	22.8x	2.9x	32.7x
V.F Corporation	-57.6x	1.2x	-4.5x
Skechers	12.3x	1.2x	17.6x
Anta	13.0x	3.4x	13.3x
Li Ning	7.4x	1.2x	78.0x
adidas	201.7x	2.1x	204.6x
Puma	12.9x	1.0x	24.6x

Worst Case			
	EV/EBIT	EV/Revenue	P/E
Mean	37.2x	2.1x	50.1x
Median	14.4x	1.9x	20.8x

Best Case			
	EV/EBIT	EV/Revenue	P/E
Mean	45.5x	2.6x	61.2x
Median	17.5x	2.3x	25.4x

FY 2023			
	EV/EBIT	EV/Revenue	P/E
Implied Enterprise Value	10,151	18,217	
(-) Net Debt	2,538	4,554	
Implied Equity Value	7,613	13,663	
# of Shares Outstanding	149.23	149.23	
<b>Implied Share Price</b>	<b>51.02</b>	<b>91.56</b>	<b>40.26</b>
<b>Median of Share Price</b>	<b>51.02</b>		
Potential	19.0%		

Forecasted FY 2024			
	EV/EBIT	EV/Revenue	P/E
Implied Enterprise Value	9,136	16,396	
(-) Net Debt	2,284	4,099	
Implied Equity Value	6,852	12,297	
# of Shares Outstanding	149.23	149.23	
<b>Implied Share Price</b>	<b>45.92</b>	<b>82.40</b>	<b>36.23</b>
<b>Median of Share Price</b>	<b>45.92</b>		
Potential	7.1%		

Table 25: Projected Impact on Financials of adidas under Scenario 1

			2025	2026	2027	2028	2029	Information
<b>Income Statement</b>								
Revenue growth	North America	%	-13.0%	-9.0%	-5.0%	-2.0%	0.0%	Increased tariffs and reduced spendings (broader global footprint), gradual improvements due to supply chain adjustments
	Europe	%	-3.0%	-6.0%	-4.0%	-2.0%	-2.0%	
COGS growth		%	9.0%	7.0%	5.0%	2.0%	0.0%	Pressure from Chinese manufacturers, counteracting with European innovation
Other operating expenses	Distribution and selling expenses	%	2.5%	2.5%	1.0%	0.5%	0.0%	Increased tariffs on imported goods (23% of goods produced in China), gradual decrease due to supply chain adjustments
	General and administration expenses	%	5.0%	5.0%	2.0%	1.0%	0.0%	
EBIT margin	vs. base case	%	-2.0%	-1.8%	-1.0%	-0.4%	0.0%	Related to supply chain adjustments
<b>Balance Sheet</b>								
Property, Plant & Equipment	CAPEX	% of sales	1.0%	1.0%	1.0%	1.0%	0.0%	Need of additional investments for relocalization of production

Table 26: Projected Impact on Financials of PUMA under Scenario 1

			2025	2026	2027	2028	2029	Information
<b>Income Statement</b>								
Revenue growth	North America	%	-16.0%	-11.0%	-7.0%	-5.0%	-1.0%	Increased tariffs and reduced spendings (higher reliance on US sales), gradual improvements due to supply chain adjustments
	Europe	%	-5.0%	-8.0%	-6.0%	-4.0%	-2.0%	
COGS growth		%	9.0%	7.0%	5.0%	2.0%	0.0%	Pressure from Chinese manufacturers, counteracting with European innovation
Other operating expenses	Sales and distribution expenses	%	3.0%	3.0%	1.0%	1.0%	0.0%	Increased tariffs on imported goods (32% of goods produced in China), gradual decrease due to supply chain adjustments
	Administrative and general expenses	%	6.0%	6.0%	3.0%	2.0%	0.0%	
EBIT margin	vs. base case	%	-2.8%	-2.5%	-1.3%	-0.7%	0.1%	Increase due to higher logistics and transportation costs as a result of new procurement locations
<b>Balance Sheet</b>								
Property, Plant & Equipment	CAPEX	% of sales	2.0%	2.0%	2.0%	1.0%	0.0%	Need of additional investments for relocalization of production

