

SPORT MAKES US BETTER: INVESTMENT PERSPECTIVE OF ADIDAS AG

by

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LIST OF ABBREVIATIONS

1. HQ – headquarters.
2. M – million.
3. mln - million.
4. B – billion.
5. n.a. – not available.
6. pp – percentage points.
7. CAGR – compound annual growth rate.
8. R&D – research and development.
9. DTC – direct-to-consumer.
10. CEO – chief executive officer.
11. HR – human resources.
12. IT – information technology.
13. IGBCE – Industrial Union of Mining, Chemistry and Energy.
14. RTL – Radio Télévision Luxembourg.
15. LLP – Limited Liability Partnership.
16. AGM – annual general meeting.
17. EU – European Union.
18. US – United States.
19. ZDHC Foundation – Zero Discharge of Hazardous Chemicals Foundation.
20. MRSL – Manufacturing Restricted Substances List.
21. LWG – Leather Working Group.
22. PFAS – per- and polyfluoroalkyl substances.
23. GHG – greenhouse gas.
24. CO₂e – carbon dioxide equivalent.
25. ESG – Environmental, Social, and Governance.

26. WOVO – workers’ voice.
27. GSCDDA – German Supply Chain Due Diligence Act.
28. UFLPA – Uyghur Forced Labor Prevention Act.
29. WWF – World Wide Fund for Nature.
30. ECHA – European Chemicals Agency.
31. US EPA – United States Environmental Protection Agency.
32. NIEHS – National Institute of Environmental Health Sciences.
33. BMAS – German Federal Ministry of Labour and Social Affairs.
34. CSR – corporate social responsibility.
35. US CBP – United States Customs and Border Protection.
36. CapEx – capital expenditure.
37. OpEx – operating expenses.
38. GDP – gross domestic product.
39. FX – foreign exchange.
40. LA – Los Angeles.
41. FY – fiscal year.
42. PESTEL – political, economic, social, technological, environmental, and legal analysis.
43. OECD – Organisation for Economic Co-operation and Development.
44. G20 – Group of Twenty.
45. HHI – Herfindahl-Hirschman Index.
46. VRIO – valuable, rare, inimitable, organized.
47. SWOT – strengths, weaknesses, opportunities, threats.
48. EUR – euro.
49. NOPAT – net operating profit after tax.

- 50. NIPAT – net investment profit after tax.
- 51. NOA – net operating assets.
- 52. OWC – operating working capital.
- 53. ROE – return on equity.
- 54. ROIC – return on invested capital.
- 55. PP&E – property, plant, and equipment.
- 56. DCF – discounted cash flow.
- 57. FCFE – free cash flow to equity.
- 58. FCFF – free cash flow to firm.
- 59. WACC – weighted average cost of capital.
- 60. CAPM – Capital Asset Pricing Model.
- 61. ERP – equity risk premium.
- 62. EV – enterprise value.
- 63. EBITDA – earnings before interest, taxes, depreciation, and amortization.
- 64. EBIT – earnings before interest and taxes.
- 65. P/E – price-to-earnings.
- 66. P/BV – price-to-book value.
- 67. AG – Aktiengesellschaft (translated from German: Stock Corporation).
- 68. SE – Societas Europaea.
- 69. N.V. – Naamloze Vennootschap (translated from Dutch: Public Limited Company).

1. Introduction

Capital markets play an important role in allocating financial resources between investors who provide capital and companies that need capital to finance operations, growth, and strategic development. However, this allocation is complicated by information asymmetry: investors do not always have the same information, analytical capacity, or industry knowledge as company managers. Financial analysts help reduce this gap by evaluating companies, interpreting financial and strategic information, estimating intrinsic value, and providing investment recommendations.

This thesis is a Business Valuation capstone project. Its purpose is to apply the role of an equity analyst to a publicly traded company and provide a clear investment recommendation: whether investors should buy, hold, or sell the company's shares. The company evaluated in this work is Adidas AG, a German multinational company operating in the global sporting goods industry. Adidas is listed on the Frankfurt Stock Exchange and competes mainly in athletic footwear, sportswear / apparel, and accessories.

The main objective of the thesis is to estimate the fair value of Adidas' equity and compare it with the company's market share price. If the estimated intrinsic value is higher than the market price, the shares are considered undervalued and a BUY recommendation is justified. If the estimated value is lower than the market price, the shares are considered overvalued and a SELL recommendation is appropriate. If the estimated value is close to the market price, the recommendation is HOLD. Therefore, the final result of the analysis is an investment recommendation supported by business, strategic, financial, and market analysis.

2. Business Description

Adidas is a German company headquartered in Herzogenaurach, Bavaria, that operates globally in the sporting goods industry, with a 2024 market share of 8.9% (Adidas AG, “About”; Reuters, “Adidas Shares Rise”). It concentrates on producing and selling athletic and lifestyle footwear, apparel, and accessories (Adidas AG 58). Adidas’ key company and market information is summarized in Table 2.1 (see Table 2.1).

Table 2.1. General Information about the Company.

Target Company	Adidas AG
Sector	Consumer Discretionary
Industry	Sporting Goods
HQ country	Germany
Exchange	Frankfurt Stock Exchange
Ticker symbol	ADS.DE
Yahoo Finance	adidas AG (ADS.DE)
Current price	€157.85 (as of 25/05/2026)
52-week range	€129.95 - €227.70
Target price	€168
Recommendation	BUY

Source: Yahoo Finance; Adidas Investor Relations; author’s calculation and formatting.

- a. Note: Target price and recommendation are based on the valuation results presented in Chapter 5 and Chapter 6.

In 2025, Adidas had €24.8B in revenue, which is 4.8% more than last year (Adidas AG 311). The main markets in 2025 were Europe (32.8% revenue share), North America (20.5%), and Greater China (14.6%) (Adidas AG 65, 80; see Appendix E). It is also present in other geographical markets, such as Latin America, Japan / South Korea, and Emerging Markets.

Adidas is primarily focused on the production and sale of footwear, since 57.4% of its revenue in 2025 came from this product category, 35.3% from apparel, and 7.3% from accessories (Adidas AG 58, 80; see Appendix F).

Founded in 1949 (Adidas AG, “History”), Adidas is the largest sporting goods manufacturer in Europe and second after Nike worldwide (Reuters, “Adidas Shares Rise”; Statista; Companies Market Cap). It implements a global-brand-local-execution model, as Adidas has a well-known global brand but fully outsourced manufacturing, local creation centers across the world, a well-tuned supplier chain, and strongly linked sales networks.

Adidas applies a differentiation strategy, as it competes primarily on brand power, design, innovation, and marketing, rather than scale-driven cost minimization.

Adidas outsources most of its production. It works with 444 independent factories in 37 countries (Adidas AG, “Supplier Lists”). In 2025, 92% of Adidas’ total production volume was produced in Asia through partner factories (Adidas AG 67). The main production countries by product category are summarized in Table 2.2 (see Table 2.2).

Table 2.2. Adidas Production by Country and Product Category.

Country	Footwear, %	Apparel, %	Accessories, %
Vietnam	41%	18%	n.a.
China	14%	17%	21%
Indonesia	31%	n.a.	n.a.
Cambodia	n.a.	20%	n.a.
Pakistan	n.a.	n.a.	28%
Turkey	n.a.	n.a.	22%

Source: Adidas AG, *Annual Report 2025*, Group Management Report – Our Company, “Sourcing and Supply Chain,” p. 68; author’s formatting.

- a. Note: n.a. means that Adidas did not disclose the country's production share for this product category.

Vietnam is the key manufacturing hub, the largest producer of footwear, and the second-largest for apparel. Indonesia is the second-largest footwear producer. China is third in footwear and apparel and second in accessories and gear. Cambodia is the second-largest apparel producer. Other Asian countries are also part of the supply chain (incl. Turkey, Pakistan, etc.).

Adidas sets quality control and social responsibility standards for its external manufacturing partners, audits and monitors them.

Adidas has a widely dispersed shareholder structure and no disclosed controlling shareholder (Adidas AG 49). The company had more than 165,000 shareholders at year-end 2025 (Adidas AG 49). Institutional investors held 79% of shares outstanding, retail investors and undisclosed holdings accounted for 20%, and Adidas AG held 1% as treasury shares as of December 31, 2025 (Adidas AG 49). Therefore, the ownership structure indicates that Adidas is not controlled by a single shareholder but by a broad number of investors dominated by institutional investors. As of mid-2025, the main institutional shareholders were BlackRock, Inc. with 7.5% of shares outstanding, Capital Research and Management Company with 4.9%, Amundi Asset Management with 4.9%, and Norges Bank Investment Management with 4.7% (Yahoo Finance).

The Adidas Supervisory Board has 16 members (Adidas AG 20-23), whose external roles and internal positions are summarized in Table 2.3 (see Table 2.3).

Table 2.3. Adidas Supervisory Board Members.

Member	Description
Thomas Rabe	Chair and CEO of Bertelsmann Management SE and RTL Group.
Nassef Sawiris	Deputy Chair and Executive Chair of OCI N.V.

Paul Francis Seline	Deputy Chair and Chair of the Herzogenaurach Works Council.
Birgit Biermann	Member of the IGBCE Steering Committee.
Linda Evenhuis	Senior Lead Program and Facilitation in Adidas Global HR Talent.
Ian Gallienne	Chair of Groupe Bruxelles Lambert.
Jackie Joyner-Kersey	CEO of the Jackie Joyner-Kersey Foundation.
Christian Klein	CEO of SAP SE.
Bastian Knobloch	Chair of the Adidas Campus North Works Council.
Oliver Mintzlaff	CEO Corporate Projects & Investments at Red Bull.
Petar Mitrovic	Senior Manager Program Facilitation in Adidas Global HR Talent.
Thomas Sapper	Senior Director Tech Project Management at Adidas.
Harald Sikorski	IGBCE District Manager Bavaria.
Bodo Uebber	Independent management consultant.
Jing Ulrich	Managing Director and Vice Chair of Investment Banking at JPMorgan Chase.
Günter Weigl	Senior Vice President Brand Partnerships at Adidas.

Source: Adidas AG, *Annual Report 2025*, To Our Shareholders, “Supervisory Board,” pp. 20-23; author’s formatting.

- a. Note: Descriptions are shortened for presentation purposes. Employee representatives are identified in the Adidas Annual Report 2025.

During the May 2025 annual meeting, shareholders re-elected Adidas’ Supervisory Board Chair Thomas Rabe for another year (Adidas AG 31). The Board has strong formal independence among shareholder representatives, but its size and gender structure create governance concerns. The Board has 16 members, split equally between 8 shareholder representatives and 8 employee representatives under Germany’s Co-Determination Act, which is above the 9-10 member threshold often considered more efficient for board decision-making (Adidas AG 36; Aswath Damodaran

7:39-9:46). All 8 shareholder representatives are independent, meaning independent external members represent 50% of the full Supervisory Board and 100% of shareholder representatives (Adidas AG 38). Women hold 4 of 16 seats, or 25%: Jackie Joyner-Kersey and Jing Ulrich among shareholder representatives, and Birgit Biermann and Linda Evenhuis among employee representatives, which is below the 30% gender-quota benchmark applicable to listed co-determined German companies (Adidas AG 39; Covington & Burling LLP).

Board activity was high in 2025, with an overall participation rate of approximately 97%, above Adidas' internal minimum target of 75% (Adidas AG 25). However, Rabe's re-election received only 64% shareholder support, compared with 69% in the previous year, as some investors criticized his outside CEO roles at Bertelsmann and RTL and Adidas' delay in finding a successor (Reuters, "Adidas Chair Reelected"). Rabe addressed that saying he would leave the Supervisory Board after the 2026 AGM (annual general meeting) and committed to improving the share of women on the Board (Reuters, "Adidas Chair Reelected"). Therefore, the Board provides independent shareholder oversight on paper, but its effectiveness is constrained by a large 16-member structure, 25% female representation, and investor concerns over the Chair's time commitment.

3. Strategy Analysis

Strategy analysis evaluates the industry in which Adidas operates, the competitive forces affecting profitability, the external environment, and Adidas' own competitive position (Porter, "What Is Strategy?" 1). This includes industry analysis (PESTEL analysis, macroeconomic analysis of key markets, industry structure applying Porter's Five Forces framework, environmental and social risks) and competitive strategy analysis (strategic positioning, value chain perspective, VRIO and SWOT analysis). The purpose of this section is to understand whether Adidas operates in an attractive market, what risks affect the company, and whether its strategy can support future growth and profitability.

3.1. INDUSTRY ANALYSIS

Adidas operates in the global sporting goods industry, with the core business focused on producing and selling athletic footwear, sportswear / apparel, and sports-related accessories. The industry was estimated at \$433B in 2025 with a historical CAGR (compound annual growth rate) of 5.6% from 2018 to 2025 and is projected to reach \$548B by 2029, implying a 6% CAGR over the 2026-2029 period (McKinsey 16).

Athletic footwear is one of the most attractive product segments of the industry due to the large market size, solid long-term growth, and dual demand base. The global athletic footwear market was estimated at \$145.5B in 2025 and expects to reach \$234.7B by 2034, implying a 5.5% CAGR in 2026-2034 (Fortune Business Insights). The segment includes running shoes, training shoes, lifestyle shoes, outdoor shoes, and other sport-related footwear. Segment growth is supported by sports participation, fitness awareness, product innovation, and the use of sneakers as lifestyle products. Adidas participates in both Performance product categories (football, running, basketball, and training) and Lifestyle product categories (Originals, Samba, Gazelle, etc.) (Adidas AG 56, 58).

Demand in the sporting goods industry comes from two main consumer needs. The first is functional sports demand, where consumers buy products for running, football, basketball, training, outdoor, and other sport activities. The second is lifestyle and athleisure demand, where consumers buy sportswear for everyday use, comfort, and fashion. Adidas is exposed to both segments: Performance revenues increased 15% currency-neutral and Lifestyle revenues increased 12% currency-neutral in 2025. Adidas' growth depends on both participation in sport and product relevance in lifestyle footwear and apparel.

Nike remains Adidas' main global competitor (Reuters, "Adidas Shares Rise"; Statista; Companies Market Cap). It reported FY2025 revenue of \$46.3B, compared with Adidas' €24.8B (Nike; Adidas AG 311). Puma is smaller, with €7.3B, while Anta Sports had \$11.6B and is especially important in China and Asia (Puma; Anta Sports). Other relevant publicly traded peers for benchmarking include Asics, Lululemon, Deckers, On, and Li-Ning. In China, Adidas competes with domestic sporting goods companies such as Anta, Li-Ning, and Xtep, as local brands become stronger in product speed, pricing, and consumer relevance.

Adidas operates in a growing but highly competitive market. Its long-term performance depends on three main factors: maintaining product momentum across all product segments and categories, gaining share through local execution and DTC (direct-to-consumer) growth, and controlling discounts in a market where Nike, Puma, Anta, On, Hoka, Asics, and Lululemon compete for the same consumers.

3.1.1. PESTEL Analysis

PESTEL analysis is an external-environment framework to identify external business conditions relevant for strategic decisions (Corporate Finance Institute; Washington State University). PESTEL consists of political, economic, social, technological, environmental, and legal factors (Corporate Finance Institute; Washington State University). In this thesis, PESTEL is used to assess the external conditions that affect Adidas' ability to grow revenue, protect margins,

manage supply-chain risk, and sustain its differentiation strategy in the global sporting goods industry.

The logic of the framework is to separate external factors into six categories and link each one to business impact. For Adidas, the most relevant factors are not only market growth and competition but also trade policy, consumer income, athleisure demand, digital channels, environmental regulation, and supply chain due diligence. These factors affect Adidas through pricing power, product demand, supplier costs, working capital needs, compliance costs, and the pace of DTC development. The main PESTEL factors affecting Adidas are summarized in Table 3.1 (see Table 3.1).

Table 3.1. PESTEL Analysis of Adidas' External Environment.

Factor	Key external factor for Adidas	Strategic implication
Political	Trade policy, tariffs, geopolitical risk, and energy-market disruption affect global demand, input costs, and cross-border sourcing. Energy-price shocks and uncertainty weigh on global demand and raise cost pressure.	Adidas' global supply chain and large North American and European revenue exposure make margins sensitive to tariffs, energy costs, and trade-policy changes.
Economic	The sporting goods industry is sensitive to GDP growth, real income, inflation, and consumer confidence because footwear and apparel are discretionary purchases. Global GDP growth is projected at 2.9% in 2026 and 3.0% in 2027, while G20 inflation is projected at 4.0% in 2026 before easing to 2.7% in 2027 (OECD).	Slower income growth and higher inflation can pressure discretionary spending, while stable GDP growth still supports moderate market expansion.
Social	Demand is supported by two consumer needs: sport performance and lifestyle. Consumers buy athletic footwear and apparel both for training and for everyday use.	Adidas benefits from exposure to both Performance and Lifestyle product categories, but must keep products relevant in sport credibility and fashion cycles at the same time.
Technological	Product innovation, digital consumer engagement,	Technology affects both product differentiation and distribution

	e-commerce, membership apps, and supply-chain traceability are becoming more important in athletic footwear and sportswear.	control, Adidas' DTC and digital ecosystem can improve pricing control, consumer data, and customer retention.
Environmental	EU environmental regulation, deforestation-free sourcing, PFAS restrictions, water-intensive processing, and Scope 3 GHG decarbonization increase compliance requirements in apparel and footwear. Adidas targets a 42% reduction in Scope 3 GHG emissions by 2030 versus a 2022 baseline (Adidas AG 172).	Environmental compliance can increase supplier costs, CapEx / OpEx, and traceability requirements, but it also reduces regulatory and reputational risk.
Legal	Supply-chain due diligence rules, labor rights regulation, UFLPA-related import risks, and factory compliance requirements affect companies with outsourced production.	Adidas must maintain supplier monitoring and traceability because its production model depends on independent factories, mostly in Asia. Legal non-compliance can create shipment delays, restricted market access, and remediation costs.

Source: Author's analysis based on Adidas AG, *Annual Report 2025*; OECD Economic Outlook 2025; European Commission materials on EU environmental and supply-chain regulation.

- a. Note: PESTEL groups external factors into political, economic, social, technological, environmental, and legal categories.

PESTEL shows that Adidas' external environment is supportive for long-term demand but difficult for margins. Social and technological factors support demand through sport participation, lifestyle sneakers, DTC, and digital engagement. Political, economic, environmental, and legal factors create cost and execution risks through tariffs, inflation, regulation, traceability, and supplier compliance. Therefore, Adidas' strategy cannot rely only on industry growth, it must convert product relevance and brand strength into sales while controlling sourcing, compliance, and channel costs.

