The Moscow Times
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Adidas Lowers Targets, Blames Weak Russian Market

By The Moscow Times

July 31, 2014

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BERLIN — Adidas, the world's second-biggest sportswear firm, cut its revenue and profit targets for this year and scrapped them for next, blaming its exposure to a weak Russian market and a plunge in sales at its golf business.

Shares in the German group tumbled as much as 16 percent to a two-year low on Thursday as it cut back investments in Russia, where it makes about 7 percent of sales, and unveiled plans to overhaul TaylorMade, the biggest maker of golf bags, clubs, clothing and shoes in the world.

The stock, already hurt by the firm's market share losses to bigger U.S. rival Nike and its exposure to weak emerging market currencies, is now down almost 36 percent this year.

"The profit warning could almost have been predicted, but the extent of it is catastrophic," said Ingo Speich, a fund manager at Union Investment, which is the 10th-biggest investor in Adidas with a 1.2 percent stake.

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"Current tensions in the region point to higher risks to the short-term profitability contribution from Russia and the CIS," it said, adding it would significantly reduce its store opening plan for 2014 and 2015 and increase the number of store closures.

Adidas had said as recently as last month that it had not seen any impact on its business in Russia — beyond the translation effect of the weaker ruble.

Adidas, which had been basking in the glow of the World Cup after the victory of its sponsored team Germany, said it would fight back by increasing marketing in the next 18 months, particularly in North America and Western Europe.

"We will assert ourselves much more aggressively in the marketplace," said CEO Herbert Hainer.

Adidas said second-quarter sales rose 2 percent to 3.47 billion euros ($4.6 billion), a rise of 10 percent on a currency-neutral basis, while attributable net income was 144 million euros ($192 million), slightly above analysts' average forecasts.

It now expects a mid-to-high single-digit sales increase for 2014, before currency effects, down from a previous target for a high single-digit rise. It also forecast net income of about 650 million euros ($870 million), versus between 830 million and 930 million euros ($1.1 billion and $1.2 billion) before.

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