

19th January 2016

Luxury & Consumer Goods

## adidas Group

Price EUR89.26

### Kasper Rorsted to take the helm of adidas Group in October 2016

Fair Value EUR102 (+14%)

BUY

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	93.4 / 58.1
Market Cap (EURm)	18,675
Avg. 6m daily volume (000)	1 115

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	16.5%	25.9%	-0.7%
Consumer Gds	-7.5%	-5.8%	-11.9%	-8.6%
DJ Stoxx 600	-9.0%	-9.5%	-19.0%	-10.2%

  

	2014	2015e	2016e	2017e
P/E	32.8x	25.9x	22.3x	19.3x
Div yield (%)	1.7%	1.8%	2.1%	2.4%

#### ANALYSIS

- First Henkel announced yesterday morning that its CEO Kasper Rorsted would “*not renew his current contract beyond 2017 and leave the company at his own request as of 30th April 2016*”. This breaking news was followed a few hours later by a press release from adidas Group which made official Mr Rorsted' appointment as ordinary member of the Executive Board (1st August 2016) and as CEO of adidas AG (1st October 2016). These official announcements mark the end of frequent rumours, which started in September 2015 when Germany's “*Manager Magazin*” reported that Henkel CEO Kasper Rorsted was a candidate for succeeding Mr Hainer.
- Although Mr Hainer agreed to relinquish his mandate on 30th September 2016 or six months prior to the initial expiry of his contract (30th April 2017), this timing enables management to ensure a smooth transition and avoid disruptions among operations and staffing, especially since the first initiatives of the 2020 Strategic Plan are generating positive results.
- Mr Rorsted's tenure was very successful: under his leadership since 2008, Henkel has posted a 2008-15e CAGR of around 3% in sales, while profitability has increased significantly (2008-15e CAGR: +10% for adjusted EBIT and +12% for adjusted earnings per preferred share) in challenging market conditions. Besides ensuring a successful takeover, Mr Rorsted's immediate priorities should be unchanged (i.e. support/manage the re-set plan in North America and the turnaround of the golf business if TaylorMade and adidas Golf are kept within the group, consolidate and gain market share in key markets), as well as over the MT/LT (i.e. profitability improvement on which Mr Rorsted was successful at Henkel, *Speedfactory* manufacturing programme, etc.).

#### VALUATION

- The ~6% increase in the share price yesterday was not only prompted by Mr Rorsted's successful track record, but also by the appointment of an “external candidate” which was favoured by a few of adidas' major shareholders. Buy recommendation and FV of EUR102 reiterated.

#### NEXT CATALYSTS

- adidas Group is to release its FY15 Annual Results on 3rd March 2016.

[Click here to download document](#)

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## Distribution of stock ratings

BUY ratings 57,6%

NEUTRAL ratings 33,3%

SELL ratings 9,1%

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