3.1.2. Macroeconomic Analysis of Key Markets

Since the sporting goods industry is highly sensitive to economic cycles, athletic footwear and sportswear demand depends on such macroeconomic factors as household income, consumer confidence, inflation, employment, and interest rates. Adidas sells discretionary products, so weaker GDP (gross domestic product) growth or higher inflation can reduce consumers' willingness to buy full-price footwear and apparel. Macroeconomic conditions also affect input costs, FX (foreign exchange) translation, wholesale demand, and the ability to expand DTC sales.

The analysis focuses on Europe, North America, and Greater China because they have been Adidas' largest markets for the past three years by revenue share. In 2025, Europe accounted for 32.8% of Adidas's revenue, North America for 20.5%, and Greater China for 14.6% (Adidas AG 65, 80; see Appendix E). Together, these regions represented about 67.9% of Adidas' sales in 2025. Europe is also important, as it showed the greatest 2025 revenue growth at 8%, and Greater China reported about 5% revenue growth, while the region remains exposed to strong domestic competitors (Adidas AG 80).

Europe (EU)

Europe is Adidas' largest market, so weak but positive macroeconomic growth matters for the revenue forecast. EU GDP growth is expected to slow from 1.5% in 2025 to 1.1% in 2026, before improving to 1.4% in 2027 (European Commission, "Spring 2026 Economic Forecast"). Inflation is expected to rise to 3.1% in 2026 before easing to 2.4% in 2027 (European Commission, "Spring 2026 Economic Forecast"). Private consumption growth is forecast to decelerate to 1.1% in 2026 and then pick up to 1.3% in 2027 (European Commission, "Spring 2026 Economic Forecast").

Europe provides a stable but not strong macro base. The region can support continued sales growth because unemployment is expected to remain around 6% and consumption is still positive, but inflation and energy costs can limit real discretionary spending (European Commission, "Spring

2026 Economic Forecast”). Adidas’ European growth is more likely to depend on product momentum, full-price sell-through, and local execution than on broad macro acceleration.

North America (US, Canada)

North America is Adidas’ second-largest market and is exposed mainly to the US and Canada. US GDP growth projected at 2.0% in 2026 and 1.7% in 2027, with slower consumer spending expected as real income growth moderates and household savings weaken (OECD). Canada’s growth is expected to be lower: 1.2% GDP growth in 2026 and 1.7% in 2027 (Bank of Canada).

The US still has stronger growth than Europe, but the expected slowdown in consumer spending matters because Adidas competes in discretionary categories and still relies heavily on wholesale distribution. Canada adds slower growth and tariff-related uncertainty. North America can support Adidas’ recovery if product momentum continues, but the macro outlook does not justify assuming aggressive volume growth without market-share gains.

Greater China

Greater China remains a strategically important market because it is Adidas’ third-largest region and a major source of long-term athletic footwear and sportswear demand. China’s GDP growth is expected to slow from 5.0% in 2025 to 4.4% in 2026 and 4.3% in 2027 (OECD). The slowdown is linked to the end of consumer subsidies, higher energy import prices, continued real estate adjustment, and weaker investment momentum.

For Adidas, China still offers a higher-growth macro environment than Europe and North America, but the region carries stronger execution risk. Slower GDP growth, real estate weakness, and local competition from Anta, Li-Ning, and Xtep mean that demand cannot be treated as automatic. Adidas’ growth in Greater China depends on maintaining product relevance in both

Performance and Lifestyle product categories, local consumer adaptation, and competition with domestic brands that can react quickly on pricing, product speed, and distribution.

Conclusion

The macroeconomic outlook supports a cautious growth case for Adidas. Europe offers the largest revenue base but only modest GDP and consumption growth. North America provides a stronger US base but faces slowing consumer spending and Canada-related tariff pressure. Greater China offers higher GDP growth than mature markets, but structural weakness and local competition reduce visibility. Therefore, Adidas' future growth is unlikely to come from macro expansion alone, it will depend on product momentum, market-share gains, DTC growth, pricing discipline, and inventory control across its largest regions.

3.1.3. Industry Structure

To analyze the industry structure, it is suitable to use the Five Competitive Forces framework created by Michael E. Porter, professor at Harvard Business School. The framework is used to identify and analyze an industry's competitive forces: rivalry among existing firms, the threat of new entrants to the industry, the bargaining power of buyers and suppliers, and the ability of customers to find product substitutes (Porter, "The Five Competitive Forces That Shape Strategy" 27; Harvard Business Review 0:38-12:10). These forces determine the intensity of competition and potential profitability, helping better understand where power lies in the industry (Porter, "The Five Competitive Forces That Shape Strategy" 25; Harvard Business Review 0:38-12:10).

Rivalry among existing firms — High.

The sporting goods industry grew by up to 7% per year in 2021-2024 and is projected to grow by around 6% per year in 2025-2029, slowing in major regions (North America, Asia-Pacific), which pushes brands to fight harder for share as growth normalizes (McKinsey 16).

The market is leader-heavy but not dominated by any of the competitors. Nike is the top company, with 14.1% of the global market, while Adidas is second with 8.9% (Reuters, “Adidas Shares Rise”). Combined, the two largest firms in the industry have 23% of the total market, while the rest of the sporting goods market is fragmented across mid-tier and challenger brands.

Mid-tier brands such as VF Corp., Anta Sports, Puma, Skechers, Lululemon, Under Armour, New Balance, and Li Ning together account for about 20% of the market. New brand challengers, such as Swiss On and French Hoka, are competing for the traditional incumbents' share and currently hold about 2% of the market.

Consumer switching costs are low because products are broadly substitutable and accessible across channels. Reducing unit costs, increasing shelf presence, and mindshare depend on massive marketing spending, forcing mid-tier and challenger brands into a scale-or-niche fight.

To estimate market concentration, the Herfindahl-Hirschman Index (HHI) was calculated using the market shares of the main global sporting goods competitors shown in Table 3.2 (see Table 3.2) (Investopedia; U.S. Department of Justice).

Table 3.2. Market Share Inputs for HHI Calculation.

Company	Market share, %	Year of the data
Nike	14.1%	2024
Adidas	8.9%	2024
VF Corp.	3.4%	2023
Puma	3.3%	2024
Anta Sports	3.1%	2023
New Balance	3%	2024
Skechers	2.4%	2023
Lululemon	2.2%	2023
Under Armour	2.1%	2023

Li Ning	1.4%	2023
On	1%	2024
Hoka	0.9%	2024
Herfindahl-Hirschman Index	337.9	

Source: Reuters, based on GlobalData for 2024 market shares of Nike, Adidas, Puma, New Balance, On, and Hoka; Reuters, based on Euromonitor for 2023 market shares of VF Corp., Anta Sports, Skechers, Lululemon, Under Armour, and Li Ning; author's calculation and formatting.

- a. Note: 2023 data are used where 2024 data were not available in the cited Reuters graphics.

The HHI formula is the sum of squared market shares of these companies produced a result of around 337.9, supporting that the market is not concentrated and represents high competition with many players holding relatively equal market shares.

Rivalry among existing firms in the global sporting goods industry remains high as the market is quite strongly dispersed. The largest player accounts for only around 14% of the market, the two largest firms together control about 23%, the estimated HHI does not indicate high concentration, and switching costs for consumers are low. This suggests intense rivalry among existing brands. High rivalry pressures Adidas' margins because brands must keep spending heavily on marketing, product launches, sponsorships, and selective promotions to protect market share.

Threat of new entrants — Moderate.

Barriers exist, but they are not prohibitive. Production is largely outsourced to independent manufacturing partners, which lowers capital barriers for newcomers. Adidas partners with 444 independent factories in 37 countries (Adidas AG, "Supplier Lists"). Nike outsources production to 96 footwear factories in 11 countries and 285 apparel factories in 33 countries (Adidas AG 67).

Outsourcing reduces the risk of having underutilized owned factories if demand falls, but it is necessary to have sufficient leverage to monitor compliance with quality and social responsibility standards at outsourced factories, which is often lacking among new brands entering the market and unable to set up large-scale production.

Significant scale in marketing, athlete and team sponsorships, distribution networks, and product innovation is costly and time-consuming. Adidas spent €3.1B on marketing and point-of-sale expenses in 2025 (Adidas AG 311). Nike's demand creation expense in 2025 was \$4.7B, split between advertising and promotion (Nike).

The need for high recurring spending on marketing, product innovation, and distribution access often forces weak players to reduce prices, increase promotions, or reposition their products but not to exit the market, which keeps competitive pressure high.

The success of newer players such as On and Hoka shows that entrants with differentiated technology and strong storytelling can break through. Contract manufacturing lowers fixed-asset hurdles, but brand building, distribution access, sustained R&D (research and development), and marketing spend can be determined as barriers.

New entrants do not immediately threaten Adidas' scale, but they increase category-level pressure by forcing incumbents to keep investing in innovation, storytelling, and consumer engagement.

Threat of substitutes — Moderate.

Functional substitutes include everyday footwear and apparel from various brands, tailored to each individual buyer's preferences and budget, as well as non-sportswear. There is a noticeable trend among Adidas' target audience of consumers shifting from functionality to lifestyle. But footwear and clothing for running and other sports remain a key segment of this industry. Adidas has its own slogan, "Functionality and Lifestyle," targeting both types of demand, as consumers

who are not involved in sports focus on everyday use of clothing and shoes. Substitutes limit Adidas' pricing power because consumers can shift between performance products, lifestyle sneakers, casual apparel, and non-sportswear alternatives.

Bargaining power of buyers — Moderate.

The bargaining power of buyers differs by channel. In the wholesale channel, large retail networks and multi-brand platforms have stronger bargaining power because they control shelf space, online visibility, and access to consumers. In 2025, wholesale remained Adidas' largest channel, accounting for 59.8% of total net sales (€14.8B), while DTC accounted for 40.2% (€9.9B) (Adidas AG 65, 80; see Appendix G). Nike has a similar situation: in 2025, 57.9% of its revenue (\$25.8B) came from wholesale and 42% from DTC (\$18.8B) (Nike).

End consumers have low individual bargaining power, but collectively they create pressure because switching costs are low and products from Nike, Adidas, Puma, On, Hoka, Asics, Lululemon, and other brands are available across the same stores and online platforms. Which reduces customer loyalty to the brand and intensifies competition on design, price, quality, and convenience. This underscores the need for stronger promotions, more frequent new-product launches, and marketing to maintain sales.

Adidas' DTC channel, through its own retail and e-commerce, reduces dependence on wholesale buyers and gives the company more control over pricing, consumer data, and product presentation. Future DTC growth provides Adidas with a partial counterbalance to the large retail networks.

Overall, buyer power is moderate. Wholesale partners have negotiating leverage, but a higher percentage of wholesale in revenue is a natural characteristic for this market. End consumers have easy switching options but do not influence individually.

Buyer power affects margins mainly through wholesale partners, which can pressure pricing and shelf allocation, while Adidas' DTC growth partly offsets this by improving control over pricing and consumer data.

Bargaining power of suppliers — Moderate.

Adidas does not operate significant own manufacturing and relies on independent partners, predominantly in Asia. Multi-sourcing across a disclosed global supplier network generally lowers any single factory's leverage. Adidas has 60-day standard payment terms, and 54% of suppliers are aligned and have high on-time payment rates (Adidas AG 299). Materials inputs can raise supplier power at times, for example, specialized foams, performance textiles, or constrained inputs such as natural rubber.

Adidas manages risks and the availability of substitutes over time by mapping the supply chains for rubber, cotton, and man-made cellulose fiber, and by refusing to use kangaroo leather in its production. Adidas identifies where key raw materials come from, which suppliers process them, and where social or environmental risks may arise in the chain.

A broad supplier base and product traceability limit the influence of suppliers. Adidas can track materials and production steps across the supply chain instead of relying only on direct Tier-1 suppliers. This helps the company switch suppliers, verify compliance, and reduce dependence on any single factory or raw-material source. Therefore, the bargaining power of suppliers is moderate.

Supplier power can raise input and compliance costs, but Adidas' broad supplier network and traceability reduce dependence on individual factories or raw-material sources.

Conclusion

The industry offers moderate long-term growth, but its structure creates strong pressure on margins and market share. The global sporting goods market is projected to grow by around 6% per

year in 2025-2029, while rivalry remains high due to low market concentration, low switching costs, and the presence of global leaders, mid-tier companies, and fast-growing brand challengers. This means Adidas can grow with the market, but maintaining above-market growth requires continued product relevance, marketing investment, and share gains rather than relying only on industry expansion.

Rivalry is the main competitive pressure. Nike and Adidas together control about 23% of the market, while the estimated HHI of 337.9 indicates a highly fragmented market structure. This supports the conclusion that competition is intense and that brands must keep investing in product launches, sponsorships, marketing, and selective promotions to protect share. Buyer power is moderate because wholesale partners control shelf space and online visibility, while end consumers have low individual power but can easily switch between brands. Adidas' DTC channel growth partly offsets the pressure from wholesale partners by giving the company more control over pricing, consumer data, and product presentation.

The remaining forces create additional but manageable pressure. The threat of new entrants is moderate because outsourced manufacturing lowers fixed-asset barriers, but brand building, distribution access, R&D, and marketing scale remain expensive. The threat of substitutes is moderate because consumers can shift between performance products, lifestyle sneakers, casual apparel, and non-sportswear alternatives. Supplier power is also moderate: specialized materials and compliance requirements can raise costs, but Adidas' broad supplier base, multi-sourcing, and product traceability reduce dependence on individual factories or raw-material sources.

Overall, the industry does not guarantee high growth or margin expansion for Adidas. It provides a positive demand environment, especially in athletic footwear and lifestyle sportswear, but the competitive structure forces Adidas to earn growth through product momentum, brand strength, local execution, DTC development, and disciplined inventory and discount control. The

main risks for profitability are promotional intensity, shifts between performance and lifestyle demand, wholesale partner pressure, input-cost volatility, and region-specific demand changes.

3.1.4. Environmental and Social Risks

Global clothing and footwear brands face many environmental regulations and restrictions in the extraction of raw materials and in wet processing. Especially in Europe, as it pursues green production and decarbonization by 2050 (European Commission, “Climate strategies & targets”). Climate change and ecosystem degradation could limit the accessibility and increase the cost of cotton, leather, and natural rubber (WWF; Copernicus). The EU's Deforestation Regulation requires proper verification of goods such as leather and rubber sold in the EU, and non-compliance results in fines or restricted access (EUR-Lex; European Commission, “Regulation on Deforestation-free Products”).

Adidas is one of the founding companies of the ZDHC (Zero Discharge of Hazardous Chemicals) Foundation, which promotes safe chemical management by controlling hazardous substances at the source, reducing pollution in wastewater and emissions (Adidas AG 191). The ZDHC Foundation is the developer of the MRSL (Manufacturing Restricted Substances List), a guideline for the textile, apparel, and footwear industries that identifies chemicals banned from intentional use in production, like dyes and cleaners (ZDHC). Adidas manages risks associated with water-intensive wet processes in manufacturing, such as dyeing and tanning, by adhering to ZDHC wastewater standards and LWG (Leather Working Group) effluent control protocols (Adidas AG 189-204).

There are also stricter requirements for chemicals classified by PFAS (per- and polyfluoroalkyl substances), a large group of man-made chemicals known as "forever chemicals", in textiles, which increases the complexity of substitution (ECHA; US EPA; NIEHS). Scope 3 GHG (category of indirect greenhouse gas emissions that occur across the value chain) dominates

emissions in the fashion industry, so the costs of transitioning to decarbonization of value chains remain significant for clothing and footwear brands (GHG Protocol).

Adidas' climate targets include reducing Scope 3 GHG emissions by 42% by 2030 versus the 2022 baseline of 6.58M tons CO₂e (Adidas AG 171). By 2025, Adidas had reduced Scope 3 GHG emissions by 5% to 6.24M tons CO₂e (Adidas AG 171).

On the social side, the most significant risks arise at the levels closest to raw materials, including forced and child labor. Adidas conducts monitoring, complaint resolution, and enforcement measures, including termination, where suppliers fail to remediate (Adidas AG 123, 272, 296, 304). Adidas operates a long-standing human rights due diligence program and targets 100% coverage of upstream operations, using tools such as EcoVadis (a sustainability rating platform used to assess companies / suppliers on ESG criteria, incl. environment, labor / human rights, ethics, sustainable procurement) and worker-voice channels through WOVO (a digital grievance / worker-engagement platform that allows workers in supplier facilities to report concerns / provide feedback / access training) to identify and mitigate high-risk issues (Adidas AG 266, 270-277, 305-306).

The GSCDDA (German Supply Chain Due Diligence Act) requires companies with at least 1,000 employees in Germany to conduct human rights due diligence across their supply chains (BMAS; CSR-in-Deutschland). The US UFLPA (Uyghur Forced Labor Prevention Act) has made it more common for shipments to be held up, and cotton has been identified as a high-priority sector (US CBP). Adidas also emphasizes worker health and safety, fair compensation, and gender equity as material areas, setting supplier social-impact ratings and gender wage parity at key Tier-1 suppliers (direct suppliers responsible for final product assembly, such as sewing apparel or assembling shoes) (Adidas AG 265-266, 279).

Conclusion

Adidas' environmental and social risks mainly affect profitability through supply-chain costs and operational continuity. On the environmental side, stricter rules on deforestation-free sourcing, water-intensive processing, hazardous chemicals such as PFAS, and Scope 3 GHG decarbonization can increase input costs, supplier compliance costs, and CapEx / OpEx for cleaner production. On the social side, labor-rights risks in upstream tiers, Germany's and the EU's due-diligence requirements, the US UFLPA, and supplier-level performance on wages, hours, safety, and gender equity create additional monitoring and remediation costs. If Adidas or its suppliers fail to comply, the company may face shipment delays, restricted market access, higher working capital needs, and markdown risk from disrupted supply.

3.2. COMPETITIVE STRATEGY ANALYSIS

Adidas applies a differentiation strategy, distinguishing itself through the continuous launch of new product lines, brand power, and local consumer relevance rather than through cost leadership. The strategy is to create premium value and consumer loyalty through better product quality, design, innovation, athlete partnerships, and cultural collaborations.

3.2.1. Strategic Positioning

Adidas' strategic positioning is to remain innovative and distinct from the competitors through investments in product development, local market adaptation, and athlete partnerships. Adidas has five regional creation centers worldwide that focus on product adaptation: Herzogenaurach (Germany), Portland and Los Angeles (North America), Shanghai (Greater China), and Tokyo (Japan) (Adidas AG 64). They adapt global franchises, like Adizero and Originals, to local markets and preferences, taking into account regional cultural relevance and fashion trends. Products such as the Adizero Adios Pro 4 for running and the Anthony Edwards AE1 for basketball demonstrate how Adidas is merging technology and athlete storytelling to drive consumer desirability (Adidas AG, "Adizero Adios Pro 4"; Adidas AG, "Anthony Edwards Unveils First Signature Shoe"). Adidas uses partnerships and sponsorships with major athletes and sports teams

to reinforce emotional brand attachment. It also expands DTC operations to strengthen brand control and consumer engagement while maintaining a wholesale base for reach and scale.