Table 27: Projected Impact on Financials of adidas under Scenario 2.1

			2017	2024	2025	2026	2027	2028	2029	2030	Terminal Value	Information
<b>Scenario 2.1 - Sustainability becomes more important</b>												
Carbon price	Weighted average direct carbon price per ton worldwide	\$	baseline	62.7	102.3	141.8	181.4	220.9	260.5	300.0		Assumed the maximum price target by 2030
		€		58.6	95.5	132.5	169.4	206.4	243.3	280.2		Converted by EUR/USD rate as of 28.06.2024
Scope 1 + 2	CO2 emissions	million tons	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0		Following company's target of 90% reduction of Scope 1 and 2 on a 2017 baseline
	CO2 emissions costs	€ million		8.3	11.4	12.8	12.5	10.6	7.0	1.7		Gradual increase in Other Operating Expenses by emissions costs (reduction in emission stronger than rise in carbon price, therefore decreasing effect)
Scope 3	CO2 emissions	million tons	8.0	5.9	5.8	5.8	5.7	5.7	5.7	5.6		Following company's target of 30% reduction of Scope 3 on a 2017 baseline
	CO2 emissions costs	€ million		343.3	556.2	766.3	973.7	1,178.4	1,380.3	1,579.5		Gradual increase in COGS by emissions costs (reduction in emission weaker than rise in carbon price, therefore increasing effect)
Total scopes	Total CO2 emissions	million tons	8.1	6.0	5.9	5.9	5.8	5.8	5.7	5.6		Total target reduction of emissions by 30% on a 2017 baseline set by the company
	Total CO2 emissions costs	€ million		351.6	567.6	779.1	986.2	1,189.0	1,387.3	1,581.2		Gradual increase in costs due to higher carbon price despite lower emissions
<b>Income Statement</b>												
Revenue growth	Share of sustainable products	%		80.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%		Following company's target of 90% from 2025 onwards
	Sustainable Footwear	%										Applied to all segment
	Europe	%		6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%		Industry CAGR 2024 - 2030
	North America	%		6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%		Industry CAGR 2024 - 2030
	Greater China	%		7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		Industry CAGR 2024 - 2030
	Emerging Markets	%		4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%		Industry CAGR 2024 - 2030
	Latin America	%		5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%		Industry CAGR 2024 - 2030
	Japan/South Korea	%		7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%		Industry CAGR 2024 - 2030
	Long-term impact vs. base case	%									0.5%	Due to lower sustainability efforts made by adidas
COGS growth		%		3.1%	4.2%	5.1%	5.8%	6.2%	6.5%	6.6%		Driven by Scope 3 emissions costs
Other operating expenses		%		0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%		Driven by Scope 1 and 2 emissions costs

Table 28: Projected Impact on Financials of PUMA under Scenario 2.1

		2017	2024	2025	2026	2027	2028	2029	2030	Terminal Value	Information
<b>Scenario 2.1 - Sustainability becomes more important</b>											
Carbon price	Weighted average direct carbon price per ton worldwide	\$	62.7	102.3	141.8	181.4	220.9	260.5	300.0		Assumed the maximum price target by 2030
		€	58.6	95.5	132.5	169.4	206.4	243.3	280.2		Converted by EUR/USD rate as of 28.06.2024
Scope 1 + 2	CO2 emissions	million tons	0.0	0.0	0.0	0.0	0.0	0.0	0.0		Following company's target of 90% reduction of Scope 1 and 2 on a 2017 baseline
	CO2 emissions costs	€ million	0.4	0.6	0.8	1.0	1.1	1.2	1.3		Gradual increase in Other Operating Expenses by emissions costs (reduction in emission weaker than rise in carbon price, therefore increasing effect)
Scope 3	CO2 emissions	million tons	1.5	1.1	1.1	1.1	1.1	1.0	1.0		Following company's target of 33% reduction of Scope 3 on a 2017 baseline
	CO2 emissions costs	€ million	63.8	103.2	142.0	180.2	217.7	254.7	291.0		Gradual increase in COGS by emissions costs (reduction in emission weaker than rise in carbon price, therefore increasing effect)
Total scopes	Total CO2 emissions	million tons	1.6	1.1	1.1	1.1	1.1	1.0	1.0		Total target reduction of emissions by 35% on a 2017 baseline set by the company
	Total CO2 emissions costs	€ million	64.2	103.8	142.8	181.1	218.9	255.9	292.3		Gradual increase in costs due to higher carbon price despite lower emissions
<b>Income Statement</b>											
Revenue growth	Share of sustainable products	%	80.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%		Following company's target of 90% from 2025 onwards
	Sustainable Footwear										Applied to all segments
	Europe	%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%		Industry CAGR 2024 - 2030
	EEMEA	%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%		Industry CAGR 2024 - 2030
	North America	%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%		Industry CAGR 2024 - 2030
	Latin America	%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%		Industry CAGR 2024 - 2030
	Greater China	%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		Industry CAGR 2024 - 2030
	Asia/Pacific (without Greater China)	%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%		Industry CAGR 2024 - 2030
	Long-term impact vs. base case	%								1.0%	Driven by PUMA's strong sustainability efforts
COGS growth		%	1.3%	1.8%	2.3%	2.6%	2.8%	3.0%	3.0%		Driven by Scope 3 emissions costs
Other operating expenses		%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		Driven by Scope 1 and 2 emissions costs

