PUMA
Q4 & FY 2024
TRANSCRIPT

CORPORATE PARTICIPANTS

Arne Freundt PUMA SE – CEO
Markus Neubrand PUMA SE - CFO
Gottfried Hoppe PUMA SE – Director Investor Relations

CONFERENCE CALL PARTICIPANTS (Q&A)

Erwan Rambourg – HSBC
Edouard Aubin – Morgan Stanley
Monique Pollard – Citigroup
Andreas Riemann – ODDO BHF
Warwick Okines – BNP Paribas
Piral Dadhania – Royal Bank of Canada
Jürgen Kolb - Kepler Cheuvreux
Adam Cochrane – Deutsche Bank
Robert Krankowski – UBS
Thierry Cota – Bank of America
Jörg Philipp Frey – Warburg Research
Wendy Liu – Barclays
Cedric Lecasble – Stifel

Please note that the transcript has been edited to enhance comprehensibility.

PRESENTATION

Gottfried Hoppe

Hi, everyone. Welcome to PUMA's Q4 and financial year 2024 earnings call. Today I'm joined by our CEO, Arne Freundt, and our CFO, Markus Neubrand. Arne and Markus will take you through some slides, before we open up for Q&A. Without further ado, over to you, Arne.

Arne Freundt

Thank you, Gottfried. Also a warm welcome from my side. Good afternoon to everybody. Before I guide you through the agenda of today's earnings call, I would like to start with some opening remarks about 2024, as well as 2025.

In 2024, we recorded our highest sales ever, with 8.8 billion. I'm pleased that we showed a solid sales improvement by 4.4%in constant currencies, and also showed a solid improvement in our gross profit margin. However, I'm not satisfied that we could not translate our growth into additional profitability. We're very clear on the root causes and we will address our cost increases with our nextlevel programme.

Yesterday, we announced our 2025 outlook. We announced that we will expect sales to increase by low-to-mid single digits currency adjusted, and an adjusted EBIT after special one-offs between 520 and 600 million. We clearly acknowledge that this outlook is below our initial expectations, which we have shared with you during our Capital Market Days. Also here, we're very clear on the root causes and how we'll address them, and make it a priority in 2025 that we lay the foundation to return back to profitable growth in the future.

We'll attack growth with our brand elevation strategy, with which we want to close the gap in our brand strength between us and the competition. That is why in 2025 we'll continue to invest in our brand campaign, invest in innovative product, and also to invest into modern infrastructure, to make sure we can service our consumers and our customers in a faster and a better way. With our nextlevel programme, we address our cost base to increase our profitability. We see that we have grown very fast and have also grown a certain complexity in cost and also redundancy, which we'll address with our nextlevel programme, and free up spendings, which we can then reinvest into our strategic priorities, to make sure we invest in the topics which are making value for our consumers: brand and product.

Finally, we want to become a more reliable partner in our expectation setting for the capital markets and investors. With Markus as our new CFO, we'll ensure that our future financial scenario planning reflect better market volatility in a more accurate way from now on. Now, let me turn the pages to give you an update on our brand elevation strategy.

From day one, when I took charge of the office, I said my number one priority is that we need to elevate the brand. This is for me the only way we can build a foundation for sustainable and accelerated growth. This is what I stand for, the long-term success of the company. Why am I so convinced that we need to elevate the brand? Because we know that stronger brands have stronger market shares and we know that stronger brands have also higher full-price realisation. That's a very important point I would like to stress again. It's not about making our brand more premium, it's about strengthening it to improve the full-price realisation.

We have different price points. We have tiered price points, architecture from low price points, mid price points and high price points. We are currently selling relatively more of the lower price points, and the brand elevation strategy will help us to sell also more of the mid and higher price points. It's not about increasing prices, but increasing full-price realisation that will be meaningful contribution to growth and profitability.

Now let me guide you again through our pillars of our brand elevation strategy. We said we want to do three things. We want to establish a distinctive brand DNA with the consumers, to make sure we have a deep emotional connection of our brand with the consumer. Number two, we need to strengthen our performance credibility. PUMA is at the core a sports brand and we need a strong foundation to be a credible sports brand. And we say we want to attack the biggest opportunity in the market. We want to become more relevant in Sportstyle Prime. This is commercially, from a sales and gross profit margin, the most attractive segment, and here we have been underperforming for years.