3.2.2. Value Chain Perspective

Adidas' value chain highlights differentiation drivers concentrated in R&D, design, marketing, and digital engagement rather than competing on price.

- Sourcing and supply chain: a flexible, outsourced manufacturing structure mainly across Asia minimizes fixed assets but requires strict supplier governance and compliance.
- Operations: product creation integrates innovation (R&D) labs and local design centers to accelerate culture-specific and trend adaptation.
- Marketing and sales: brand storytelling, partnerships, and social media engagement create emotional connections and justify premium pricing.
- Service and sustainability: product take-back programs and recycled material initiatives add perceived value and align with ESG-conscious consumers.

Adidas operates as a high-margin, brand-oriented company, not a manufacturer, using design, storytelling, and sustainability as the main value levers.

3.2.3. VRIO Analysis

VRIO analysis is a resource-based strategic framework developed by Jay Barney, an American professor in strategic management at the University of Utah, to assess whether a firm's internal resources and capabilities can create a competitive advantage (Strategic Management Insight; The Strategy Institute). The framework evaluates each resource across four criteria: whether it is valuable for exploiting opportunities or reducing threats, rare among competitors, difficult to imitate, and supported by the company's organization and processes (Strategic Management Insight; The Strategy Institute). The resources are assessed using "Yes" or "No" ratings across these criteria to determine whether they create a sustained competitive advantage, a solid foundation for a

long-term edge, a temporary competitive advantage, or competitive parity (Strategic Management Insight; The Strategy Institute).

The selected resources reflect the main internal drivers of Adidas' differentiation strategy: brand equity and heritage, local product creation centers, outsourced supplier network and governance, digital and DTC ecosystem, innovation platforms, athlete / designer / celebrity partnerships, sustainability leadership, and human capital and creative culture. These resources directly affect Adidas' ability to maintain brand desirability, adapt products to local markets, control distribution, support innovation, manage supply-chain risk, and defend profitability in a competitive sporting goods industry. The VRIO assessment of Adidas' selected resources and capabilities is presented in Table 3.3 (see Table 3.3).

Table 3.3. VRIO Analysis of Adidas' Resources and Capabilities.

Resource / Capability	Valuable	Rare	Inimitable	Organized	Competitive Implication
Brand equity and heritage (global recognition, lifestyle relevance, credibility in sport)	Yes	Yes	Yes	Yes	Sustained competitive advantage; ensures global brand reach.
Local product creation centers (Herzogenaurach, Portland, LA, Tokyo, Shanghai)	Yes	Yes	Yes	Yes	Sustained competitive advantage; enables local culture and trends adaptation.
Outsourced supplier network and governance	Yes	No	Yes	Yes	Solid foundation for a long-term edge; ensures operational flexibility; requires compliance control.
Digital and DTC ecosystem (apps, membership, retail integration)	Yes	No	No	Yes	Competitive parity; trending toward advantage as DTC growth.
Innovation platforms (e.g.,	Yes	No	No	Yes	Temporary competitive

Boost, Lightstrike, Clima technologies)					advantage; requires continuous renewal.
Athlete, designer, and celebrity partnerships	Yes	No	No	Yes	Temporary competitive advantage; visibility driver; replicable by competitors.
Sustainability leadership (e.g., 99% recycled polyester in 2024, circular materials targets)	Yes	No	No	Yes	Temporary competitive advantage; supports differentiation and risk mitigation.
Human capital and creative culture	Yes	No	No	Yes	Competitive parity; important for creative teams specializing in design and innovation.

Source: Author's analysis based on Adidas AG, *Annual Report 2025*, Group Management Report – Our Company, business description and strategy analysis conducted in this thesis.

- a. Note: VRIO evaluates whether a resource or capability is valuable, rare, inimitable, and organizationally supported.

Adidas' most defensible differentiation strategy advantage comes from brand equity and heritage that ensures global brand recognition and local product creation centers that adapt products to regional culture and trends, supported by the scale of a well-tuned outsourced supplier network and implemented governance that ensures operational flexibility but requires compliance control. While the digital and DTC ecosystem, innovation platforms, athlete / celebrity partnerships, sustainability initiatives, and human capital help the company to sustain its competitive position among other firms in the industry, they require continuous investment and are partly replicable by competitors.

3.2.4. SWOT Analysis

SWOT analysis is used to summarize the main internal and external factors affecting Adidas' strategic position (Investopedia; The University of Kansas). Strengths and weaknesses reflect company-specific resources and limitations identified in the competitive strategy and VRIO analysis. Opportunities and threats reflect external market conditions identified in the industry analysis and Porter's Five Forces framework. The SWOT summary of Adidas' strategic position is presented in Table 3.4 (see Table 3.4).

Table 3.4. SWOT Analysis of Adidas.

	Support	Oppose
Internal factors	Strengths: - Strong global brand equity; - Leading position in athletic footwear and sportswear; - Innovation leadership through in-house technology platforms; - Advanced sustainability initiatives that reduce risk exposure and enhance differentiation; - Global brand – local execution product creation model that ensures cultural and market relevance; - Broad outsourced supplier base; - Established DTC and wholesale distribution network.	Weaknesses: - High dependence on outsourced manufacturing in Asia; - Significant exposure to currency fluctuations; - High recurring need for marketing, sponsorships, and R&D; - Still-recovering profitability after the Yeezy termination and 2023 margin compression.
External factors	Opportunities: - Further expansion of DTC and digital ecosystems to enhance margins; - Further development in fast-growing regions such as Emerging Markets, Latin America, and Asia-Pacific, where the popularity of athletic footwear and sportswear continues to rise; - Market-share gains through local execution; - Growth in athleisure and lifestyle sneakers and	Threats: - Escalating rivalry and pricing pressure from Nike, Puma, and new brand challengers (On, Hoka, etc.); - Regulatory costs tied to environmental and labor compliance; - Supply-chain vulnerabilities under geopolitical disruptions; - Shifts in consumer preference between Performance and Lifestyle product categories.

	sustainable product demand.	
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Source: Author's analysis based on industry and competitive strategy analysis, Porter's Five Forces, VRIO analysis, and Adidas AG, *Annual Report 2025*.

- a. Note: Strengths and weaknesses reflect internal factors, opportunities and threats reflect external factors.

Conclusion

Adidas' differentiation strategy is built on brand equity, product innovation, local market adaptation, athlete and cultural partnerships, and sustainability execution. The most defensible sources of competitive advantage are its global brand heritage and local product creation centers, which allow Adidas to combine international brand recognition with adaptation to regional consumer preferences. Other capabilities, such as innovation platforms, DTC ecosystem, partnerships, sustainability initiatives, and creative talent, support the strategy but require continuous investment because they are partly replicable by competitors.

This strategy supports profitability through premium pricing, stronger consumer loyalty, and an outsourced supplier network that reduces the need for owned manufacturing assets. However, Adidas' profitability remains constrained by high recurring spending on marketing, sponsorships, R&D, and the need to manage external supplier compliance. Therefore, Adidas' competitive position remains viable, but sustaining it depends on continuous renewal of product design, technology, local relevance, and brand desirability.

4. Financial Analysis

Financial analysis is used to evaluate Adidas' historical performance and prepare the basis for forecasting and valuation. The analysis covers 2018-2025 and uses Adidas' reported financial statements, reorganized into valuation-oriented blocks. The purpose is to identify which historical trends should be reflected in the forecast and which effects should be treated as temporary.

The section consists of three parts. First, condensed financial statements separate Adidas' operating performance, investment income, financing costs, operating assets, non-operating investments, debt, and equity. Second, ratio analysis evaluates profitability, asset efficiency, liquidity, leverage, and cash conversion. Third, cash flow analysis checks whether Adidas converts accounting profit into cash. Together, these sections explain Adidas' historical performance and provide the basis for forecasting.

4.1. CONDENSED FINANCIAL STATEMENTS

Reported financial statements combine operating, investing, and financing items in the same statements. For valuation purposes, they are reorganized into condensed financial statements to separate Adidas' core business performance from investment income and financing effects. This distinction is important because Adidas' value is generated mainly by selling footwear, apparel, and accessories, while investment income and interest expense should be analyzed separately from the company's operating result.

The condensed income statement focuses on revenue, net operating profit after tax (NOPAT), net investment profit after tax (NIPAT), after-tax interest expense, and profit. The condensed balance sheet separates net operating assets (NOA), non-operating investments, debt, and equity. These blocks make it possible to analyze how Adidas generates operating profit, what asset base is required to support this profit, and how the business is financed.

4.1.1. Condensed Income Statement

The condensed income statement separates Adidas' operating profit from investment income and financing costs (see Appendix D). NOPAT is the key operating profit measure because it shows how much after-tax profit Adidas generates from its core business before financing effects. It is calculated as: $\text{NOPAT} = \text{Profit} - \text{NIPAT} + \text{After-tax interest expense}$.

NIPAT includes investment and interest income after tax. After-tax interest expense is added back because interest is a financing cost, not an operating cost. Both NIPAT and after-tax interest expense are calculated using the German statutory corporate tax rate of 26.2%. No separate non-recurring income or expense was classified in the condensed income statement, as the model does not isolate any reported item as sufficiently unusual and separable from Adidas' operating performance for valuation purposes.

Revenue increased by 12.9% over 2018-2025, but the trend was interrupted by two major declines (see Fig. 1). In 2020, revenue fell by 16.3% due to the COVID-19 crisis (see Fig. 1). After the 2021-2022 recovery, revenue declined again by 4.9% in 2023, mainly due to the Yeezy termination and partially due to the 2022 exit from Russia's market (see Fig. 1). This means Adidas' revenue recovery should not be interpreted as a smooth historical trend. The historical period includes two exceptional shocks that should be considered separately when building the forecast.

Revenue and NOPAT Dynamics

EUR, mln

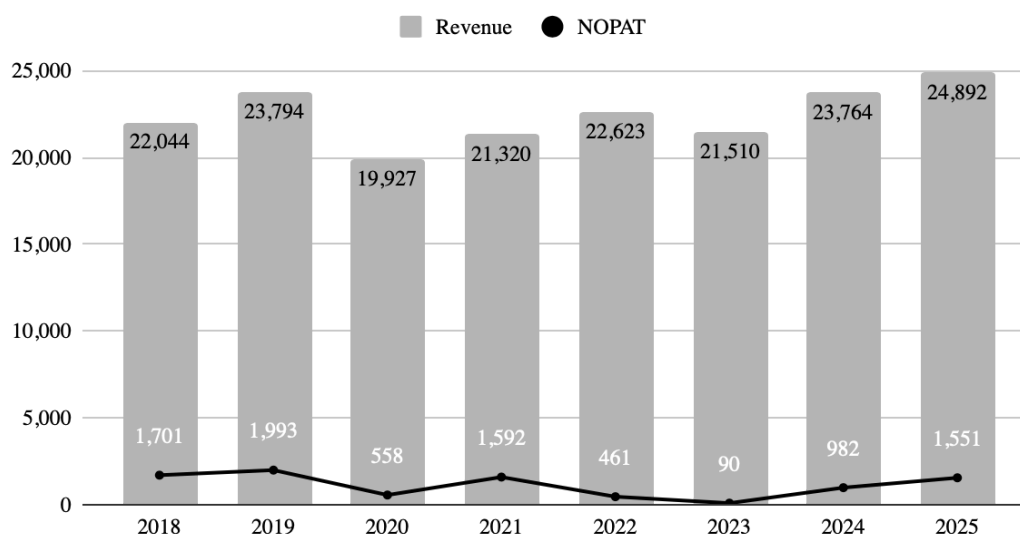


Fig. 1. Adidas' Revenue and NOPAT Dynamics, 2018-2025, EUR mln.

Source: see Appendix D.

The recovery became clearer in 2024-2025. Revenue grew by 10.5% in 2024 and by 4.7% in 2025, reaching a record level for the analyzed period (see Fig. 1). Adidas also reported 13.0% currency-neutral growth for the Adidas brand in 2025, with double-digit growth across all markets and channels (Adidas AG 80). Currency-neutral growth excludes the effect of exchange-rate movements and shows how sales changed in local currencies. This is important for Adidas because the company operates globally, so reported euro revenue can be affected by FX movements. The 2025 result indicates broad demand recovery across regions, channels, and product categories.

In 2025, Europe remained the largest market with a 32.8% revenue share, followed by North America at 20.5%, Greater China at 14.6%, Emerging Markets at 14.1%, Latin America at 11.8%, and Japan / South Korea at 5.6% (Adidas AG 65, 80; see Appendix E). Footwear remained the main product category with a 57.4% revenue share, followed by apparel at 35.3% and accessories at 7.3% (Adidas AG 58, 80; see Appendix F). Wholesale accounted for 59.8% of revenue, while DTC accounted for 40.2% (Adidas AG 65, 80; see Appendix G). This structure shows that Adidas is

primarily a footwear-focused company with broad geographic exposure and a still-important wholesale base. For profitability, the channel mix matters because wholesale provides scale and reach, while DTC gives Adidas more control over pricing, consumer data, and product presentation.

Profitability was more volatile than revenue. NOPAT declined by 94.3% from 2021 to 2023, while revenue declined by only 4.9% in 2023 (see Fig. 1). This shows that the main issue in the weakest year was weak conversion of sales into operating profit. The decline reflected the loss of Yeezy-related sales, the Russia exit, inventory pressure, higher discounts, and weaker cost absorption. In 2024-2025, NOPAT recovered from the 2023 low point as sales grew, gross margin improved, and operating overheads declined as a share of revenue.

Revenue recovered faster than operating profitability. By 2025, revenue was 4.6% above the 2019 pre-crisis level, while NOPAT was still 22.2% below the 2019 level (see Fig. 1). This is the main conclusion from the condensed income statement that Adidas restored sales momentum, but profitability had not fully returned to its earlier level. Therefore, the forecast should assume gradual NOPAT margin recovery rather than an immediate return to pre-crisis profitability.

NIPAT remained small compared with NOPAT over the whole period, so investment income was not a material driver of Adidas' earnings. Adidas' valuation therefore depends mainly on operating profit from selling products. At the same time, after-tax interest expense became higher in 2022-2025 than in the earlier years. This supports the separation of operating performance from financing effects in the condensed income statement, because the recovery in the core business should be analyzed independently from interest costs.

Overall, the condensed income statement shows that Adidas entered a recovery phase in 2024-2025. Revenue momentum returned, profitability improved, and NOPAT recovered from the 2023 low point. The main conclusion for the next stages of analysis is that Adidas' historical revenue recovery supports a positive growth forecast, while the central valuation issue is margin

sustainability. Future performance will depend on Adidas' ability to convert product momentum and stronger demand into sustained operating profit while managing tariff, FX, and execution risks.

4.1.2. Condensed Balance Sheet

The condensed balance sheet reorganizes Adidas' reported balance sheet into operating assets, non-operating investments, debt, and equity (see Appendix H). This structure is needed because valuation requires separating the assets used in Adidas' core business from financial investments and financing sources. Net operating assets (NOA) are calculated as operating working capital (OWC) plus net non-current operating assets. Business assets equal NOA plus non-operating investments, while invested capital is financed by debt and equity.

NOA increased by 53.6% over 2018-2025, which shows that Adidas required a larger operating asset base to support its business than before the crisis period (see Fig. 2). However, the trend was uneven. NOA peaked in 2022, declined by 13.6% in 2023, and then recovered by 10.5% over 2023-2025 (see Fig. 2). This matters because Adidas' profitability recovery should be assessed together with the capital required to generate it. A larger NOA base can support revenue growth, but it also increases the need to improve asset efficiency and operating returns.

Net Operating Assets Breakdown

EUR, mln

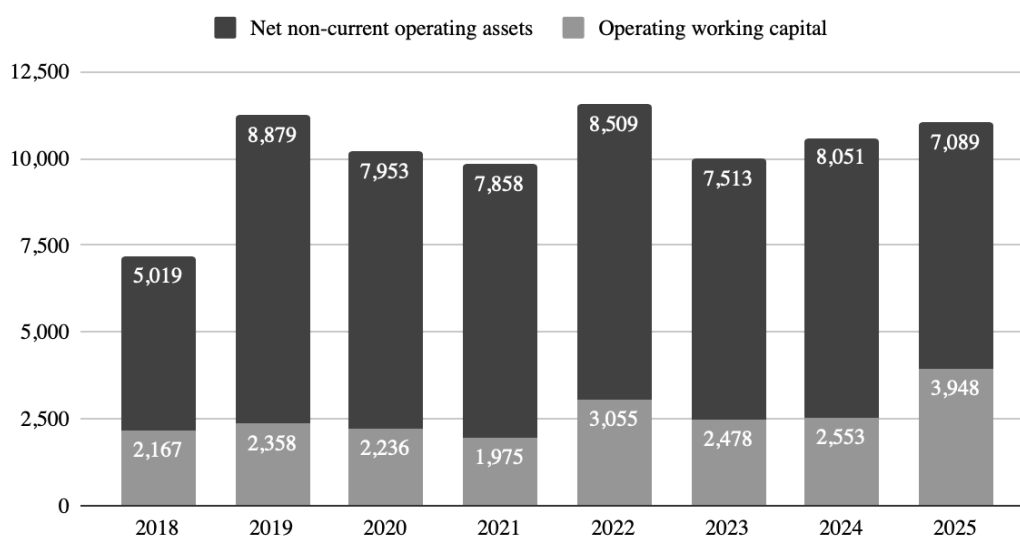


Fig. 2. Adidas' Net Operating Assets Breakdown, 2018-2025, EUR mln.

Source: see Appendix H.

OWC was the main source of balance sheet pressure. It increased by 82.2% over 2018-2025 and by 54.6% in 2025 alone (see Fig. 2). The increase was mainly driven by inventories, which rose by 69.3% over 2018-2025 and by 16.9% in 2025 (see Appendix H). Trade receivables also increased by 9.2% in 2025, while operating cash declined by 29.0% (see Appendix H). This means Adidas' 2025 recovery required more capital to be tied up in daily operations, especially in inventory and receivables. For the forecast, this supports using OWC / revenue as a key assumption, because stronger sales growth will create value only if inventory intensity normalizes.

