

21st June 2016

Luxury & Consumer Goods

## adidas Group

Price EUR121.95

adidas remains the key supplier of Die Mannschaft until 2022

Fair Value EUR124 (+2%)

BUY

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	122.0 / 63.7
Market Cap (EURm)	25,514
Avg. 6m daily volume (000)	952.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.8%	21.7%	37.0%	35.6%
Consumer Gds	0.8%	-0.1%	-2.8%	-3.9%
DJ Stoxx 600	-0.1%	-1.2%	-6.5%	-7.7%

  

	2015	2016e	2017e	2018e
P/E	36.7x	29.7x	24.2x	21.3x
Div yield (%)	1.3%	1.5%	1.8%	2.0%

### ANALYSIS

- Following several months of negotiations, adidas Group announced yesterday the extension of its partnership with the German Football Association (DFB) for four additional years until 2022.
- Although this new partnership agreement implies a doubling of the contract value according to the German newspaper "*Frankfurter Allgemeine Zeitung*" (EUR50m per year vs. EUR25m currently), this offer enabled the German brand to keep this longstanding partnership (1954) from competitors like Nike, Puma or Under Armour. Germany remains also one of adidas' most powerful partnerships regarding national teams, with over 3m jerseys sold in 2014 (World Cup) and 1.3m sold in 2016 (Euro Championship). Consequently, Germany should become the highest-paid football team, ahead of France (~EUR43m, Nike) and England (~EUR35m, Nike).
- As a reminder, adidas confirmed last week that it should achieve record sales of EUR2.5bn in its football category for 2016 (~16% of adidas brand sales and ~13% of group sales), representing a ~15% increase over 2015. Furthermore, the German brand is the leading brand across Western Europe's top five markets (the UK, France, Spain, Italy and Germany), comforting the brand's global leadership vs. Nike.

### VALUATION

- The stock trades at 29.7 2016e P/E, which is supported by an adj. EPS CAGR of 19.8% over the 2015-18 period. Buy recommendation and FV of EUR124 confirmed.

### NEXT CATALYSTS

- **Nike** will publish Q4 FY16 results on 28 June. The market is likely to focus on the order backlog, particularly in the US where some analysts have pointed to rising competition (adidas, Under Armour) and a more challenging apparel market environment. Note that adidas brand grew its sales by 31% FX-n in Q1 16.
- **adidas Group** will report its H1 15 Results on 4 August 2016

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## Distribution of stock ratings

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NEUTRAL ratings 34%

SELL ratings 9.5%

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