Table 29: Projected Impact on Financials of adidas under Scenario 2.2

		2017	2024	2025	2026	2027	2028	2029	2030	Terminal Value	Information
<b>Scenario 2.2 - Sustainability becomes less important</b>											
Carbon price	Weighted average direct carbon price per ton worldwide	\$	44.2	65.1	86.1	107.1	128.1	149.0	170.0		Assumed the minimum price target by 2030
		€	41.3	60.9	80.4	100.0	119.6	139.2	158.8		Converted by EUR/USD rate as of 28.06.2024
Scope 1 + 2	CO2 emissions	million tons	0.1	0.1	0.1	0.1	0.1	0.0	0.0		Initial target reduced to 60% of Scope 1 and 2 emissions on a 2017 baseline due to historical development
	CO2 emissions costs	€ million	6.0	7.6	8.4	8.4	7.7	6.2	3.8		Gradual increase in Other Operating Expenses by emissions costs (reduction in emission stronger than rise in carbon price, therefore decreasing effect)
Scope 3	CO2 emissions	million tons	8.0	6.1	6.3	6.5	6.7	6.8	7.0	7.2	Initial target reduced to a 10% reduction of Scope 3 emissions on a 2017 baseline
	CO2 emissions costs	€ million	251.1	381.9	520.2	666.0	819.3	980.0	1,148.2		Gradual increase in COGS by CO2 emissions costs due to higher carbon price and lower target
Total scopes	Total CO2 emissions	million tons	8.1	6.2	6.4	6.6	6.7	6.9	7.1	7.3	Total reduction of emissions by 10% on a 2017 baseline
	Total CO2 emissions costs	€ million	257.1	389.5	528.6	674.4	826.9	986.1	1,152.0		Gradual increase in costs due to higher carbon price and lower target
<b>Income Statement</b>											
Revenue growth	Share of sustainable products	%	80.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%		Following company's target of 90% from 2025 onwards
	Sustainable Footwear										Applied to all segments
	Europe	%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%		Industry CAGR 2024 - 2030 adjusted by -1%
	North America	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		Industry CAGR 2024 - 2030 adjusted to reflect Trump's easing on climate regulations - sustainability lose appeal
	Greater China	%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%		Industry CAGR 2024 - 2030 adjusted by -4%, stronger impact by Trump's election assumed
	Emerging Markets	%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%		Industry CAGR 2024 - 2030 adjusted by -2% due to lower interest and cost-efficiencies
	Latin America	%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%		Industry CAGR 2024 - 2030 adjusted by -2% due to lower interest and cost-efficiencies
	Japan/South Korea	%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%		Industry CAGR 2024 - 2030 adjusted by -4%, stronger impact by Trump's election assumed
	Long-term impact vs. base case	%								0.0%	
COGS growth		%	2.2%	3.0%	3.7%	4.4%	4.9%	5.3%	5.7%		Driven by Scope 3 emissions costs
Other operating expenses		%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%		Driven by Scope 1 and 2 emissions costs