Net non-current operating assets increased by 41.2% over 2018-2025, but declined by 12.0% in 2025 (see Fig. 2). This block reflects the long-term operating base needed for stores, logistics infrastructure, IT systems, and brand-related assets. In 2025, tangible assets represented the largest component, while intangible assets remained the second largest component (see Appendix H). The decline in net non-current operating assets while revenue reached a record level suggests better utilization of Adidas' long-term operating base. For the forecast, this supports a gradual decline in net non-current operating assets / revenue rather than a major new asset build-up.

Non-operating investments were not a major driver of Adidas' total business assets (see Appendix H). They declined by 13.7% over 2018-2025 and were 66.7% below the 2020 peak (see Appendix H). The main change was excess cash, which fell to zero by 2025, while other non-operating investments became the largest component (see Appendix H). This means Adidas' balance sheet became more focused on operating assets rather than excess liquidity. Since non-operating investments are small relative to NOA, they should not be treated as a central value driver in the forecast.

Debt increased by 200.2% over 2018-2025, although it declined by 14.9% from the 2022 peak (see Fig. 3). In 2025, most debt was non-current, which reduces immediate refinancing pressure but still leaves Adidas with a higher debt base than before the COVID-19 period (see Appendix H). Equity declined by 30.2% from 2019 to 2023, then recovered by 24.3% over 2023-2025 as profitability improved (see Fig. 3). This shows that Adidas started to rebuild its equity base, but the capital structure remained more debt-dependent than before the crisis period.

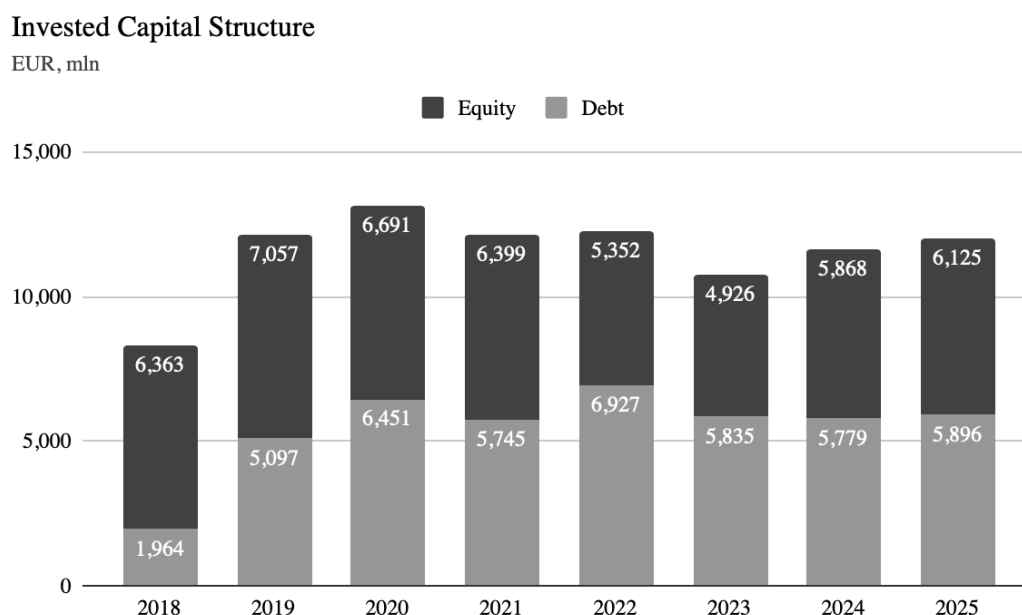


Fig. 3. Adidas' Invested capital structure, 2018-2025, EUR mln.

Source: see Appendix H.

Overall, the condensed balance sheet shows that Adidas entered the recovery phase with higher operating capital needs, a larger debt base, and a still-recovering equity position. The main issue for valuation is not whether Adidas can grow revenue, but whether it can generate this growth with better working capital discipline and more efficient use of operating assets. Therefore, the most important balance sheet assumptions for the forecast are OWC / revenue, net non-current operating assets / revenue, non-operating investments / revenue, and debt / invested capital.

4.2. RATIO ANALYSIS

Ratio analysis is used to convert Adidas' financial statement data into comparable performance measures. This section focuses on four areas: shareholder returns, operating profitability, asset efficiency, and financing risk. The main purpose is to identify which historical drivers explain Adidas' performance and which ratios should be used as inputs for the forecast. For valuation, the most important ratios are those that affect future revenue growth, NOPAT margin, OWC / revenue, net non-current operating assets / revenue, cost of debt, and debt / invested capital.

4.2.1. ROE Decomposition

Return on equity (ROE) shows how effectively Adidas generates profit for shareholders (see Appendix I). It is calculated directly as profit attributable to shareholders divided by average equity. To identify the drivers of ROE, the analysis decomposes it into return on invested capital (ROIC) and financial leverage gain: $ROE = ROIC + \text{Financial leverage gain}$.

ROIC shows the return generated by the company's invested capital before the effect of financial leverage. Financial leverage gain shows whether debt increases or reduces shareholder returns. It depends on the spread between ROIC and the after-tax cost of debt, multiplied by financial leverage. Therefore, ROE can improve either because the core business becomes more profitable or because leverage amplifies returns. For Adidas, the first driver is more important, because the largest changes in ROE came from operating profitability rather than from leverage alone.

Adidas' ROE was strong before the crisis period, reaching 26.8% in 2018 and 28.6% in 2019 (see Fig. 4). It fell to 6.2% in 2020 during the COVID-19 shock, recovered to 22.8% in 2021, then declined to 4.3% in 2022 and turned negative at -1.2% in 2023 (see Fig. 4). The fall from 2021 to 2023 was the main break in the historical trend. It reflected the drop in profitability after the Yeezy termination, the exit from Russia, inventory pressure, higher discounts, and weaker cost

absorption. ROE recovered to 15.2% in 2024 and 23.0% in 2025, which shows that Adidas rebuilt shareholder returns as operating performance improved (see Fig. 4).

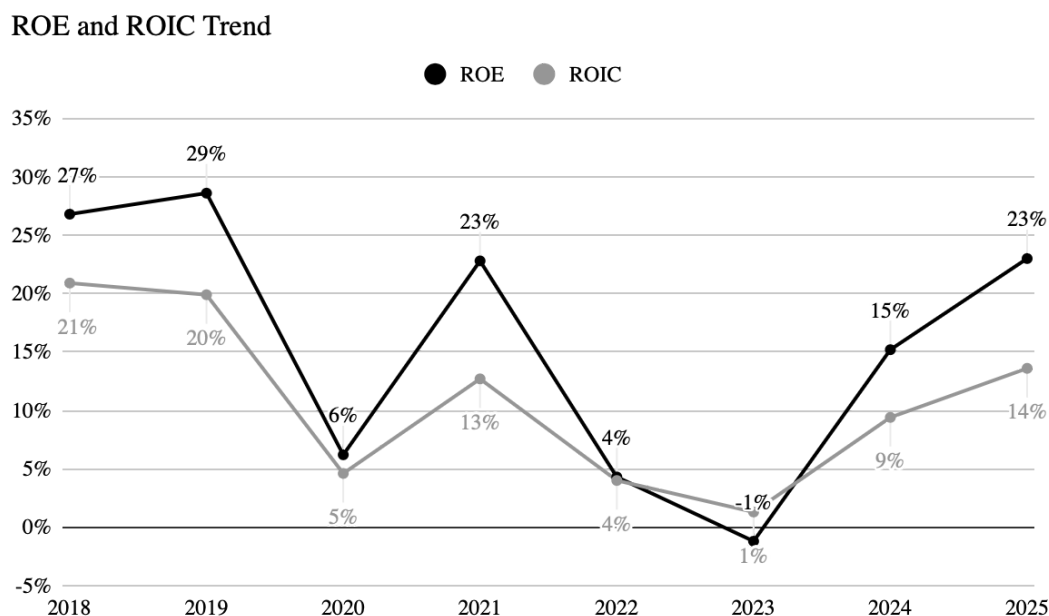


Fig. 4. Adidas' ROE and ROIC Trend, 2018-2025, %.

Source: see Appendix I.

The main driver of this movement was return on net operating assets. It declined from 15.9% in 2021 to only 0.8% in 2023, while net operating asset turnover remained relatively stable at around 2.0x-2.3x over 2021-2025 (see Appendix I). This means Adidas' problem was mainly margin compression rather than a collapse in asset turnover. NOPAT margin fell from 7.5% in 2021 to 0.4% in 2023, then recovered to 4.1% in 2024 and 6.2% in 2025 (see Appendix J). As a result, return on NOA improved to 9.5% in 2024 and 14.3% in 2025 (see Appendix I). This supports the later forecast logic: margin recovery is the central driver of Adidas' future value creation.

Financial leverage amplified the trend but did not create the recovery by itself. In 2023, ROIC was only 1.3%, while the spread turned negative at -2.0% (see Appendix I). With financial leverage at 1.24x, this produced a financial leverage loss of -2.5% and pushed ROE below zero (see

Appendix I). In 2024-2025, the spread became positive again, reaching 5.4% in 2024 and 9.6% in 2025 (see Appendix I). This created a positive leverage gain of 5.8% and 9.4%, respectively (see Appendix I). The recovery in ROE therefore came from operating improvement first, while leverage strengthened the effect after ROIC moved back above the cost of debt.

Overall, Adidas' ROE decomposition shows that sustainable shareholder returns depend on continued ROIC recovery. The key condition is not higher leverage, but stronger NOPAT margin and stable asset efficiency. This is why the forecast should focus on gradual NOPAT margin improvement and controlled asset intensity rather than assuming that financial leverage alone can support high ROE.

4.2.2. Analysis of Operating Activities

Operating activity ratios show how Adidas converts revenue into operating profit (see Appendix J). This part of the analysis focuses on revenue growth, gross margin, operating expenses as a share of revenue, operating margin, and NOPAT margin. These ratios are more informative than absolute income statement figures because they show whether Adidas' growth was supported by better profitability or weakened by cost pressure.

Revenue grew at a 1.7% CAGR over 2018-2025, which is weak for a global sporting goods company and reflects two disruptions in the period. Revenue declined by 16.3% in 2020 during the COVID-19 crisis and by 4.9% in 2023 after the Yeezy termination and Russia exit (see Appendix J). The recovery became visible in 2024, when revenue increased by 10.5%, followed by 4.7% growth in 2025 (see Appendix J). Adidas also reported 13.0% currency-neutral growth for the Adidas brand in 2025, with double-digit growth across all markets and channels (Adidas AG 80). Footwear grew 12.0%, apparel 15.0%, and accessories 6.0% on a currency-neutral basis, which shows that the recovery was supported by both major product categories rather than by one isolated segment (Adidas AG 80).

Gross margin was the first major source of operating volatility. It declined from 52.3% in 2019 to 47.5% in 2022 and 47.7% in 2023, mainly due to inventory pressure, higher discounts, and weaker product mix after the Yeezy disruption (see Appendix J). In 2024-2025, gross margin recovered to 50.9% and 51.8%, respectively (see Appendix J). This recovery matters because every percentage point of gross margin has a direct effect on operating profit before operating expenses. However, the 2025 gross margin was still 0.5 pp below the 2019 level, so the recovery was strong but not complete (see Appendix J).

Operating expenses also had a major effect on profit conversion. Operating expenses increased from 41.4% of revenue in 2019 to 46.8% in 2023, which means Adidas' cost base became too heavy for the lower revenue and weaker gross profit level (see Appendix J). This was the main reason operating margin fell to 0.9% in 2023 (see Appendix J). In 2025, operating expenses declined to 43.7% of revenue, while operating margin recovered to 8.1% (see Appendix J). The improvement shows better cost absorption as revenue recovered, but the operating margin was still 2.8 pp below the 2019 level of 10.9% (see Appendix J).

NOPAT margin confirms the same operating pattern. It declined from 8.4% in 2019 to 0.4% in 2023, then recovered to 6.2% in 2025 (see Appendix J). This means Adidas restored a large part of its operating profitability, but it had not fully returned to the pre-crisis level by 2025. The main conclusion for the forecast is that revenue growth alone is insufficient. Adidas' value creation depends on continued gross margin recovery, lower operating expense intensity, and stronger full-price sell-through. This supports a gradual NOPAT margin improvement in the forecast rather than an immediate return to the 2018-2019 level.

4.2.3. Analysis of Investing Activities

Investing activity ratios show how much operating capital Adidas needs to support revenue growth (see Appendix K). The analysis focuses on two areas: long-term operating assets and operating working capital. Long-term operating assets show the fixed operating base needed for

stores, logistics, IT systems, product infrastructure, and other assets. OWC shows how much cash is tied up in inventories, receivables, and payables. These ratios are important for valuation because higher asset intensity reduces free cash flow even when revenue and profit grow.

Adidas became more asset-intensive after 2019. Net non-current operating assets / revenue increased from 22.8% in 2018 to 42.2% in 2020, mainly because revenue fell during COVID-19 while the long-term operating asset base could not be reduced at the same speed (see Appendix K). The ratio remained elevated at 36.2%-37.2% in 2021-2023, which means Adidas had to support a weaker revenue base with a larger amount of long-term operating assets (see Appendix K). The situation improved in 2024-2025, when the ratio declined to 32.7% and 30.4% (see Appendix K). PP&E / revenue followed the same pattern: it increased from 10.1% in 2018 to 24.8% in 2020, then declined to 19.1% in 2025 (see Appendix K). This shows that Adidas started to generate more revenue from its existing operating base as sales recovered.

Turnover ratios confirm the same conclusion. Net non-current asset turnover declined from 4.4x in 2018 to 2.4x in 2020, then recovered to 3.3x in 2025 (see Appendix K). PP&E turnover declined from 9.9x in 2018 to 4.0x in 2020, then recovered to 5.2x in 2025 (see Appendix K). The recovery in turnover means Adidas' long-term operating assets became more productive after the crisis period, but efficiency remained below the 2018-2019 level. For the forecast, this supports a gradual improvement in net non-current operating assets / revenue rather than a sharp reduction, because Adidas still needs investment in stores, logistics, digital systems, and product execution.

Working capital remained the main pressure point in investing activities. OWC / revenue increased from 9.8% in 2018 to 13.1% in 2025, which means Adidas had to tie more cash in short-term operating items to support sales (see Appendix K). The main driver was inventory. Inventory turnover declined from 3.1x in 2018 to 2.2x in 2025, while days' inventories increased from 119.2 days to 164.5 days (see Appendix K). This is important because inventory supports

product availability and sales recovery, but excessive inventory increases the risk of discounts, weaker gross margin, and cash flow pressure if demand slows.

Receivables did not create the same level of pressure. Days' receivables stayed within a relatively stable 33.3-42.0 day range and were 37.0 days in 2025 (see Appendix K). Payables partly offset the inventory burden, as days' payables increased from 79.6 days in 2018 to 91.3 days in 2025 (see Appendix K). However, the cash conversion cycle still increased from 79.6 days in 2018 to 110.2 days in 2025 (see Appendix K). This means Adidas' working capital became less efficient despite some support from supplier payment terms. The main conclusion for the forecast is that revenue growth and margin recovery will create value only if Adidas reduces inventory intensity and gradually normalizes OWC / revenue.

4.2.4. Analysis of Financing Activities

Financing activity ratios show whether Adidas had enough liquidity to cover short-term obligations and whether its debt level remained sustainable during the recovery period (see Appendix L). This part of the analysis focuses on the current ratio, quick ratio, cash ratio, debt-to-equity, debt-to-invested capital, interest coverage, and effective after-tax interest rate. These ratios are important because weaker liquidity or higher leverage can reduce financial flexibility even when revenue and operating profit recover.

Adidas' liquidity position remained acceptable but became more dependent on inventories and receivables. The current ratio stayed above 1.0x every year, which means current assets exceeded current liabilities throughout the period (see Appendix L). However, it declined from 1.36x in 2018 to 1.14x in 2023-2024, before improving to 1.26x in 2025 (see Appendix L). The quick ratio gives a stricter view because it excludes inventories. It declined from 0.74x in 2018 to 0.47x in 2025, while the cash ratio fell from 0.38x to 0.18x over the same period (see Appendix L). This means Adidas had enough short-term assets to operate, but a larger part of liquidity was tied to inventory rather than immediately available cash.

This liquidity structure matters because Adidas' 2025 recovery required higher inventory and working capital. The operating cash flow ratio also declined from 0.39x in 2018 to 0.08x in 2025, mainly because working capital absorbed cash during the recovery (see Appendix L). Therefore, the key liquidity issue is not the inability to cover current liabilities, but the quality of current assets. Adidas' short-term flexibility depends on selling inventory at acceptable margins and collecting receivables without increasing discounts or payment delays.

Debt ratios show that Adidas became more leveraged after 2019. Debt-to-equity increased from 0.31x in 2018 to 1.29x in 2022, then declined to 0.96x in 2025 (see Appendix L). Debt-to-invested capital followed the same pattern, increasing from 0.24x in 2018 to 0.56x in 2022, then declining to 0.49x in 2025 (see Appendix L). This means debt became a larger part of Adidas' financing structure during the crisis period, but the balance sheet started to normalize as profitability recovered. The 2025 level still remained above the pre-COVID period, so Adidas had less balance sheet flexibility than in 2018-2019.

Interest coverage is the most important financing risk indicator in this section. It declined from 50.55x in 2018 to 0.98x in 2023, which means operating earnings were almost equal to interest expense in the weakest year (see Appendix L). The recovery in 2024-2025 reduced this risk: interest coverage improved to 3.98x in 2024 and 6.74x in 2025 (see Appendix L). At the same time, the effective after-tax interest rate increased from 1.8% in 2018 to 3.9% in 2025, which shows that financing became more expensive than before the crisis period (see Appendix L).

Overall, Adidas' financing position improved in 2024-2025, but it did not return to the pre-crisis level. Liquidity remained positive, but was more dependent on inventory conversion. Leverage declined from the 2022 peak, but debt still represented a larger share of invested capital than in 2018-2019. For the forecast, this supports a gradual decline in debt / invested capital and a conservative cost of debt assumption rather than assuming a fast return to the earlier low-risk financing profile.

4.3. CASH FLOW ANALYSIS

Cash flow analysis checks whether Adidas converts operating profit into cash (see Appendix M). This step is important because profitability alone does not determine value. If growth requires high inventories, receivables, or operating investments, part of accounting profit is absorbed before it becomes cash available to capital providers. Therefore, the cash flow analysis focuses on three questions: how strong Adidas' internal cash generation was, how working capital affected cash conversion, and whether internal cash flow was sufficient to support investments and shareholder distributions.

