

27th April 2016

Luxury & Consumer Goods

adidas Group

Price EUR107.60

Creating... the good surprise! Q1 numbers are clearly above expectations!

Fair Value Under Review

BUY

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	108.6 / 63.7
Market Cap (EURm)	22,512
Avg. 6m daily volume (000)	1 061

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.0%	16.2%	31.5%	19.7%
Consumer Gds	1.7%	2.0%	-4.3%	-3.3%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

	2014	2015e	2016e	2017e
P/E	39.6x	32.4x	26.8x	23.0x
Div yield (%)	1.4%	1.5%	1.7%	2.0%

ANALYSIS

- adidas Group has pre-released some of its Q1 numbers given a significant discrepancy with consensus estimates. Group sales soared 22% FX-n (CS: +12%e) and 17% as reported to EUR4.8bn, 7% above expectations at EUR4.49bn.
- This top line development was certainly fuelled by the new products and lifestyle category (Originals and NEO), leading to a favourable product and price-mix, in addition to positive operating leverage given this robust organic growth. **Consequently, operating profit rose 35% to EUR490m (+24% above the CS at EUR394m!), implying an operating margin close to 10.2%**, while the street was anticipating profitability close to 8.8% (-10bp vs. Q1 15). Basic EPS increased by 50% to EUR1.75.
- Following these strong Q1 numbers, ADS has increased its FY16 outlook: **(i)** sales are now expected to grow around 15% FX-n (vs. +10-12% initially) and **(ii)** net income from continuing operations should increase between 15-18% (vs. +10-12% previously).

VALUATION

- In light of these strong sales and earnings momentum, we place our FV under review pending our assumption adjustments to reflect the more optimistic outlook. Buy recommendation confirmed.

NEXT CATALYSTS

- Q1 results due out on 4th May 2016.

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