Table 30: Projected Impact on Financials of PUMA under Scenario 2.2

Scenario 2.2 - Sustainability becomes less important		2017 baseline	2024	2025	2026	2027	2028	2029	2030	Terminal Value	Information
Carbon price	Weighted average direct carbon price per ton worldwide	\$	44.2	65.1	86.1	107.1	128.1	149.0	170.0		Assumed the minimum price target by 2030 Converted by EUR/USD rate as of 28.06.2024
Scope 1 + 2	CO2 emissions	million tons	0.0	0.0	0.0	0.0	0.0	0.0	0.0		Following target of 90% reduction of Scope 1 and 2 on a 2017 baseline
	CO2 emissions costs	€ million	0.3	0.4	0.5	0.6	0.6	0.7	0.8		Gradual increase in Other Operating Expenses by emissions costs (reduction in emission weaker than rise in carbon price, therefore increasing effect)
Scope 3	CO2 emissions	million tons	1.5	1.1	1.2	1.2	1.3	1.3	1.3		Initial target reduced to a 15% reduction of Scope 3 emissions on a 2017 baseline
	CO2 emissions costs	€ million	46.6	70.6	95.8	122.3	150.1	179.0	209.2		Gradual increase in COGS by CO2 emissions costs due to higher carbon price and lower target
Total scopes	Total CO2 emissions	million tons	1.6	1.1	1.2	1.2	1.3	1.3	1.3		Total reduction of emissions by 17% on a 2017 baseline
	Total CO2 emissions costs	€ million	46.8	71.0	96.3	122.9	150.7	179.7	210.0		Gradual increase in costs due to higher carbon price and lower target
<b>Income Statement</b>			2024	2025	2026	2027	2028	2029	2030	2030	Information
Revenue growth	Share of sustainable products	%	80.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%		Following company's target of 90% from 2025 onwards
	Sustainable Footwear										Applied to all segments
	Europe	%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%		Industry CAGR 2024 - 2030 adjusted by -1%
	EEMEA	%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%		Industry CAGR 2024 - 2030 adjusted by -2% due to lower interest and cost-efficiency
	North America	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		Industry CAGR 2024 - 2030 adjusted to reflect Trump's easing on climate regulations - sustainability lose appeal
	Latin America	%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%		Industry CAGR 2024 - 2030 adjusted by -2% due to lower interest and cost-efficiencies
	Greater China	%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%		Industry CAGR 2024 - 2030 adjusted by -4%, stronger impact by Trump's election assumed
	Asia/Pacific (without Greater China)	%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%		Industry CAGR 2024 - 2030 adjusted by -4%, stronger impact by Trump's election assumed
	Long-term impact vs. base case	%								0.5%	Driven by PUMA's strong sustainability efforts
COGS growth		%	1.0%	1.3%	1.7%	2.0%	2.2%	2.4%	2.6%		Driven by Scope 3 emissions costs
Other operating expenses		%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		Driven by Scope 1 and 2 emissions costs