Now let's talk about the brand DNA part. What have we done in 2024? 2024 was the first year of our brand elevation strategy, and we started to build the foundation. The work always starts with putting in place the right team, so we've established a new, consumer-centric brand and marketing organisation here in Herzogenaurach. Previously, the team was fragmented between Boston and Herzo, and we pulled together all the resources here in Herzo, placed a new leadership and brought in new talent, with new practises, to become a more consumer-centric brand.

As an initial step, we also launched our first brand campaign in ten years, and had meaningful progress in our brand KPIs with this. Lastly, we also worked on sharpening our brand DNA to build a deeper connection with our consumers. Here you can see some of the KPIs I would like to share with you on the progress which we did on improving our brand health. What do you see on the left side? It shows our unaided awareness. It's a good proxy for the mental availability our brand has with the consumers.

What do we see on this graph? We do see that we have a different level of mental availability in different regions. In our countries where we've been very strong, Mexico and India, we have a very high unaided awareness. This correlates also very deeply with our strong market shares we have. In India, we are the number one brand. In Mexico we are only a few percentage points shy of number one and number two. Here you also see that our unaided awareness in key markets like US, France and UK, is still below the levels, but we are progressing. We are making meaningful progress as a result of our media campaign.

Brand elevation is a journey. It's not a sprint, it's a marathon. It will take multiple years, but we are making meaningful progress to do so. Another key point in 2024 was the work which we did on sharpening our brand DNA. It's again a new practise which we have adopted, working consumer centric. We gathered the insights from more than 10,000 consumers in some of our key countries, to make sure we're identifying PUMA's homeland and can clearly differentiate our brand's position versus the competition.

PUMA has always been the brand of the free spirits. Think about Usain Bolt, Neymar, LaMelo, Rickie Fowler. The icons, the ones who dare to be themselves, go their own way, achieve their greatness. We believe our brand positioning to say that the greatness begins with the courage to be yourself is very meaningful, not only for our elite athletes, but also for the everyday athletes. We're very excited to bring that new brand DNA live in our brand campaign, which starts next week on 20 March in all the relevant media. We're extremely encouraged about the results which we have achieved with our brand campaign and tested it against hundreds of thousands of different campaigns. Here you do see that our campaign performs extremely well in the key markets in Europe, in US, in China, on all the relevant KPIs, with long-term KPIs indicating market share and short-term KPIs indicating sales potential. But also, in terms of fluency, which makes sure that we're advertising for ourselves and not for a different brand.

Because the numbers are so strong, we further increased our media spend in 2025 versus 2024. But brand elevation is not only about the media investment, it's making sure that the brand shows consistently strong at every single touchpoint of the consumer. I also said it during the Capital Market Days, our flagship stores have an important role to play because in these large stores, we can really show the full width and the strength of our beautiful brand. We opened Las Vegas in November last year and will open our latest flagship store in London in October, Oxford Street, in this year.

Of course, we also focus on POS excellence with our wholesale partners because this is the biggest commercial focus of ours. Now, let's turn the pages to talk about how we strengthen our performance credibility.

2024 we had good progress in performance overall. We grew our business overall, but also, we gained market share in all the relevant key categories. In Europe was another strong year, we're now at 19% market share in the home of football. Also in road running, our latest venture. 2021 we started to come back into performance running. 2023 we were a top ten brand. 2024 we are now a number nine brand, and we show a good growth trajectory, which puts us into position to further gain market share and positions in the years to come.

Overall, with our performance business growing faster than our overall business, I clearly can also see that the quality of our sales improved. Again, this is very important for PUMA to have that foundation of a strong performance business. How did we win in performance? We win with strong innovation, that's what performance is all about for me, innovation, innovation, innovation. I'm particularly proud about the innovation which we brought to life with our Deviate NITRO 3, as this was also awarded by the Runner's World Award.

That our innovations work very well can also be seen about the personal bests of our world-class athlete, Julien Alfred, the 100m Olympic gold medallist. All of these innovations we also bring to life with our wholesale partners, showing up strong to make sure our latest innovations are also available for our consumers. Now let's turn the pages to 2025, how will we continue to strengthen our performance credibility in this year.