Adidas generated positive operating cash flow before working capital in every year of 2018-2025, which shows that the core business remained cash-generative even during weaker periods (see Fig. 5). However, cash conversion was unstable because working capital had a large effect on actual cash flow from operating activities. The main stress years were 2022 and 2025. In 2022, working capital absorbed about €2.0B of cash and turned operating cash flow negative (see Fig. 5). In 2025, operating cash flow before working capital was strong, but a similar working capital outflow reduced cash flow from operating activities to €739M (see Fig. 5). This means the main cash flow risk was not the absence of operating profit, but the amount of cash tied in inventories, receivables, and other operating items.

Working Capital Impact on Adidas Operating Cash Flow

EUR, mln

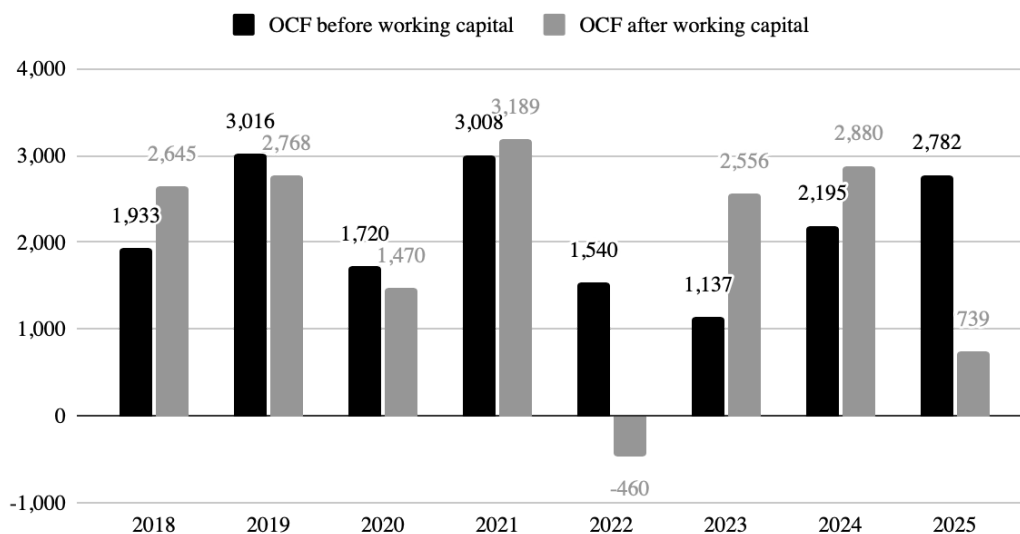


Fig. 5. Adidas' Working Capital Impact on Adidas Operating Cash Flow, 2018-2025, EUR mln.

Source: see Appendix M.

Investing activities show that Adidas continued to reinvest in its operating base, but operating investments were not the main reason for weak free cash flow in 2025. Net investment in operating assets remained broadly consistent with the needs of a global sporting goods company, supporting stores, logistics, digital infrastructure, product development, and other operating assets. The sharper issue was that free cash flow available to debt and equity declined by 86.3% in 2025, from €2.6B in 2024 to €352M in 2025, mainly because working capital absorbed cash during the recovery (see Fig. 6). This confirms the conclusion from the investing activity ratios: Adidas' profit recovery creates value only if the company improves inventory intensity and working capital discipline.

Cash Flow Available to Investors

EUR, mln

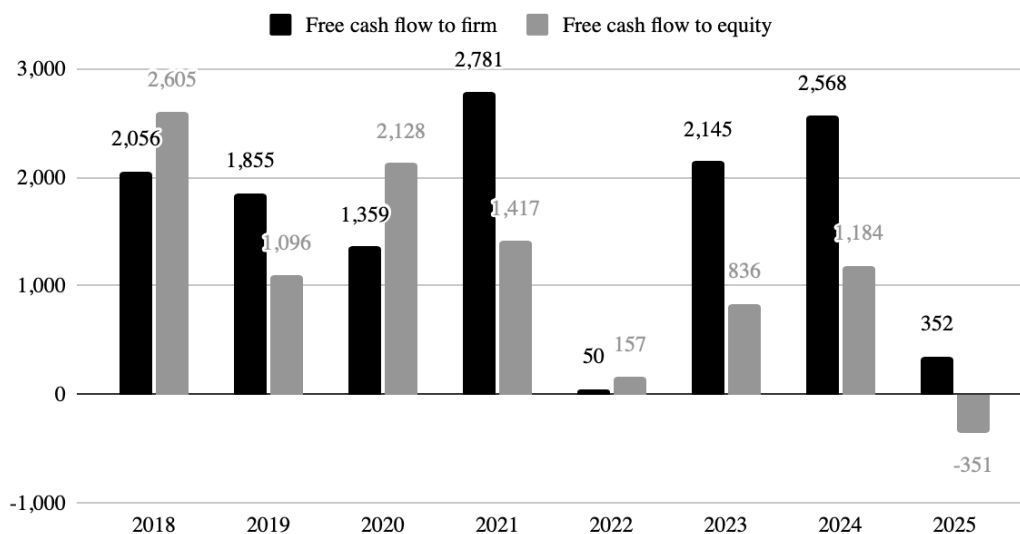


Fig. 6. Adidas' Cash Flow Available to Investors, 2018-2025, EUR mln.

Source: see Appendix M.

Financing activities show that Adidas adjusted debt and shareholder distributions during the recovery period. The company did not rely on continuous debt issuance, as debt was raised in some years and repaid in others. Share repurchases were material earlier in the period but were almost absent in 2023-2025, which indicates a more cautious capital allocation approach after the 2022-2023 profitability shock. Dividends continued in 2025, but free cash flow available to equity was negative while dividends were still paid (see Appendix M). This means shareholder distributions in 2025 were not fully covered by internally generated free cash flow.

Overall, Adidas' cash flow analysis shows that the business can generate internal cash, but the quality of recovery depends on cash conversion. The main issue for valuation is whether stronger revenue and margin recovery can translate into sustainable free cash flow. This makes OWC / revenue one of the most important forecast assumptions. If inventories and receivables normalize, profit recovery should support higher free cash flow, if working capital remains elevated,

Adidas' ability to fund investments, dividends, and buybacks from internal cash generation will remain constrained.

5. Perspective Analysis

Prospective analysis converts the historical and strategic findings into forecast assumptions used for valuation. The previous sections showed that Adidas entered 2026 with renewed revenue momentum, improving margins, higher working capital needs, and a larger operating asset base than before the crisis period. The forecast therefore does not mechanically extrapolate the historical average. Instead, it separates temporary shocks from normalized operating trends and translates the main value drivers into forecasted condensed financial statements.

The forecast is built around the ratios that have the largest direct effect on free cash flow and equity value: revenue growth, NOPAT margin, OWC / revenue, net non-current operating assets / revenue, non-operating investments / revenue, return on non-operating investments, after-tax cost of debt, and debt / invested capital. Revenue determines the scale of the business, NOPAT margin determines operating profitability, working capital and asset intensity determine reinvestment needs, and financing assumptions determine how value is allocated between debt and equity holders.

5.1. FORECASTING

The forecasting period covers 2026E-2035E, with 2035E used as the terminal year. A 10-year horizon is used because Adidas is still moving from a recovery phase to a more normalized operating profile. The first three forecast years are anchored in management's 2026-2028 outlook, while the later years gradually fade toward a mature growth profile. This structure avoids treating the 2024-2025 recovery as permanent at the same intensity, while still allowing the model to capture product momentum, local market execution, and DTC / channel improvements.

The forecast is based on two main principles. First, assumptions should be linked to historical financial analysis: margins recover gradually, working capital intensity normalizes, and asset intensity improves only moderately. Second, assumptions should be consistent with the strategic analysis: Adidas operates in a growing but highly competitive market, so long-term growth

requires product relevance and share gains, while margin expansion is limited by competition, marketing spend, tariff risk, FX pressure, and execution risk.

5.1.1. Revenue Forecast

Revenue is forecasted for a 10-year horizon from 2026 to 2035. This is long enough to reflect Adidas' recovery after the 2022-2023 disruption, the expected benefits from product momentum and market-share gains, and the gradual normalization of growth after management's 2026-2028 outlook period. The terminal year is 2035, when the model assumes Adidas has moved from a recovery to a more mature growth.

Adidas' historical revenue growth was volatile to use mechanically. Revenue growth was affected by COVID-19 in 2020, the Yeezy termination and Russia exit in 2022-2023, FX effects, and the recovery in 2024-2025. Therefore, the model uses three forecast drivers: euro inflation / pricing, product / category momentum, and market / channel share gains. The total growth rate is the sum of these three drivers. For example, 2026E revenue growth equals 2.6% from inflation / pricing, 3.4% from product / category momentum, and 2.0% from market / channel gains, giving total growth of 8.0%. Based on these assumptions, the model forecasts revenue growth of 8.0% in 2026E, 7.5% in 2027E, and 7.0% in 2028E (see Appendix N). They remain within the high-single-digit range but slightly decrease as the more targets grow, execution risks increase.

The first driver is euro inflation and pricing. This component provides the nominal growth anchor for euro revenue. It contributes 2.6 pp in 2026E, 2.0 pp in 2027E, and 2.1 pp in 2028E, then stays at 2.0 pp from 2029E onward (see Appendix N). It gives a minimal threshold at which revenue will definitely grow just due to inflation. This does not assume aggressive pricing power. It only recognizes that Adidas should capture some nominal price growth in a normal inflation environment.

The second driver is product and category momentum. This is the most important real growth driver in the near term. Adidas' 2025 performance was broad-based: the Adidas brand grew 13% currency-neutral, footwear grew 12%, apparel grew 15%, and accessories grew 6% on a currency-neutral basis (Adidas AG 80). The model assumes that this product momentum remains strong in 2026-2028 because Adidas still benefits from a stronger product pipeline, performance and lifestyle growth, and continued demand for footwear and apparel. However, this contribution fades from 3.4 pp in 2026E to 1.5 pp by 2035E, because post-turnaround growth should normalize as the revenue base becomes larger (see Appendix N).

The third driver is market and channel share gains. Adidas reported double-digit currency-neutral growth across all markets and channels in 2025, and management expects further market-share gains in 2026-2028. This supports a separate contribution from better local execution, improved wholesale sell-through, DTC growth, e-commerce, and stronger retailer relationships. The model assumes market / channel gains of 2.0 pp in 2026E and 2.2 pp in 2027E, then gradually fades this contribution to 0.5 pp by 2035E (see Appendix N). Adidas can still gain share during the recovery phase, but such gains cannot compound at the same pace indefinitely.

As a result, net sales increase from €24.8B in 2025A to €43.0B in 2035E, implying a 2025-2035 CAGR of 5.6% (see Fig. 7). Growth fades from 8.0% in 2026E to 4.0% in 2035E (see Appendix N). This forecast is optimistic to reflect Adidas' improved brand momentum and management guidance, but not aggressive, because the model assumes that product momentum and market-share gains gradually normalize after 2028.

Revenue Forecast

EUR, mln

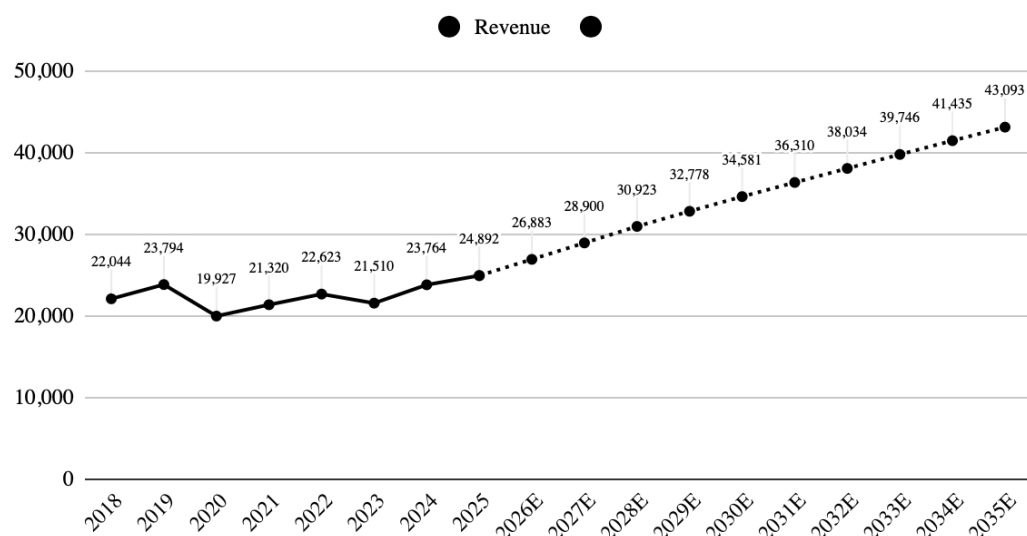


Fig. 7. Adidas' Revenue Forecast, 2026-2035, EUR mln.

Source: see Appendix N.

5.1.2. Forecast Drivers

The forecast is based on eight main drivers: revenue growth, NOPAT margin, OWC / revenue, net non-current operating assets / revenue, non-operating investments / revenue, return on non-operating investments, after-tax cost of debt, and debt / invested capital (see Appendix O). These assumptions are linked to the historical financial analysis and then gradually normalized toward a terminal profile by 2035E. The model does not mechanically extrapolate the 2018-2025 average because that period includes COVID-19, the Yeezy termination, the Russia exit, inventory pressure, and the 2024-2025 recovery.

Revenue growth is forecast to decline from 8.0% in 2026E to 4.0% in 2035E (see Appendix O). The near-term forecast is anchored in Adidas' management guidance for high-single-digit currency-neutral growth in 2026-2028 and supported by the 2025 recovery in product categories, markets, and channels. After 2028E, growth gradually fades because the recovery base becomes

larger, market-share gains become harder to repeat, and long-term revenue growth should move closer to a mature nominal growth rate. As a result, net sales increased from €24.8B in 2025A to €43.0B in 2035E, implying a 5.6% CAGR over 2025-2035E (see Fig. 7).

NOPAT margin is forecast to increase from 6.5% in 2026E to 8.0% by 2033E-2035E (see Appendix O). The assumption starts close to the 2025A level of 6.2% and then improves as Adidas benefits from higher revenue, stronger product mix, better full-price sell-through, and operating leverage. The forecast remains below the 2018-2019 NOPAT margin level of 7.7%-8.4% until 2032E, because the model assumes that tariff pressure, FX risk, marketing reinvestment, and execution costs will prevent an immediate return to peak profitability. Therefore, the 8.0% terminal margin reflects gradual recovery toward historical strength rather than a full recovery in the first forecast years.

OWC / revenue is forecast to decline from 12.5% in 2026E to 10.5% by 2034E-2035E (see Appendix O). This ratio measures how much short-term operating capital is required for each euro of revenue. The 2026E assumption remains close to the elevated 2025A level of 13.1%, because Adidas' growth still requires sufficient inventory, wholesale support, and receivables. The ratio then gradually normalizes toward the historical 10%-11% range as inventory planning, sell-through, and supply-chain execution improve. This assumption is important because lower working capital intensity improves free cash flow by reducing the amount of cash tied up in inventories and receivables.

Net non-current operating assets / revenue is forecast to decline from 30.5% in 2026E to 29.0% from 2031E onward (see Appendix O). The assumption is based on the 2024-2025 improvement in asset efficiency: the ratio declined from 37.2% in 2023 to 30.4% in 2025, while revenue recovered (see Appendix O). Net non-current asset turnover also improved from 2.7x in 2023 to 3.3x in 2025 (see Appendix K). This supports the assumption that Adidas can generate more sales from its existing store base, logistics network, IT systems, and operating infrastructure as

revenue scales. The decline is modest because Adidas still needs continued investment in retail, product infrastructure, digital systems, and market execution.

Non-operating investments / revenue is held flat at 4.0% throughout 2026E-2035E (see Appendix O). This is close to the recent level of 4.1% in 2025A and avoids assuming unsupported changes in excess cash or other non-operating investments. Since Adidas' value is mainly generated by the operating business, this item is kept stable rather than treated as a separate growth driver.

Return on non-operating investments after tax is forecast to decline from 4.5% in 2026E to 4.0% from 2028E onward (see Appendix O). The 2025A return of 5.4% was above the 2018-2025 median of 4.1%, so the forecast does not extrapolate this higher return. The terminal assumption of 4.0% is used as a conservative steady-state return on non-core investment balances and is kept separate from the WACC cost of debt calculation, which is based on Adidas' risk-free rate, default spread, and tax shield. This keeps the forecast internally conservative: non-operating assets are not assumed to generate unusually high recurring returns.

The after-tax cost of debt used in the forecast is kept at 4.0% in 2026E-2027E and then gradually declines to 3.7% from 2031E onward (see Appendix O). This forecast reflects Adidas' recent effective after-tax interest rate, which was 4.0% in 2024 and 3.9% in 2025, rather than the lower point-in-time WACC cost of debt of 2.67%. The difference exists because the forecast ratio is based on the effective interest burden embedded in Adidas' financial statements, while WACC uses the current market-based required return on debt. For forecasting profit and cash flows, the effective historical interest burden is more relevant. The decline to 3.7% assumes moderate normalization over time, but no aggressive refinancing benefit.

Debt / invested capital is forecast to decline from 49.0% in 2026E to 45.0% by 2034E-2035E (see Appendix O). The forecast does not assume that Adidas uses all additional cash generation to repay debt. Instead, it assumes gradual normalization of the capital structure as equity grows through retained earnings and debt remains a meaningful financing source. A 45.0% terminal

ratio keeps debt materially above the 2018 level but below the 2022-2025 average of 52.3% (see Appendix O). This reflects a more balanced financing structure than during the stress period, while still recognizing that debt can remain useful because of the tax shield and lower cost compared with equity.

Overall, the forecast drivers describe a controlled recovery path. Revenue growth fades from high-single-digit growth to mature nominal growth, NOPAT margin improves gradually, working capital intensity normalizes, asset intensity declines modestly, non-operating investments remain stable, and leverage decreases slowly. The main valuation implication is that Adidas' forecasted value creation depends on two conditions: continued profitable revenue growth and better conversion of profit into free cash flow through lower working capital intensity.

5.2. CAPITAL COSTS

Capital costs are used as discount rates in the valuation models. They represent the required return expected by capital providers for bearing Adidas' business and financial risk. The cost of equity is used to discount free cash flow to equity (FCFE), because this cash flow belongs only to shareholders. The weighted average cost of capital (WACC) is used to discount free cash flow to firm (FCFF), because this cash flow belongs to both debt and equity holders.

The analysis estimates two required returns: cost of equity and after-tax cost of debt. The cost of equity reflects the return required by shareholders. The after-tax cost of debt reflects the return required by lenders after considering the tax shield from interest expense. WACC then combines both costs using Adidas' debt and equity weights.