Table 31: Projected Impact on Financials of adidas under Scenario 3

Income Statement			2025	2026	2027	2028	2029	2030	Terminal Value	Information
Revenue growth	E-Commerce Sales Share	%	36.7%	38.7%	40.7%	42.7%	44.7%	46.7%		Following "Own The Game" expected online share by 2025, gradual increase due to numerous investments
	E-Commerce Footwear									
	Europe	%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%		Industry CAGR 2025 - 2030
	North America	%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%		Industry CAGR 2025 - 2030
	Greater China	%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		Industry CAGR 2025 - 2030
	Emerging Markets	%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%		Industry CAGR 2025 - 2030
	Latin America	%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%		Industry CAGR 2025 - 2030
	Japan/South Korea	%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%		Industry CAGR 2025 - 2030
	E-Commerce Apparel									
	Europe	%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%		Industry CAGR 2025 - 2030
	North America	%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%		Industry CAGR 2025 - 2030
	Greater China	%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%		Industry CAGR 2025 - 2030
	Emerging Markets	%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%		Industry CAGR 2025 - 2030
	Latin America	%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%		Industry CAGR 2025 - 2030
	Japan/South Korea	%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%		Industry CAGR 2025 - 2030
	vs. base case	%	2.9%	3.1%	3.2%	3.4%	3.5%	3.7%	1.0%	
COGS growth		%	-0.5%	-1.5%	-2.5%	-3.5%	-4.5%	-5.5%		Gradual decrease due to production efficiencies
Other operating expenses	Distribution and selling expenses	%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%		Historical CAGR 2013 - 2023
	Administrative and general expenses	%	4.0%	3.0%	2.0%	1.0%	0.0%	-1.5%		Increase of technical team to monitor the systems, followed by reduction of workforce by replacing activities with AI
<b>Balance Sheet</b>										
Average holding period		days	142.2	139.5	136.8	134.0	131.3	128.6		Leverage of AI in inventory management, optimizing inventory control and reducing AHP below industry average
Trademarks and other intangible assets	Investments	% of sales	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%		Following "Own The Game" strategy of EUR 1 billion in 2025, followed by constant increase of share due to continuous updates on technology

Table 32: Projected Impact on Financials of PUMA under Scenario 3

			2025	2026	2027	2028	2029	2030	Terminal Value	Information
<b>Income Statement</b>										
Revenue growth	E-Commerce Sales Share	%	12.1%	13.1%	14.1%	15.1%	16.1%	17.1%		Gradual increase due to multi-year agreement with Google Cloud
	E-Commerce Footwear									
	Europe	%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%		Industry CAGR 2025 - 2030
	EEMEA	%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%		Industry CAGR 2025 - 2030
	North America	%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%		Industry CAGR 2025 - 2030
	Latin America	%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%		Industry CAGR 2025 - 2030
	Greater China	%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		Industry CAGR 2025 - 2030
	Asia/Pacific (without Greater China)	%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%		Industry CAGR 2025 - 2030
	F-Commerce Apparel									
	Europe	%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%		Industry CAGR 2025 - 2030
	EEMEA	%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%		Industry CAGR 2025 - 2030
	North America	%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%		Industry CAGR 2025 - 2030
	Latin America	%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%		Industry CAGR 2025 - 2030
	Greater China	%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%		Industry CAGR 2025 - 2030
	Asia/Pacific (without Greater China)	%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%		Industry CAGR 2025 - 2030
	vs. base case	%	0.9%	0.9%	1.0%	1.1%	1.2%	1.2%	1.0%	
COGS growth		%	-0.5%	-1.0%	-1.5%	-2.0%	-2.5%	-3.5%		Gradual decrease due to production efficiencies
Other operating expenses	Research and development	%	8.3%	8.3%	8.3%	8.3%	7.3%	6.3%		Historical growth of 2023 for four years, following gradual decline by 1% per annum
	Administrative and general expenses	%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%		Increase of technical team to monitor the systems, followed by reduction of workforce by replacing activities with AI
<b>Balance Sheet</b>										
Average holding period		days	153.1	149.2	145.3	141.4	137.5	133.6		Leverage of AI in inventory management, optimizing inventory control and reducing AHP below industry average
Other intangible assets	Investments	% of sales	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%		Constant increase of share due to continuous updates on technology

Table 33: Stock Characteristics of adidas and PUMA from July 2017 to June 2024

	adidas	PUMA
Expected Return monthly	0.7%	0.8%
Standard Deviation monthly	8.8%	10.0%
Expected Return annually	8.6%	9.4%
Standard Deviation annually	30.4%	34.5%
<b>Covariance annually</b>	<b>adidas</b>	<b>PUMA</b>
adidas	0.0911	0.0605
PUMA	0.0605	0.1179

Table 34: Portfolio Characteristics from July 2017 to June 2024

	Weights	Annual Volatility	Expected Annual Return
adidas	-100.0%	30.4%	8.6%
PUMA	100.0%	34.5%	9.4%
<b>Long-short Portfolio</b>	<b>0.0%</b>	<b>29.7%</b>	<b>0.8%</b>