Again, we will focus on innovation. We want to continue our success story in football by our new innovations around the FUTURE 8, which will be visible at the world stages of football through the Women's Euros, as well as the World Club Cup in the US. In running, we will continue to build on what I believe is the best foam in the industry, our NITRO foam. As you can see from the graph, we have done a very good job of building up consumer interest and recognition with our NITRO foam in the last years. And we believe that sets the stage for future success.

We'll further fuel the momentum with great innovation, led by our newest super shoe, the Fast-R3, which will launch in Q2, which shows superior running efficiency compared to leading super shoes in the market. NITRO will also be at the core of our opportunity to tackle in training, together with HYROX. HYROX is a global fitness running phenomenon, gaining hype in every single country they start. Meanwhile, they have more than 500,000 participants in more than 70 races worldwide, and we focus on proposing our NITRO propositions on the footwear side, and adopting our latest apparel innovation to fuel our apparel business.

Talking about hype, that's also how we would like to continue to win in basketball. We're excited that our first signature shoe for Tyrese Haliburton, our latest signing, will come to the market in the second half of the year. And also, the first products from Salehe Bembury will be hitting the market. I told you how we will progress building the emotional connection with our consumers. And how we also continuing to strengthen our performance credibility. Now, let's turn the pages, how we are addressing to win in the biggest commercial opportunity.

Let me first take you through the segmentation of the Sportstyle market, at least how I see it. You have three tiers. You have the highest tier, which we call internally Select. This is where the hype and the heat is being created. This is where the trendsetters are buying, the key opinion leaders. Then you have the second highest tier, which we call

PPrime. This is where a trend savvy consumer shops at an elevated price point. And then you have the third tier, which we call Core. This is the takedown of trend silhouettes at a more affordable price point. We've indicated to the right and to the left how each of the segment is contributing to the market, both from a commercial perspective, but also from a heat perspective. And while Select is more a smaller commercial play from a brand heat perspective, it is very, very important play.

How have we progressed in 2024? As I've always said, PUMA has a very strong offer in the Core business, which is how we are always winning with strong price value opportunities. This is what I also said in terms of full price realisation, we are very dependent on the lower price points. And we need to elevate to win at our higher price points, so we attacked it with Select and were able to have some material shelf space gains in course of 2024. I believe that puts us in a good position that we can finalise our transition in Prime in the course of 2025 and return back to growth, because this is how I see the trends are trickling down from the Select space into the Prime space.

Now, more particular, how was our Sportstyle strategy, based on which kind of pillars? It's on three pillars, which we have newly introduced. Number one, on the product side, we said every single product which we launch needs to be authentic, needs to have a distinctive PUMA DNA. It needs to be ownable for PUMA. We implemented a new go-to-market strategy. Being patient, making sure we're creating demand before commercialisation to educate the consumer on the new style. And thirdly, we adopted a new marketing strategy, focusing on seeding and influencer strategy, so we are gathering the talkability and the conversations on social media, where also our consumer shops and seeks inspiration.

Speedcat has been the first shoe where we really applied the three new pillars of our strategy, new product strategy, a new marketing strategy and a new go-to-market strategy. And as I said in the last call, in December, we have opened up for a broader distribution, and we showed up very strong in the relevant Prime accounts. What we see is that the demand is continuing to build up on this important silhouette, but even more important, on the low-profile category overall. We continue to see that the demand is building up month over month, but it's clearly also fair to say that the trend curve differs by region and even by country in the cities themselves, where the global key cities are leading. But that everything is pointing towards more low profile is not only confirmed by competition, but also by our latest launch in the Speedcat family, the Speedcat Ballet. This shoe clearly exceeded our expectations, and we believe it's a fantastic shoe going into spring, as well as into summer.

But, of course, we will not only rely on the Speedcat and on low profile, we have important silhouettes for every single trend. In 2025, we continue to maximise the ongoing demand in terrace and skate with

Palermo and Suede XL. We are continuing to focus now to scale up our Speedcat, as well as the Mostro. But we are already today thinking about tomorrow, about how we want to create the trend, or what kind of newness we are introducing with H-Street in the low profile segment, what kind of newness which we are introducing in Select and the running space, as well as in the football space. Because we obviously don't have a crystal ball, how the trend is moving, but we have different lanes in which we swim to make sure we are capturing the trend going forward.