5.2.1. CAPM

The cost of equity was estimated using the Capital Asset Pricing Model (CAPM). The model links the expected ROE (return on equity) to the risk-free rate, the ERP (equity risk premium), and the company's beta: $\text{Cost of equity} = \text{Risk-free rate} + \text{Beta} \times \text{ERP}$ (see Appendix P).

The risk-free rate was set at 3.06%, based on the German 10-year government bond yield as of Apr 29, 2026 (see Appendix P). This rate was used because Adidas is headquartered in Germany and the valuation is prepared in euros. Beta was estimated at 1.20 using a 5-year monthly regression beta (Yahoo Finance). A beta above 1 means Adidas' equity is more volatile than the market and therefore requires a higher expected return.

The ERP was set at 5.51% (see Appendix Q). It was adjusted for Adidas' geographic revenue exposure because Adidas generates sales across regions with different country risks. Country-level ERPs from Damodaran were grouped by Adidas' reporting regions, GDP-weighted within each region, and then weighted by Adidas' 2025 regional sales mix (see Appendix Q). This produced a company-specific ERP that reflects Adidas' exposure to Europe, North America, Greater China, Emerging Markets, Latin America, and Japan / South Korea. Based on the 3.06% risk-free rate, 1.20 beta, and 5.51% ERP, Adidas' cost of equity equals 9.67% (see Appendix P).

5.2.2. WACC

The cost of debt was estimated by adding a debt-risk premium to the same 3.06% risk-free rate (see Appendix P). The debt-risk premium was set at 0.55%, based on Adidas' synthetic credit rating of Aa2/AA, derived from its interest coverage ratio (see Appendix P). This gives a pre-tax cost of debt of 3.61% (see Appendix P). Since interest expense is tax-deductible, the pre-tax cost of debt was adjusted by Adidas' corporate tax rate of 26.2%: After-tax cost of debt = Pre-tax cost of debt $\times$ (1 - Tax rate) (see Appendix P).

As a result, Adidas' after-tax cost of debt equals 2.67% (see Appendix P). This is lower than the cost of equity because debt holders have a higher priority claim than shareholders and bear lower risk. The cost of equity is therefore the larger component of Adidas' WACC.

WACC was calculated by weighting the cost of equity and after-tax cost of debt by Adidas' capital structure: $WACC = \text{Cost of equity} \times \text{Weight of equity} + \text{After-tax cost of debt} \times \text{Weight of debt}$.

The weight of equity was 80.68%, based on Adidas' market value of equity, while the weight of debt was 19.32%, based on the book value of debt (see Appendix P). Using a 9.67% cost of equity, a 2.67% after-tax cost of debt, 80.68% equity weight, and 19.32% debt weight, Adidas' WACC equals 8.32% (see Appendix P). This rate is used as the discount rate in the FCFF model because it reflects the required return for both shareholders and lenders.

5.3. VALUATION

Valuation converts the forecasted financial statements into an estimate of Adidas' intrinsic equity value. Two discounted cash flow (DCF) models are used: the free cash flow to equity (FCFE) model and the free cash flow to firm (FCFF) model. Both models use the same operating forecast, but they differ in which cash flow is discounted and which discount rate is applied.

The FCFF model is treated as the primary valuation model for Adidas because Adidas is a non-financial company whose value is mainly generated by operating assets: brand, products, stores, logistics, digital channels, supplier network, and working capital. FCFF values these business assets before the effect of debt policy. This is useful because it separates the value created by operations from how the business is financed. The FCFE model is used as a cross-check because it values cash flows directly available to shareholders, but it is more sensitive to debt issuance, debt repayment, and capital structure assumptions. The main methodological differences between the FCFF and FCFE models are summarized in Table 5.1 (see Table 5.1).

Table 5.1. Comparison of FCFF and FCFE Valuation Models.

Criteria	FCFF model	FCFE model
Valuation focus	Values the company's business assets before separating value between debt and equity	Values equity directly from the shareholders' perspective.

	holders.	
Cash flow used	Free cash flow available to all capital providers after operating reinvestment but before financing payments.	Free cash flow available to equity holders after operating reinvestment, non-operating investment changes, interest payments, and debt movements.
Formula used in the model	$\text{FCFF} = \text{NOPAT} + \text{NIPAT} - \text{Change in OWC} - \text{Change in net non-current operating assets} - \text{Change in non-operating investments}.$	$\text{FCFE} = \text{NOPAT} + \text{NIPAT} - \text{After-tax interest expense} - \text{Change in OWC} - \text{Change in net non-current operating assets} - \text{Change in non-operating investments} + \text{change in debt}.$
Discount rate	WACC, because FCFF belongs to both debt and equity holders.	Cost of equity, because FCFE belongs only to shareholders.
Discount rate in Adidas valuation	8.32%	9.67%
Output before adjustments	Enterprise value.	Equity value.
Adjustments needed to reach equity value	Debt and non-controlling interest are deducted from business assets value to reach equity value.	No operating-to-equity bridge is needed because the model already values equity directly.
Main advantage	Better separates operating value from financing structure, which is useful for non-financial companies.	Directly links valuation to cash available for shareholders.
Main limitation	Requires additional adjustments from business assets value to equity value.	More sensitive to debt movements and capital structure assumptions.
Role in this valuation	Used as the primary valuation model.	Used as a cross-check.

Source: Author's analysis based on the FCFF and FCFE valuation models developed in this thesis.

- a. Note: FCFF is discounted at WACC because it is available to both debt and equity holders, FCFE is discounted at the cost of equity because it is available only to shareholders.

5.3.1. FCFF Model

The FCFF model values Adidas' business assets before separating value between debt and equity holders. Free cash flow to firm represents cash available to all capital providers after operating reinvestment but before financing payments. It is calculated as: $FCFF = NOPAT + NIPAT - \text{Change in OWC} - \text{Change in net non-current operating assets} - \text{Change in non-operating investments}$.

This model uses WACC as the discount rate because FCFF belongs to both debt and equity holders. Adidas' WACC was estimated at 8.32%, reflecting a 9.67% cost of equity, a 2.67% after-tax cost of debt, and the market-based weights of equity and debt (see Appendix P). Forecasted FCFF increases over the forecast period because Adidas is expected to grow revenue, improve NOPAT margin, and reduce working capital intensity. The FCFF model is treated as the primary model because it values Adidas' operating business independently from short-term financing decisions and then deducts debt and non-controlling interest to reach equity value.

The present value of the explicit FCFF forecast equals €13.0B, representing 37.1% of total business value (see Appendix S). The present value of terminal value equals €22.1B, representing 62.9% of total business value (see Appendix S). This gives a business assets value of €35.2B (see Appendix S). To move from business assets value to equity value, debt and non-controlling interest are deducted. After these adjustments, Adidas' equity value equals €28.9B, or €161.95 per share as of the last reporting date (see Appendix S). After applying the compounding correction to the valuation date, the FCFF value equals €168.00 per share (see Appendix S).

5.3.2. FCFE Model

The FCFE model values Adidas directly from the shareholders' perspective. Free cash flow to equity represents cash available to shareholders after operating reinvestment, changes in non-operating investments, interest payments, and debt movements. It is calculated as: $FCFE =$

$\text{NOPAT} + \text{NIPAT} - \text{After-tax interest expense} - \text{Change in OWC} - \text{Change in net non-current operating assets} - \text{Change in non-operating investments} + \text{Change in debt}.$

This model uses the cost of equity as the discount rate because FCFE belongs only to equity holders. Adidas' cost of equity was estimated at 9.67% using CAPM (see Appendix P). Forecasted FCFE grows over the explicit forecast period as revenue increases, NOPAT margin improves, and working capital intensity gradually normalizes. However, FCFE remains affected by reinvestment needs and financing decisions, especially changes in OWC, net non-current operating assets, and debt. Therefore, the FCFE model is useful as a shareholder-level cross-check, but it is not the primary model because the result depends more directly on debt movements.

The present value of the explicit FCFE forecast equals €12.1B, representing 43.1% of total equity value (see Appendix R). The present value of terminal value equals €15.9B, representing 56.9% of total equity value (see Appendix R). This gives an equity value of €28.0B and an estimated value of €156.67 per share as of the last reporting date (see Appendix R). After applying the compounding correction between the last reporting date and the valuation date, the FCFE value equals €163.03 per share (see Appendix R).

5.3.3. Terminal Value

Terminal value is the estimated value of Adidas after the explicit forecast period. It is needed because the forecast covers 2026E-2035E, but Adidas is assumed to continue operating after 2035. Without terminal value, the valuation would capture only 10 years of cash flows and ignore the cash flows generated after the forecast horizon. Terminal value was calculated using the Gordon growth model: $\text{Terminal value} = \text{Final-year free cash flow} \times (1 + \text{Terminal growth rate}) / (\text{Discount rate} - \text{Terminal growth rate})$.

The terminal growth rate was set at 2.5% (see Appendix R and S). This assumption is above the long-term euro-area inflation anchor but below Adidas' explicit forecast growth rate in 2035E. It

reflects the assumption that Adidas remains a global sporting goods company with positive long-term nominal growth, but no longer grows at the same pace as during the recovery and forecast period. The terminal value therefore captures Adidas' mature operating phase after the main forecast period.

The terminal value is a large part of both models: 56.9% of total value in the FCFE model and 62.9% in the FCFF model (see Appendix R and S). This means the valuation depends materially on long-term assumptions for terminal growth, discount rates, and steady-state free cash flow. For this reason, the terminal growth assumption is kept moderate, and sensitivity analysis is required to test how changes in discount rates and terminal growth affect the estimated share value.

Overall, the FCFF model is treated as the primary valuation output because Adidas is a non-financial company and FCFF separates business value from financing structure. The FCFE model is used as a cross-check from the shareholder perspective. The two models produce close results: €163.03 per share under FCFE and €168.00 per share under FCFF (see Appendix R and S). The similarity of both outputs supports the internal consistency of the valuation, while the final investment recommendation should compare these values with Adidas' market price on the valuation date.

5.4. SENSITIVITY ANALYSIS

Sensitivity analysis is used to test how the estimated fair value per share changes when the most important valuation assumptions are adjusted. In a DCF model, small changes in the discount rate and terminal growth rate can have a large impact on valuation, especially because terminal value represents a major share of total value. Therefore, sensitivity analysis is needed to check whether the investment conclusion depends only on one exact base-case assumption or remains reasonable under different scenarios.

In this model, sensitivity analysis is performed for the FCFF valuation because FCFF is used as the primary valuation approach. The analysis tests Adidas' fair value per share under different combinations of WACC and terminal growth rate. WACC is changed from 7.32% to 9.32%, while terminal growth is changed from 1.5% to 3.5% (see Appendix T). The base case is the center cell: WACC of 8.32%, terminal growth rate of 2.5%, and estimated fair value of €168 per share (see Appendix T). The logic is: a higher WACC reduces fair value because future cash flows are discounted more heavily, while a higher terminal growth rate increases fair value because it assumes stronger cash flow growth after 2035.

The results show that Adidas' estimated fair value is highly sensitive to long-term assumptions. Under the most conservative scenario in the table, with WACC of 9.32% and terminal growth of 1.5%, the fair value falls to €122 per share (see Appendix T). Under the most optimistic scenario, with WACC of 7.32% and terminal growth of 3.5%, the fair value rises to €259 per share (see Appendix T). Around the base case, a 0.5 pp increase in WACC from 8.32% to 8.82%, holding terminal growth at 2.5%, reduces fair value from €168 to €151 (see Appendix T). A 0.5 pp decrease in terminal growth from 2.5% to 2.0%, holding WACC at 8.32%, reduces fair value from €168 to €157 (see Appendix T).

To conclude, Adidas' valuation is supported in the base case, but the estimated share value depends materially on the terminal assumptions. This is consistent with the DCF structure, where 62.9% of the FCFF valuation comes from terminal value. Therefore, the investment recommendation should not rely only on the base-case fair value of €168 per share. It should also consider whether the market price remains below the fair value under less favorable assumptions for WACC and terminal growth.

5.5. PEERS MULTI-BASED ANALYSIS

Peers multiple-based valuation is used as a market-based cross-check for the DCF valuation. Unlike DCF models, which estimate intrinsic value from forecasted cash flows, peer valuation

estimates value from how comparable listed companies are currently priced by the market. The purpose is to test whether Adidas' DCF-based value is broadly consistent with market pricing for companies operating in the same sporting goods industry with closely related athletic footwear, sportswear / apparel, and accessories product categories.

The peer group includes publicly traded companies that operate in Adidas' industry or adjacent performance / lifestyle footwear and apparel categories: Nike, Puma, Deckers, On, Lululemon, Asics, Anta Sports, Li Ning, Under Armour, and VF Corp. The peer group also covers the main Adidas' geographical markets: Europe through Puma and On, North America through Nike, Deckers, Lululemon, Under Armour, and VF Corp., Greater China through Anta and Li Ning, and Japan / South Korea through Asics. All companies are publicly listed, which makes market capitalization, enterprise value, and valuation multiples observable from market data. The selected peers are not perfectly identical to Adidas, but they represent the closest listed benchmark set available across global athletic footwear and sportswear consumer brands.

All financial data were converted into euros to make the peer group comparable. The model uses each company's reporting currency and applies FX rates to EUR. Market capitalization was calculated from share price multiplied by shares outstanding and then converted to euros where needed (see Appendix U). Enterprise value was calculated as market capitalization plus total debt and non-controlling interest minus cash and equivalents (see Appendix U). Financial denominators such as revenue, EBITDA, EBIT, net income, and book equity were also converted into euros before calculating the multiples (see Appendix U).

The analysis uses five valuation multiples: EV/Sales, EV/EBITDA, EV/EBIT, P/E, and P/BV (see Appendix V). EV/Sales compares enterprise value with revenue and is useful when profitability differs across companies and is calculated via the formula Enterprise Value / Revenue. EV/EBITDA compares enterprise value with EBITDA (earnings before interest, taxes, depreciation, and amortization), and captures operating earnings before depreciation and capital structure effects.

It is calculated via the formula: Enterprise Value / EBITDA. EV/EBIT compares enterprise value with EBIT (operating profit after depreciation and amortization), making it closer to recurring operating profitability and is calculated via the formula Enterprise Value / EBIT. P/E compares market capitalization with net income and reflects how much investors pay for shareholder earnings. It is calculated via the formula: Market Capitalization / Net Income. P/BV compares market capitalization with book equity and is useful as a balance-sheet-based cross-check and is calculated via the formula Market Capitalization / Book Equity.

Puma, Under Armour, and VF Corp. were excluded from the median multiple calculation because their recent financial results make their multiples distorted and less useful for benchmarking Adidas. Puma had negative EBIT and net income, which produced negative EV/EBIT and P/E multiples, while its EV/EBITDA multiple was inflated by weak EBITDA (see Appendix V). Under Armour also had negative EBITDA, EBIT, and net income, which resulted in negative valuation multiples (see Appendix V). VF Corp. had negative net income and a very high EV/EBIT multiple, reflecting depressed profitability rather than a normal valuation level (see Appendix V). Including these companies in the median would make the benchmark less representative of normally profitable peers.

The final valuation table applies the peer-group median multiples to Adidas' financial denominators (see Appendix V). For EV-based multiples, the median multiple is multiplied by Adidas' revenue, EBITDA, or EBIT to estimate implied enterprise value. Net debt is then deducted to obtain implied equity value. The formula is: Implied Equity Value = Implied Enterprise Value - Net Debt. For equity-based multiples, P/E is multiplied by Adidas' net income and P/BV is multiplied by Adidas' book equity to estimate implied equity value directly. The implied equity value is then divided by Adidas' shares outstanding to calculate implied value per share.

The implied values vary across multiples because each metric captures a different part of Adidas' financial profile. EV/Sales gives the highest implied value per share at €226.64, because

Adidas' revenue scale is large relative to its current profitability (see Appendix V). EV/EBITDA gives €171.96, while EV/EBIT and P/E give lower values of €131.46 and €136.27, reflecting that Adidas' operating and net margins are still recovering (see Appendix V). P/BV gives €165.90 per share, which is close to Adidas' current market price of €165.65 (see Appendix V). Based on the selected final output, the peer multiple valuation implies a 0.15% premium to the current market price. This means the market-based valuation does not indicate material mispricing and carefully supports a BUY investment recommendation from the peers approach, while the DCF valuation remains more informative for the investment recommendation because it captures the expected recovery in future cash flows.

6. Investment Recommendation

Based on the DCF valuation, the recommendation for Adidas shares is BUY. As of the valuation date, 05/05/2026, Adidas' market price was €142.65 per share (see Appendix B). The FCFE model estimates Adidas' equity value at €163.03 per share, implying upside of 14.3% (see Appendix R). The FCFF model, which is treated as the primary valuation model, estimates Adidas' equity value at €168.00 per share, implying upside of 17.8% (see Appendix S). Since both DCF models produce values above the market price on the valuation date, Adidas' shares appear undervalued under the base-case assumptions.

The FCFF model is used as the primary valuation output because Adidas is a non-financial company and most of its value is generated by operating assets: brand, products, retail and wholesale channels, logistics, supplier network, and working capital. FCFF values this operating business before financing effects and then deducts debt and non-controlling interest to reach equity value. The FCFE model is used as a cross-check because it values cash flows directly available to shareholders, but it is more sensitive to debt movements and capital structure assumptions. The close results from both models support the internal consistency of the DCF valuation.

Sensitivity analysis confirms that the base-case valuation is sensitive to WACC and terminal growth assumptions. At the base-case WACC of 8.32% and terminal growth rate of 2.5%, the FCFF value equals €168 per share (see Appendix T). If WACC increases by 0.5 pp to 8.82%, while terminal growth remains 2.5%, the value falls to €151 per share (see Appendix T). If terminal growth decreases by 0.5 pp to 2.0%, while WACC remains 8.32%, the value falls to €157 per share (see Appendix T). This means the BUY recommendation is supported by the base case, but it depends on Adidas maintaining margin recovery and free cash flow generation. The valuation is therefore most exposed to higher capital costs, weaker terminal growth, or slower cash conversion.

The peer-based valuation provides a market-based cross-check. The selected peer valuation output implies €165.90 per share, compared with the current market price of €165.65 used in the

peer table, which gives a 0.15% premium (see Appendix V). This means the peer approach does not show material mispricing at the later market price level. It also suggests that the market has already started to recognize Adidas' recovery. Adidas' share price increased by 12.2% over the past four months, from €147.5 on 27/01/2026 to €165.5 on 27/05/2026, almost reaching the FCFF target price of €168.00 (see Appendix B). Therefore, the DCF-based BUY recommendation was stronger at the valuation date, while the later share price movement has reduced the remaining upside.

