

6th September 2016

Luxury & Consumer Goods

## adidas Group

Price EUR147.35

Sale process of TaylorMade still underway

Fair Value EUR136 (-8%)

NEUTRAL

Bloomberg	ADS GY
Reuters	ADSG.F
12-month High / Low (EUR)	156.6 / 65.4
Market Cap (EUR)	30,828
Avg. 6m daily volume (000)	792.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.6%	26.1%	51.2%	63.9%
Consumer Gds	1.4%	3.9%	4.7%	0.6%
DJ Stoxx 600	2.7%	2.7%	2.6%	-4.2%

  

	2015	2016e	2017e	2018e
P/E	44.4x	31.1x	25.9x	22.9x
Div yield (%)	1.1%	1.3%	1.5%	1.6%

### ANALYSIS

- Following the acquisition last week of Toulon Design, which is premium milled putter company, Callaway CEO Chip Brewer declared that *"there was little chance Callaway would be interested in TaylorMade"*, mostly due to antitrust issues as Callaway owns 25% of U.S. market share in golf equipment vs. ~20% for TM that is leading the metalwoods category with 32% market share.
- This statement confirms our view that potential buyers are likely to be investment firms rather than TM's competitors such as Callaway (too expensive, significant overlaps), Nike (also exiting golf equipment business), Under Armour (focus on apparel and footwear) or Fila Korea (possible overlaps as Fila already owns Titleist, Acushnet and Footjoy brands).
- Despite a tough market environment over the past years (U.S participation fell to 24.1m golfers from 25.7m in 2011) the current period might be more conducive to the sale: actors are saying that golf market is stabilizing and witnessed some positive signs (e.g.: increasing number of new golfers, rounds played up 3% June ytd) and TM seems to successfully execute its reset plan as sales were up 24% FX-n in Q2 (+7% for TMaG that was also back to profitability).

### VALUATION

- We remind that TM, Adams Golf (golf equipment) and Ashworth (apparel) are for sale, whilst adidas-Golf (~30% of TMaG sales) would remain within the German group. The divestiture of these three brands would imply a nearly 40bp-accretive impact on our 2017 operating margin assumption (8.3%e).

### NEXT CATALYSTS

- adidas Group will report its Q3 16 Results on November 3rd.

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## Distribution of stock ratings

BUY ratings 55,3%

NEUTRAL ratings 33,3%

SELL ratings 11,3%

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