Finally, I would like to quickly give you an update how we have progressed in our key focus markets, the US and China. In the US, we were able to return back to growth, as we have outlined in the second half of the year, and we were able to also make some meaningful contribution and progressed with our brand awareness. In China, we also improved. Of course, we still have a very long way to go, but we are making progress and improved our market position by one position. Also, what is encouraging for me to see is that we continue to build up consumer relevance on the leading social media platforms, where we see increased awareness and engagement with the consumers, paving the way to continue that success.

These are the three key pillars of our brand elevation strategy. But we always have three foundational layers, without the progress would not be possible. Number one, our people. Number two, our infrastructure, enabling that. And also, as we are a good corporate citizen, our progress in the field of sustainability. I'm also happy to report that we made meaningful progress in 2024 on our ambitious agenda, 10 FOR 25. 22 out of our 28 targets have already been achieved and I'm particularly proud that we were able to further reduce our CO2 emissions in our own sites, as well as with our manufacturing partners. As well as that, meanwhile, 90% of our products are now made with certified or recycled materials.

The fact that we are progressing well is also recognised by the different stakeholders in the industry. You see it's a very complex field with a lot of different awards, but it's also recognising the fact that PUMA is doing a very good job in the whole width of the field of sustainability. With the strong progress which we have done in 2024, we also introduced our vision 2030, more ambitious targets, which we would like to achieve in the field of human rights, circularity, and climate. We have validated the ambition and the realistic of our targets, also with external stakeholders, NGOs, supply partners, and relevant regulatory stakeholders, to make sure the whole strategy is settled.

To wrap up, what are the key messages to take away from the update on the brand elevation side? Number one, we are progressing. We're progressing to make sure that we are strengthening the brand. Again, this is, for me, the biggest unlock for the PUMA brand, to make sure we are growing in the future, accelerated and sustainable. It's the biggest unlock from a sales perspective, as well as from a profitability perspective. We've improved our sales quality, growing stronger in our performance category, creating the foundation for a credible sports brand. And we also made meaningful progress to transition our offer in Sportstyle Prime, putting us into the position to return back to growth in Sportstyle Prime in 2025.

All of that achievement would not be possible without the great engagement and commitment of our unique PUMA family. Now, let me guide you through the financial results. As usual, I will tackle the top line and then hand over to Markus to guide you through our full operational performance.

In Q4, we saw an acceleration of our growth to 9.8%, showing growth across all the channels, with wholesale coming at around 7% and DTC being more or less in line with the year-to-date trend of 16%, with a particularly strong growth of e-commerce at around 22%. We saw a good contribution from all divisions, footwear, apparel, basically at the same growth rate, and accessories growing 14.5%. And we also saw that all regions contributed to the growth, with EMEA leading the growth with 14.6%.

This puts us into the position that year-to-date, we closed the year with 4.4% constant currencies across all the channels, all the divisions, and all the regions being up, contributing to our growth trajectory. As usual, we also provide you with a breakdown of the regional performance on a more granular level. And here, you see that Europe was able to clock in 10% of growth. EEMEA grew 26%, North America, 2.4%, and Latin America 13%, and Greater China and APAC clocking 7% and 10%, respectively. With that, I would like to hand over to Markus, to guide you through our operating performance.

Markus Neubrand

Thank you, Arne, and good afternoon, everyone. We ended the year 2024 with a solid currency adjusted growth of 4.4%, as Arne just elaborated, and achieved sales of 8.8 billion. Our gross margin improved by 100 basis points, and our operating results came in on last year's level, and net income was below the prior year. However, we are not satisfied with our profitability development. Earlier this year, we initiated the nextlevel programme, complementing the brand elevation strategy to achieve sustainable, profitable growth. Let me take you through our fourth quarter results in more detail.

Our fourth quarter 2024 sales improved by 9.8% on a currency adjusted basis. As Arne mentioned, sales growth came from all regions, product divisions and distribution channels. Sales increased by 15.5% in euro terms. As anticipated, foreign currencies turned into a tailwind, mainly driven by the Argentine peso. The gross profit margin improved by 30 basis points to 47.3%.

Taking a closer look at our gross profit margin. Currency effects turned positive, mainly driven by the Argentine peso, US dollar, and Turkish lira. Sourcing prices were a tailwind in the quarter. Although this was partially offset by higher promotions, as we've remained agile and reactive in a more promotional environment. As wholesale sales growth accelerated in the fourth quarter, the channel mix effect was less positive than in the previous quarters. Operating expenses increased by 15.8%. The increase was primarily driven by a lower base, resulting from the Argentine peso devaluation in the previous year's quarter, and increased DTC share and investments in our infrastructure. In addition, FX decreased our OpEx ratio by 80 basis points. Overall, OpEx ratio increased by ten basis points year over year.