The investment rationale is based on Adidas' recovery in revenue, margins, and operating profitability. Adidas restored revenue momentum in 2024-2025, improved gross margin, reduced operating expenses as a share of revenue, and rebuilt NOPAT from the 2023 low point. The industry analysis also supports the investment case: Adidas operates in a growing athletic footwear and sportswear market, with long-term demand supported by performance sports, lifestyle sneakers, athleisure, and DTC growth. However, the industry remains highly competitive, so Adidas' value creation depends on continued product relevance, disciplined pricing, lower discounting, and stronger local execution.

The market appears to have initially underpriced Adidas because investors were still cautious about the sustainability of the 2024-2025 recovery. The main concerns were the recent Yeezy disruption, weak 2023 profitability, elevated working capital needs, tariff and FX pressure, and the risk that margin recovery could slow after the first rebound. The expected price correction should occur when Adidas confirms that the recovery is not temporary. The key triggers are high-single-digit revenue growth, continued gross and operating margin improvement, and lower operating working capital intensity. Since the share price has already moved close to the FCFF target, the remaining upside is now limited, but the formal recommendation remains BUY based on the valuation-date comparison.

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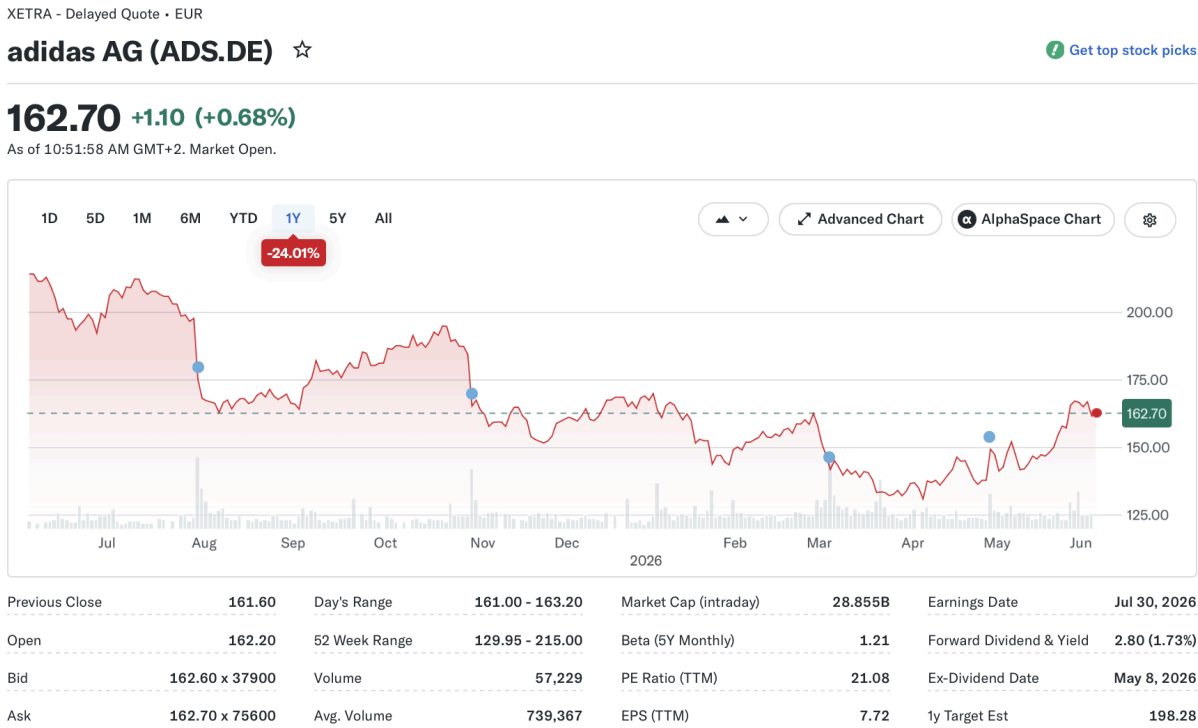
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APPENDIX

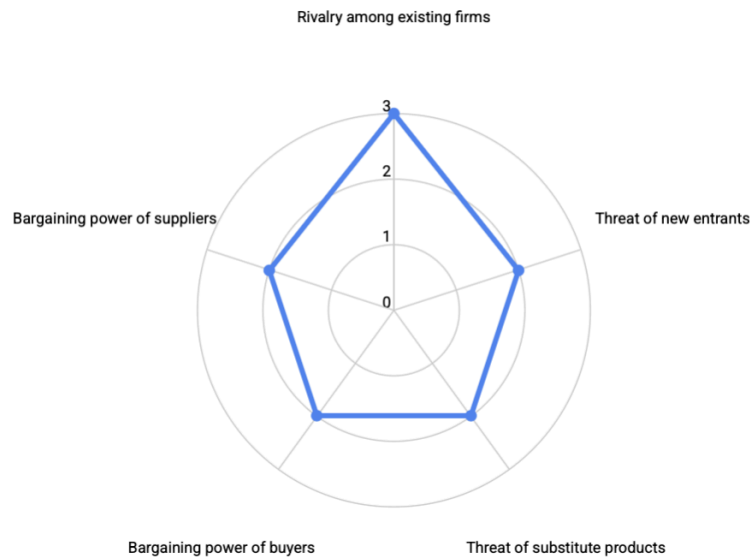
Appendix A. Financial model.

[Diploma | Financial Model](#)

Appendix B. Historical share price summary of Adidas AG.



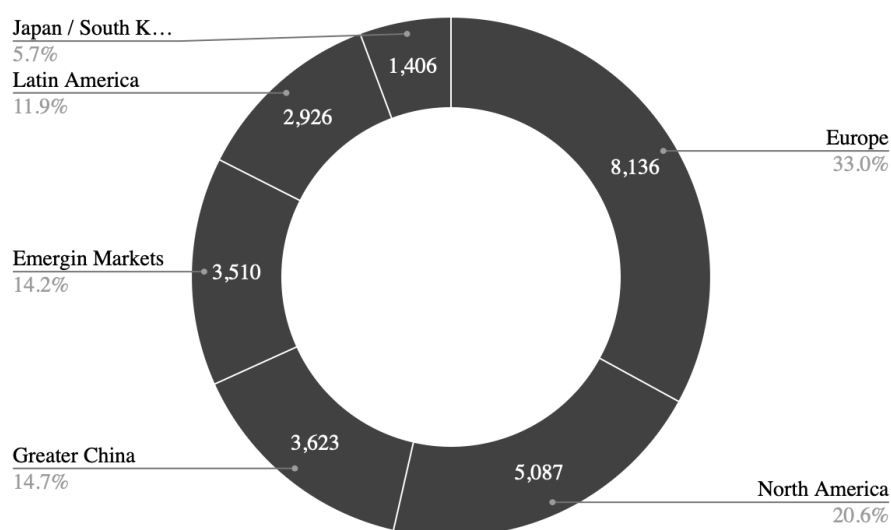
Appendix C. Competitive forces analysis of Adidas AG.



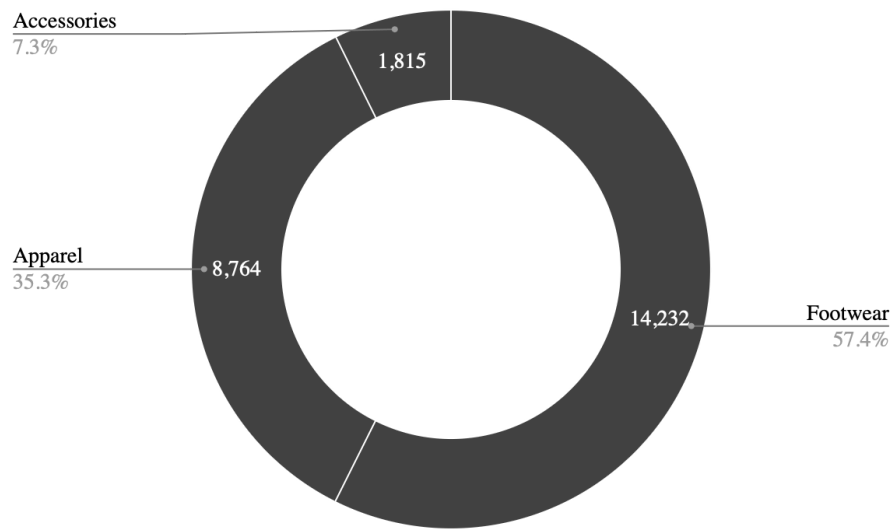
Appendix D. Condensed income statement of Adidas AG.

Year	2018	2019	2020	2021	2022	2023	2024	2025		
Condensed income statement										
Revenue	EUR mln	Std. IS	22,044	23,794	19,927	21,320	22,623	21,510	23,764	24,892
NOPAT			1,701	1,993	558	1,592	461	90	982	1,551
Profit			1,708	1,918	429	1,493	254	(60)	823	1,377
- Investment profit after tax (NIPAT)			(42)	(47)	(21)	(14)	(29)	(58)	(75)	(55)
+ Interest expense after tax			35	123	151	113	236	208	234	229
= Net operating profit after tax (NOPAT)			1,701	1,993	558	1,592	461	90	982	1,551
of which: Net non-recurring income (ex			0	0	0	0	0	0	0	0
= Net non-recurring income (expense)			0	0	0	0	0	0	0	0
x (1 – Tax rate)	%	Calculation:	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%
= Net non-recurring income (expense) aft			0	0	0	0	0	0	0	0
+NIPAT			42	47	21	14	29	58	75	55
= Investment and Interest income			57	64	29	19	39	79	101	74
x (1 – Tax rate)			73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%
= Net Investment Profit after Tax (NIPAT)			42	47	21	14	29	58	75	55
- Interest Expense after Tax			(35)	(123)	(151)	(113)	(236)	(208)	(234)	(229)
= Interest expense			(47)	(166)	(204)	(153)	(320)	(282)	(317)	(310)
x (1 – Tax rate)			73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%	73.8%
= Interest Expense after Tax			(35)	(123)	(151)	(113)	(236)	(208)	(234)	(229)
= Profit (Loss)			1,708	1,918	429	1,493	254	(60)	823	1,377
Corporate income tax rate (Germany)	%	Inputs	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%

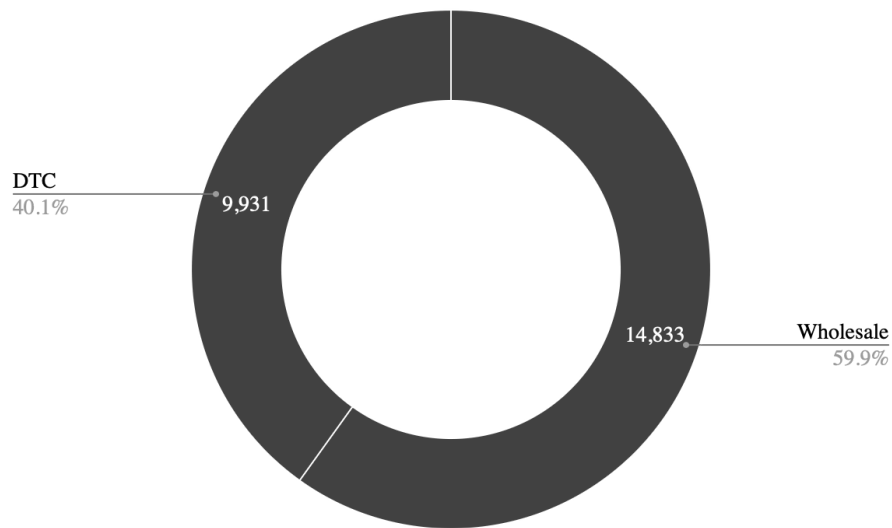
Appendix E. Adidas AG' revenue breakdown by region.



Appendix F. Adidas AG' revenue breakdown by product category.



Appendix G. Adidas AG’ revenue breakdown by channel.



Appendix H. Condensed balance sheet of Adidas AG.

Year	2018	2019	2020	2021	2022	2023	2024	2025
Condensed balance sheet								
Operating working capital	2,167	2,358	2,236	1,975	3,055	2,478	2,553	3,948
Operating cash (5% of revenue)	2,113	2,220	1,910	2,044	798	1,431	2,278	1,617
+ Trade receivables	2,418	2,625	1,952	2,175	2,529	1,906	2,413	2,634
+ Inventories	3,445	4,085	4,397	4,009	5,973	4,525	4,989	5,832
+ Other current assets	773	1,170	1,108	1,153	1,418	1,299	1,098	1,375
- Trade payables	(2,300)	(2,703)	(2,390)	(2,294)	(2,908)	(2,276)	(3,096)	(2,910)
- Other current liabilities	(4,282)	(5,039)	(4,741)	(5,112)	(4,755)	(4,407)	(5,129)	(4,600)
= Operating working capital	2,167	2,358	2,236	1,975	3,055	2,478	2,553	3,948
+ Net non-current operating assets	5,019	8,879	7,953	7,858	8,509	7,513	8,051	7,089
Non-current tangible assets	2,237	5,311	4,587	4,825	4,944	4,404	4,912	4,578
+ Non-current intangible assets	2,285	2,421	2,210	1,580	1,689	1,680	1,701	1,646
+ Derivatives (assets net of liabilities)	548	836	702	745	1,014	648	950	518
- Deferred tax liabilities (net of assets)	410	813	992	1,141	1,081	1,211	1,139	1,032
- Other non-current liabilities (non-interest)	(461)	(502)	(538)	(433)	(219)	(430)	(651)	(685)
= Net non-current operating assets	5,019	8,879	7,953	7,858	8,509	7,513	8,051	7,089
= Net operating assets	7,186	11,237	10,189	9,833	11,564	9,991	10,604	11,037
+ Non-operating investments	1,142	920	2,954	2,308	713	768	1,042	985
Excess cash	516	0	2,084	1,784	0	0	177	0
+ Minority equity investments	256	450	414	160	336	418	234	217
+ Other Non-Operating investments	370	470	456	364	377	350	631	768
= Non-operating investments	1,142	920	2,954	2,308	713	768	1,042	985
= Business assets	8,328	12,157	13,143	12,141	12,277	10,759	11,646	12,022
Debt	1,964	5,097	6,451	5,745	6,927	5,835	5,779	5,896
Current debt	252	1,011	1,695	965	1,594	1,360	1,368	1,583
+ Non-current debt	1,712	4,086	4,756	4,780	5,333	4,475	4,411	4,313
+ Preference shares	0	0	0	0	0	0	0	0
= Debt	1,964	5,097	6,451	5,745	6,927	5,835	5,779	5,896
+ Equity	6,363	7,057	6,691	6,399	5,352	4,926	5,868	6,125
Shareholders' equity	6,376	6,796	6,454	7,520	4,992	4,581	5,476	5,776
+ Non-controlling interests	(13)	261	237	318	360	345	392	349
- Net assets held for sale (net of liabilities)	0	0	0	(1,439)	0	0	0	0
= Equity	6,363	7,057	6,691	6,399	5,352	4,926	5,868	6,125
= Invested capital	8,327	12,154	13,142	12,144	12,279	10,761	11,647	12,021
Normal level of operating cash	% of Revert Inputs	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%

Appendix I. ROE decomposition of Adidas AG.

Year	2018	2019	2020	2021	2022	2023	2024	2025
ROE								
ROE	26.8%	28.6%	6.2%	22.8%	4.3%	-1.2%	15.2%	23.0%
Net operating profit after tax (NOPAT) margin	7.7%	8.4%	2.8%	7.5%	2.0%	0.4%	4.1%	6.2%
× Net operating asset turnover	3.1	2.6	1.9	2.1	2.1	2.0	2.3	2.3
= Return on net operating assets	23.7%	21.6%	5.2%	15.9%	4.3%	0.8%	9.5%	14.3%
Return on net operating assets	23.7%	21.6%	5.2%	15.9%	4.3%	0.8%	9.5%	14.3%
× (Net operating assets/invested capital)	0.86	0.90	0.85	0.79	0.88	0.94	0.92	0.91
+ Return on non-operating investments	3.7%	4.6%	1.1%	0.5%	1.9%	7.9%	8.2%	5.4%
× (Non-operating investments/invested capital)	0.14	0.10	0.15	0.21	0.12	0.06	0.08	0.09
= Return on invested capital	20.9%	19.9%	4.6%	12.7%	4.0%	1.3%	9.4%	13.6%
Spread	19.2%	16.5%	2.0%	10.9%	0.3%	-2.0%	5.4%	9.6%
× Financial leverage	0.31	0.53	0.84	0.93	1.08	1.24	1.08	0.97
= Financial leverage gain	5.9%	8.7%	1.7%	10.1%	0.3%	-2.5%	5.8%	9.4%
ROE = Return on Invested Capital + Financial leverage	26.8%	28.6%	6.2%	22.8%	4.3%	-1.2%	15.3%	23.0%

Appendix J. Operating activities ratios of Adidas AG.

Year		2018	2019	2020	2021	2022	2023	2024	2025
Operating activities									
Income statement									
Revenue	EUR mln	22,044	23,794	19,927	21,320	22,623	21,510	23,764	24,892
Cost of sales	EUR mln	(10,552)	(11,347)	(9,990)	(10,469)	(11,867)	(11,244)	(11,658)	(12,006)
Gross profit	EUR mln	11,492	12,447	9,937	10,851	10,756	10,266	12,106	12,886
Operating expenses	EUR mln	(9,173)	(9,843)	(9,229)	(8,892)	(10,260)	(10,070)	(10,944)	(10,871)
Non-recurring income (expense)	EUR mln	0	0	0	0	0	0	0	0
Operating profit	EUR mln	2,319	2,604	708	1,959	496	196	1,162	2,015
Interest and investment income	EUR mln	57	64	29	19	39	79	101	74
Interest expense	EUR mln	(47)	(166)	(204)	(153)	(320)	(282)	(317)	(310)
Profit before taxes	EUR mln	2,329	2,502	533	1,825	215	(7)	946	1,779
Tax expense	EUR mln	(669)	(640)	(146)	(360)	(134)	(124)	(297)	(443)
Profit	EUR mln	1,660	1,862	387	1,465	81	(131)	649	1,336
Common-sized income statement									
Revenue	%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	%	-47.9%	-47.7%	-50.1%	-49.1%	-52.5%	-52.3%	-49.1%	-48.2%
Gross profit	%	52.1%	52.3%	49.9%	50.9%	47.5%	47.7%	50.9%	51.8%
Operating expenses	%	-41.6%	-41.4%	-46.3%	-41.7%	-45.4%	-46.8%	-46.1%	-43.7%
Non-recurring income (expense)	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating profit	%	10.5%	10.9%	3.6%	9.2%	2.2%	0.9%	4.9%	8.1%
Interest and investment income	%	0.3%	0.3%	0.1%	0.1%	0.2%	0.4%	0.4%	0.3%
Interest expense	%	-0.2%	-0.7%	-1.0%	-0.7%	-1.4%	-1.3%	-1.3%	-1.2%
Profit before taxes	%	10.6%	10.5%	2.7%	8.6%	1.0%	0.0%	4.0%	7.1%
Tax expense	%	-3.0%	-2.7%	-0.7%	-1.7%	-0.6%	-0.6%	-1.2%	-1.8%
Profit	%	7.5%	7.8%	1.9%	6.9%	0.4%	-0.6%	2.7%	5.4%
Margin ratios									
NOPAT margin	%	7.7%	8.4%	2.8%	7.5%	2.0%	0.4%	4.1%	6.2%
Recurring NOPAT margin	%	7.7%	8.4%	2.8%	7.5%	2.0%	0.4%	4.1%	6.2%
EBITDA margin	%								
Revenue growth analysis									
Revenue growth	%	3.9%	7.9%	-16.3%	7.0%	6.1%	-4.9%	10.5%	4.7%

Appendix K. Investment activities ratios of Adidas AG.