Taking a closer look at the OpEx ratio. Marketing was broadly flat, despite higher investments in Speedcat activations, offset by lower lifestyle sponsoring. The increased DTC share weighed on the OpEx ratio. Other OpEx were driven by investments in digital infrastructure and our warehouses. Operating results increased by 15.3%, driven by our sales growth and gross profit margin improvement. Our EBIT margin remained flat to last year at 4.8%. EBITDA increased by 14.4%. The financial result improved year over year, mainly driven by a lower base in the fourth quarter last year, which was impacted by negative conversion effects from valuation losses related to the devaluation of the Argentine peso. The tax rate in the fourth quarter was at 31.7%, mainly due to a different regional profit mix and adjustments in tax rates. Consequently, net income came in at 24.5 million.

Let's review the full-year 2024 operating performance. On a full-year basis, sales grew by 4.4%, currency adjusted, and 2.5% reported, to 8.8 billion. All regions, product divisions and distribution channels contributed to the improvement compared to last year. Except for Q4, FX remained a headwind to our sales and accounted on a full-year basis to approximately €150 million. The gross profit margin increased by 100 basis points to 47.4%.

Let's take a closer look at the gross margin drivers. We see that headwinds from currencies, such as the US dollar, Japanese yen, Turkish lira and Mexican peso, and promotional activities were more than offset by favourable product, distribution channel mix, as well as tailwinds from sourcing and freight. Also considering our increasing share in the DTC channel, we made overall progress on the gross profit margin side. Operating expenses increased by 5.2% on a full-year basis.

Let's take a look at the OpEx ratio drivers. The overall increase is mainly due to growth in our DTC business and investments in warehouse and digital infrastructure. Marketing spend and other OpEx was broadly in line with last year's share of sales. In addition, FX increased the OpEx ratio by 20 basis points. The OpEx ratio increased by 100 basis points to 40.6%. Our operating results came in at €622 million, which is at last year's level. This resulted in an EBIT margin of 7.1%, ten basis points below last year, as gross profit margin improvements were offset by increased OpEx. Currency effects weighed on EBIT margin, which were mostly offset by underlying improvements in our business. The EBITDA slightly increased to €971 million, while net income was 7.6% below last year, mainly due to a lower financial result. Let's go a little bit deeper into the financial results.

Overall, it decreased by 11.4% to €160 million, mainly due to an increase in net interest expenses. Key drivers for the increase in net interest expenses are lower interest income in different countries due to improved cash concentration. Increased retail lease commitments led to higher interest on financial lease liabilities. Interest expenses increased due to higher rates and utilisation. And, in addition, we had an impact from an impairment of an investment property. We anticipate our 2025 financial results to be similar to, or lower than 2024, before nextlevel measures take effect.

The group tax rate increased to 25.9%, mainly due to a change regional mix and the global minimum tax. In 2025, we expect to be about one point higher due to regional mix and unused withholding tax. Net income attributable to non-controlling interests increased by €5 million in 2024, as a result of improved profits in the socks and bodywear business in the US. Our inventories increased by approximately 12%, both in euro and currency adjusted, driven by a strong increase in goods in transit to serve the new product cycle in 2025. The group's total inventory remains at adequate levels. In the fourth quarter, we accelerated inbound deliveries for the US market, ahead of the introduction of additional tariffs for China imports. In 2025, we expect to source approximately 10% for the US market from China.

Trade receivables increased by 11.5%, largely as a result of the sales growth in the fourth quarter. Trade payables increased by 26% due to an increase in purchasing volume and a lower comparison base in the prior year. Overall, our operating working capital decreased by 4% versus last year. Working capital increased by 8.6%, driven by an increase in other short-term assets. That was mainly related to the value of hedging contracts as per the end of December 2024. In 2024, we invested €263 million, €37 million lower than last year. The investments focussed on owned and operated retail stores, warehouse and digital infrastructure to enable PUMA's future growth. We increased our focus to optimise the return on capital employed.

Let me give you some more background on the free cash flow development and net borrowings. The free cash flow increased by €95 million to 464 million in 2024. The nextlevel programme, next to gross profit margin and OpEx, focuses on increasing financial flexibility by improving cash conversion cycles, review for alternative financing opportunities, balancing capital allocations, and direct towards high-impact growth opportunities. We will share more details on the nextlevel programme later in this presentation.

Our net borrowings at the end of December 2024 were €120 million, up 101 million year over year. This increase is mainly driven by the share buyback and higher payments of interests in lease liabilities. This was partially offset by the improved free cash flow. We ended, extended and amended our revolving credit facility in December of 2024. The revolving credit facility was extended until December 2029 and includes annual interest rate adjustments based on the achievement of specific sustainability goals. This is the main driver for the increase of €290 million of unutilised credit lines.

In 2024, we returned capital to our shareholders and repurchased shares for €50 million. These 1.1 million shares were cancelled and hence, reduced the total shares outstanding. In total under the current programme, PUMA plans to buy back own shares for up to €100 million between March 2024 and May of 2025. €50 million of share buyback is remaining for 2025. The positive net income in the financial year 2024 and the execution of €50 million from the share buyback programme enables the management board and the supervisory board of PUMA SE to propose to the annual general meeting on 21 May, 2025 the distribution of a dividend of 61 eurocents per share for the financial year 2024.

Earlier this year, in January, we initiated the efficiency programme, nextlevel. nextlevel complements our brand elevation strategy to translate growth into increased profitability in the future. Our aim is to achieve an EBIT margin of 8.5% by 2027. The nextlevel programme focuses on three areas to strengthen our competitiveness. Improve gross profit margin, by decreasing product complexity and improving sourcing efficiencies. This also includes improvements in pricing and promotions that are supported by our brand elevation strategy. Easing our OpEx ratio by further reviewing effectiveness and efficiency across all functional areas. This includes, for example, leveraging indirect procurement in logistics and IT, and improving our PEX ratio.

We decided to reduce the number of global corporate positions by approximately 500. This includes positions in our corporate headquarters and regional offices. In addition, nextlevel also includes selective closures of unprofitable retail stores. The third focus area is improved free cash flow, by focusing on capital employed and cash conversion cycle. This includes further working on improvements in receivables, inventory management, as well as optimising our payment terms, especially for indirect procurement. And improving our capital allocation towards strategic investments that drive growth and return on capital. The nextlevel cost efficiency programme is expected to incur one-time costs of up to €75 million in 2025, which are related to the closure of unprofitable owned and operated retail stores, restructuring expenses and other one-time non-operating costs. In return, the company expects to generate additional EBIT of up to €100 million in 2025.

The reliability of our guidance was not what it should have been. I reviewed the root causes and identified that the planning processes are not living up to our expectations. I have a clear agenda to improve our talent, as well as improve our planning processes. In addition, I'm a big believer of business partnering that supports the improvement of our overall planning process. In a volatile environment, we need to improve the agility of our scenario planning. We are committed to providing reliable guidance going forward.

In 2025, we anticipate that geopolitical tensions and macroeconomic challenges will continue, especially trade disputes and currency volatility, which is expected to weigh on consumer sentiment and demand in key markets. Against this backdrop, we expect currency adjusted sales to grow in the low- to mid-single digit percentage range in the financial year '25. Our assumptions are that the DTC channel will grow at the low double-digit growth rate, whereas the Wholesale channel will be flat to up low single digit on a currency adjusted basis. Currency translation headwinds on our sales are expected at roughly one and a half percentage points, based on a EUR/USD of 1.08. An adjusted EBIT between €520 million and €600 million before one-time costs. And as already mentioned, one-time costs of up to €75 million related to the nextlevel programme.

Turning to the first quarter of 2025. For Q1, we anticipate currency adjusted sales to be low single digit below last year's level, primarily due to a soft performance in the US and China. Due to inventory valuation effects in the previous year, the different phasing of marketing expenses and the higher OpEx run rate, adjusted EBIT is projected to be around €70 million. Including one-time costs, EBIT is expected to be significantly below previous year's level.