Year		2018	2019	2020	2021	2022	2023	2024	2025
Investment activities									
Non-current asset management ratios									
Net non-current assets / Revenue	%	22.8%	29.2%	42.2%	37.1%	36.2%	37.2%	32.7%	30.4%
PP&E / Revenue	%	10.1%	15.9%	24.8%	22.1%	21.6%	21.7%	19.6%	19.1%
Net non-current asset turnover	x	4.4	3.4	2.4	2.7	2.8	2.7	3.1	3.3
PP&E turnover	x	9.9	6.3	4.0	4.5	4.6	4.6	5.1	5.2
Working capital management ratios									
Operating working capital / Revenue	%	9.8%	9.5%	11.5%	9.9%	11.1%	12.9%	10.6%	13.1%
Operating working capital turnover	x	10.2	10.5	8.7	10.1	9.0	7.8	9.4	7.7
Trade receivables turnover	x	9.1	9.4	8.7	10.3	9.6	9.7	11.0	9.9
Inventories turnover	x	3.1	3.0	2.4	2.5	2.4	2.1	2.5	2.2
Trade payables turnover	x	4.6	4.5	3.9	4.5	4.6	4.3	4.3	4.0
Days' receivables	days	40.0	38.7	42.0	35.3	37.9	37.6	33.3	37.0
Days' inventories	days	119.2	121.1	155.4	146.5	153.5	170.4	149.3	164.5
Days' payables	days	79.6	80.5	93.3	81.7	80.0	84.1	84.3	91.3
Cash conversion cycle	days	79.6	79.3	104.1	100.2	111.5	123.9	98.3	110.2
Days in a year									
	days	365	365	366	365	365	365	366	365
Non-operating investments management ratios									
Non-operating investments / revenue	%	5.2%	4.3%	9.7%	12.3%	6.7%	3.4%	3.8%	4.1%
Return on non-operating investments (after-tax)	%	3.7%	4.6%	1.1%	0.5%	1.9%	7.9%	8.2%	5.4%

Appendix L. Financing activities ratios of Adidas AG.

Year		2018	2019	2020	2021	2022	2023	2024	2025
Financing activities									
Liquidity ratios									
Current ratio	x	1.36	1.15	1.30	1.33	1.16	1.14	1.14	1.26
Quick ratio	x	0.74	0.55	0.67	0.72	0.36	0.41	0.51	0.47
Cash ratio	x	0.38	0.25	0.45	0.46	0.09	0.18	0.26	0.18
Operating cash flow ratio	x	0.39	0.32	0.17	0.38	(0.05)	0.32	0.30	0.08
Debt and coverage ratios									
Liabilities-to-equity	x	1.45	1.93	2.15	1.75	2.79	2.66	2.52	2.31
Debt-to-equity	x	0.31	0.72	0.96	0.90	1.29	1.18	0.98	0.96
Debt-to-invested capital	x	0.24	0.42	0.49	0.47	0.56	0.54	0.50	0.49
Interest coverage (earnings-based)	x	50.55	16.07	3.61	12.93	1.67	0.98	3.98	6.74
Effective interest rate									
Effective interest rate (after-tax)	%	1.8%	3.5%	2.6%	1.9%	3.7%	3.3%	4.0%	3.9%

Appendix M. Standardized cash flow statement of Adidas AG.

Year		2018	2019	2020	2021	2022	2023	2024	2025
Standardized Cash Flow Statement									
OPERATING ACTIVITIES		EUR mln	Co. CF						
Profit before interest and tax		2,367	2,660	750	1,987	669	267	1,336	2,056
Taxes paid (plus tax shield on interest paid)		(827)	(734)	(456)	(484)	(508)	(381)	(318)	(478)
Non-operating losses (gains)		(21)	1	60	384	16	89	7	47
Non-current operating accruals		414	1,089	1,366	1,121	1,363	1,162	1,170	1,157
Operating cash flow before working capital changes		1,933	3,016	1,720	3,008	1,540	1,137	2,195	2,782
Net (investments in) or liquidation of operating assets		712	(248)	(250)	181	(2,000)	1,419	685	(2,043)
Cash flow from operating activities before financing		2,645	2,768	1,470	3,189	(460)	2,556	2,880	739
Interest received		57	64	29	19	39	79	101	74
Dividends received		0	0	0	0	0	0	0	0
Net (Investments in) or liquidation of non-current assets		(646)	(977)	(140)	(427)	471	(490)	(413)	(461)
Free cash flow available to debt and equity holders		2,056	1,855	1,359	2,781	50	2,145	2,568	352
Interest paid (after tax)		(33)	(120)	(145)	(113)	(238)	(209)	(231)	(224)
Net debt (repayment) or issuance		582	(639)	914	(1,251)	345	(1,100)	(1,153)	(479)
Free cash flow available to equity holders		2,605	1,096	2,128	1,417	157	836	1,184	(351)
Dividend (payments)		(529)	(666)	(17)	(585)	(632)	(158)	(165)	(399)
Net share (repurchase) or issuance		(1,003)	(813)	(261)	(1,005)	(2,532)	(4)	(23)	(4)
Net increase (decrease) in cash balance		1,073	(383)	1,850	(173)	(3,007)	674	996	(754)
Tax shield on interest paid:									
Taxes paid		(815)	(692)	(404)	(444)	(424)	(307)	(236)	(399)
Interest paid		(45)	(162)	(197)	(153)	(322)	(283)	(313)	(303)
Tax rate (Germany)	%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%
Interest tax shield		(12)	(42)	(52)	(40)	(84)	(74)	(82)	(79)

Appendix N. Revenue forecast for Adidas AG.

Adidas Revenue Forecast Build (2025A-2035E)												
Net sales are forecast from three drivers: euro inflation / pricing, product-category momentum, and market / channel share gains.												
Metric	Units	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net sales	EUR mln	24,811	26,796	28,806	30,822	32,671	34,468	36,192	37,911	39,617	41,300	42,952
YoY net sales growth	%	4.8%	8.0%	7.5%	7.0%	6.0%	5.5%	5.0%	4.8%	4.5%	4.3%	4.0%
Euro inflation / pricing anchor	pp		2.6%	2.0%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Product / category momentum	pp		3.4%	3.3%	3.0%	2.5%	2.3%	2.0%	1.9%	1.8%	1.6%	1.5%
Market / channel share gains	pp		2.0%	2.2%	1.9%	1.5%	1.3%	1.0%	0.9%	0.8%	0.7%	0.5%
Model revenue incl. royalties	EUR mln	24,892	26,883	28,900	30,923	32,778	34,581	36,310	38,034	39,746	41,435	43,093
2025-2035 net sales CAGR	%											5.6%

Appendix O. Forecast assumptions for Adidas AG.

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Forecast assumptions																		
Ratios																		
Revenue growth rate (year-on-year)	%	3.9%	7.9%	-16.3%	7.0%	6.1%	-4.9%	10.5%	4.7%	8.0%	7.5%	7.0%	6.0%	5.5%	5.0%	4.8%	4.5%	4.0%
NOPAT margin	%	7.7%	8.4%	2.8%	7.5%	2.0%	0.4%	4.1%	6.2%	6.5%	7.0%	7.5%	7.6%	7.7%	7.8%	7.9%	8.0%	8.0%
Operating working capital / revenue	%	9.8%	9.5%	11.5%	9.8%	11.1%	12.9%	10.6%	13.1%	12.5%	12.0%	11.5%	11.2%	11.0%	10.8%	10.7%	10.6%	10.5%
Net non-current operating assets / revenue	%	22.8%	29.2%	42.2%	37.1%	38.2%	37.2%	32.7%	30.4%	30.5%	30.0%	29.5%	29.3%	29.1%	29.0%	29.0%	29.0%	29.0%
Non-operating investments / revenue	%	5.2%	4.3%	9.7%	12.3%	6.7%	3.4%	3.8%	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Return on non-operating investments (after-tax)	%	3.7%	4.6%	1.1%	0.5%	1.9%	7.9%	8.2%	5.4%	4.5%	4.3%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Cost of debt (after-tax)	%	1.8%	3.5%	2.8%	1.9%	3.7%	3.3%	4.0%	3.9%	4.0%	4.0%	3.9%	3.8%	3.8%	3.8%	3.7%	3.7%	3.7%
Debt-to-invested capital	%	23.6%	41.9%	49.1%	47.3%	56.4%	54.2%	49.6%	49.0%	49.0%	48.5%	48.0%	47.5%	47.0%	46.5%	46.0%	45.5%	45.0%

Appendix P. WACC calculation for Adidas AG.

Components	Value
Risk-free rate (RFR)	3.06%
Equity-risk premium (ERP)	5.51%
Beta	1.20
Cost of equity (CoE)	9.67%
Risk-free rate (RFR)	3.06%
Debt-risk premium (DRP)	0.55%
Pre-tax cost of debt	3.61%
Tax rate (T)	26.20%
After-tax cost of debt (CoD)	2.67%
Weight of equity (We)	80.68%
Weight of debt (Wd)	19.32%
WACC	8.32%

Appendix Q. ERP calculation for Adidas AG.

Table 1. Calculation of ERP for adidas AG

Regions by Sales 2025	EUR mln	Sales share, %	ERP
Europe	8,136	33%	5.28%
North America	5,087	21%	4.45%
Greater China	3,623	15%	5.14%
Emerging Markets	3,510	14%	7.57%
Latin America	2,926	12%	8.63%
Japan/South Korea	1,406	6%	5.06%
Total	24,688	100%	5.51%

Appendix R. Free cash flow to equity (FCFE) model for Adidas AG.

Year														
Free cash flow to equity (FCFE) model														
FCFE	EUR mln	Forecast		1,230	1,412	1,719	1,851	2,021	2,183	2,316	2,482	2,612	2,808	
Discount rate (cost of equity)	%	WACC	9.67%	9.67%	9.67%	9.67%	9.67%	9.67%	9.67%	9.67%	9.67%	9.67%	9.67%	
Last reporting date	date	Valuation	30/11/25											
Discount periods	years	Calculation		1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	
PV factor	x	Calculation		0.912	0.831	0.758	0.691	0.630	0.575	0.524	0.478	0.436	0.397	
PV of forecasted FCFE	EUR mln	Calculation		1,122	1,174	1,303	1,280	1,274	1,255	1,213	1,186	1,138	1,115	
Forecast period value	EUR mln	Calculation	12,059											
Terminal growth rate	%	Assumption	2.5%											
Terminal value in terminal year	EUR mln	Calculation											40,117	
PV of terminal value	EUR mln	Calculation											15,933	
Terminal value	EUR mln	Calculation	15,933											
Equity value	EUR mln	Calculation	27,992											
Forecast period value / total value	%	Calculation	43.1%											
Terminal value / total value	%	Calculation	56.9%											
Number of shares outstanding	million	Inputs	178.7											
Equity value per share (as of last reporting date)	EUR / share	Calculation	156.67											
Valuation date	date	Title	05/05/26											
Period between last reporting and valuation date	years	Calculation	0.43											
Correction (compounding) factor	x	Calculation	1.04											
Equity value per share (as of valuation date)	EUR / share	Calculation	163.03											

Appendix S. Free cash flow to firm (FCFF) model for Adidas AG.

Year				2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Free cash flow to firm (FCFF) model													
FCFF	EUR mln	Forecast		1,183	1,414	1,747	1,873	2,054	2,237	2,348	2,535	2,686	2,795
Discount rate (WACC)	%	WACC	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Last reporting date	date	Valuation	30/11/25										
Discount periods	years	Calculation		1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00
PV factor	x	Calculation		0.923	0.852	0.787	0.726	0.671	0.619	0.572	0.528	0.487	0.450
PV of forecasted FCFF	EUR mln	Calculation		1,092	1,205	1,375	1,360	1,378	1,385	1,342	1,338	1,308	1,257
Forecast period value	EUR mln	Calculation	13,039										
Terminal growth rate	%	Assumption	2.5%										
Terminal value in terminal year	EUR mln	Calculation											49,235
PV of terminal value	EUR mln	Calculation											22,141
Terminal value	EUR mln	Calculation	22,141										
Business assets value	EUR mln	Calculation	35,181										
Forecast period value / total value	%	Calculation	37.1%										
Terminal value / total value	%	Calculation	62.9%										
Business assets value	EUR mln	Calculation	35,181										
+ Net assets held for sale	EUR mln	Cond_FS	0										
- Value of debt	EUR mln	Cond_FS	(5,896)										
- Value of non-controlling (minority) interest	EUR mln	Cond_FS	(349)										
= Equity value	EUR mln		28,936										
Number of shares outstanding	million	Inputs	178.7										
Equity value per share (as of last reporting date)	EUR / share	Calculation	161.95										
Valuation date	date	Title	05/05/26										
Period between last reporting and valuation date	years	Calculation	0.43										
Correction (compounding) factor	x	Calculation	1.04										
Equity value per share (as of valuation date)	EUR / share	Calculation	168										

Appendix T. Sensitivity analysis for Adidas AG.

FCFF Sensitivity – Fair Value per Share (EUR)					
Shows selected FCFF valuation date price sensitivity to WACC and terminal growth. Base case is the highlighted center cell.					
g \ WACC	7.32%	7.82%	8.32%	8.82%	9.32%
1.5%	182	164	148	134	122
2.0%	196	175	157	142	129
2.5%	212	188	168	151	136
3.0%	233	204	180	161	144
3.5%	259	224	196	173	154

Appendix U. Peers multi-based analysis for Adidas AG. Financial and market data.

COMPARABLE COMPANY ANALYSIS									
Company	Share Price Current	Share Price, EUR (at	Shares Outstanding	Units	Market Cap	Total Debt	Cash & Equivalents	NCI (Non-controlling	Enterprise Value
adidas AG	EUR	165.65	178.665	EUR mln	29,596	5,896	1,617	349	34,224
Nike, Inc.	USD	39.60	1,476.903	EUR mln	58,490	9,490	7,882	0	60,098
Puma SE	EUR	29.86	147.530	EUR mln	4,405	2,582	290	0	6,698
Deckers Outdoor Corp.	USD	98.51	138.880	EUR mln	13,681	323	1,643	0	12,361
On Holding AG	USD	34.13	638.115	EUR mln	21,776	634	1,178	0	21,232
lululemon athletica inc.	USD	112.87	110.482	EUR mln	12,470	1,549	1,557	0	12,462
ASICS Corp.	JPY	25.58	708.91	EUR mln	18,131	532	606	9	18,066
ANTA Sports Products Ltd.	HKD	8.10	2,796.653	EUR mln	22,663	2,960	4,875	841	21,589
Li Ning Co. Ltd.	HKD	1.95	2,584.811	EUR mln	5,031	261	2,262	0	3,030
Under Armour, Inc.	USD	4.98	426.120	EUR mln	2,121	1,119	432	0	2,809
VF Corp.	USD	15.00	391.769	EUR mln	5,875	4,356	370	0	9,861

Company	Financial Data					
	Units	Revenue	EBITDA	EBIT	Net income	Book Equity
adidas AG	EUR mln	24,892	3,210	2,056	1,340	5,776
Nike, Inc.	EUR mln	39,887	3,856	3,189	2,773	11,381
Puma SE	EUR mln	7,296	116	-357	-646	1,761
Deckers Outdoor Corp.	EUR mln	4,713	1,088	1,155	898	2,153
On Holding AG	EUR mln	3,292	551	412	222	1,783
lululemon athletica inc.	EUR mln	9,563	2,331	1,904	1,360	4,274
ASICS Corp.	EUR mln	4,377	906	769	533	1,465
ANTA Sports Products Ltd.	EUR mln	10,191	3,230	2,425	1,726	9,198
Li Ning Co. Ltd.	EUR mln	3,760	670	495	373	3,510
Under Armour, Inc.	EUR mln	4,448	-43	-160	-173	1,628
VF Corp.	EUR mln	8,187	485	262	-163	1,281

Appendix V. Peers multi-based analysis for Adidas AG. Valuation.

Company	Valuation					
	EV/Sales	EV/EBITDA	EV/EBIT	P/E	P/BV	
adidas AG	1.4	10.7	16.6	22.1	5.1	
Nike, Inc.	1.5	15.6	18.8	21.1	5.1	
Puma SE	0.9	57.7	-18.8	-6.8	2.5	
Deckers Outdoor Corp.	2.6	11.4	10.7	15.2	6.4	
On Holding AG	6.5	38.5	51.6	97.9	12.2	
lululemon athletica inc.	1.3	5.3	6.5	9.2	2.9	
ASICS Corp.	4.1	20.0	23.5	34.0	12.4	
ANTA Sports Products Ltd.	2.1	6.7	8.9	13.1	2.5	
Li Ning Co. Ltd.	0.8	4.5	6.1	13.5	1.4	
Under Armour, Inc.	0.6	-66.0	-17.6	-12.2	1.3	
VF Corp.	1.2	20.3	37.7	-36.0	4.6	
AVERAGE	2.5	14.1	17.9	28.3	6.0	
MEDIAN	1.8	11.0	13.7	18.2	5.1	

Metric	Multiple Median	Adidas' Denominator	Implied Enterprise Value	Net Debt	Implied Equity Value	Shares Outstanding	Implied Value / Share
EV/Sales	1.8	24,892	45,120	4,628	40,492	178.665	226.64
EV/EBITDA	11.0	3,210	35,351	4,628	30,723	178.665	171.96
EV/EBIT	13.7	2,056	28,115	4,628	23,487	178.665	131.46
P/E	18.2	1,340	24,346		24,346	178.665	136.27
P/BV	5.1	5,776	29,641		29,641	178.665	165.90
Current market price							165.65
Implied premium / (discount)							0.15%