Let me shed a little bit more light on how we see the gross profit margin evolving and improving in the full year of 2025. We anticipate FX headwinds on the gross profit margin coming mainly from the US dollar, Mexican peso and Japanese yen. We continue working closely with our partners and development teams and anticipate improving our sourcing efficiencies, and this includes contributions from the nextlevel programme. On the promotional side, we're expecting improvements throughout 2025. The stronger growth of footwear is expected to benefit the product mix. Freight and regional mix is expected to have a flat contribution to the gross profit margin. Lastly, we expect an improvement on the gross profit margin side from channel mix, which is basically a swap between the OpEx and the gross profit margin side on DTC versus Wholesale.

Now, let me elaborate on the OpEx drivers. As I said, the channel mix has a swap effect between gross profit margin, where we see improvement and a deterioration on the OpEx side. Warehouse and digital infrastructure investments into additional capacity increase the run rate. Other effects also include continued marketing investments at around 10% of sales and cost inflation. Lastly, FX is expected to be a headwind on our OpEx ratio. The nextlevel programme will allow us to address the cost basis as elaborated earlier. We expect an adjusted EBIT, excluding one-time costs in the range of €520 to €600 million for the financial year 2025. Improvements in our gross profit margin and the contributions of nextlevel programme are offset by the OpEx development and FX headwinds. And with that, I hand over to Arne, before starting with our Q&A session.

Arne Freundt

Thank you, Markus. And just to wrap up again, what is the priority for 2025? We said we need to lay the foundation to return back to profitable growth. The profitability we will address with our nextlevel cost efficiency programme and, as Markus has laid out, we are taking decisive actions to address our cost base. On the growth side, we have a clear brand elevation strategy in place. We know we need to become a stronger brand, and we will do so by continuing to invest into the brand. We're very excited about the next chapter of our brand campaign going live into 2025. We continue to launch innovative product, because that will not only create excitement, but also fuel our further growth in performance, as well as Sportstyle. And finally, we also continue to invest into the infrastructure for growth, which will provide better service to our consumers and customers.

With that, we would like to open up for the questions and answers.

Q&A

Operator

Ladies and gentlemen, at this time, we will begin the question-and-answer session. Anyone who wishes to ask a question may press star, followed by one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star followed by two. If you're using speaker equipment today, please lift the handset before making your selections. Anyone who has a question may press star, followed by one at this time. In the interest of time, please limit yourself to two questions only. One moment for the first question, please. The first question comes from the line of Erwan Rambourg from HSBC. Please go ahead.

Erwan Rambourg

Hi. Good afternoon, gentlemen, and thanks for taking my two questions. Firstly, on the 25 outlook, relatively muted growth in terms of top line. I think you ended the year last year with an acceleration in the US. Obviously, there seems to be a bit of macro uncertainty there. Can you talk maybe about how you view 25 in terms of regional mix, i.e. where do you expect the most headwinds or pain or hurdles?

And then maybe secondly, it seems that 25 is going to be another year where you grow very nicely in terms of Direct-to-Consumer, with Wholesale going sideways. How long do you think this will last? And is this the new normal, or do you envisage in 26, 27 or beyond an outlook where you have as much growth in the Wholesale channel as you do in Retail? Thank you.

Arne Freundt

Thank you, Erwan, for your two questions. When we look at the geographical mix, we believe that the growth will be predominantly driven by our markets in Latin America, as well as in EMEA. While our

	mature markets should be positive and contribute to the growth, but to a lesser degree. And when you talk about DTC growth and Wholesale, of course, our ambition is that Wholesale is also a meaningful contribution to growth. But I anticipate with the strong trajectory, which we see on e-commerce, that DTC is also continuing to grow faster in the future than our Wholesale business. But of course, we aspire that our Wholesale business has a more meaningful contribution to our growth in the future as well.
Erwan Rambourg	Thank you. Best of luck.
Operator	The next question is from Edouard Aubin from Morgan Stanley. Please go ahead.
Edouard Aubin	Good afternoon, Arne and Markus. Just in terms of what's changed versus when you gave your guidance, you updated the market in November and more recently in January. If you could just come back on the two markets you highlighted, in terms of the US and China, that would be helpful in terms of was the deterioration very sudden and so on and so forth? That would be my first question. And then, Arne, you reiterated several times that you think the guidance is relatively conservative, you don't want to disappoint the market. But if I look at your guidance for the year, it implies that you're going to reaccelerate to a mid-to-high single-digit type of growth from Q2 onwards. What makes you confident that you're going to be in a position post this level of growth after sales contraction in Q1? That would be very helpful. Thank you so much.
Arne Freundt	I think you basically already touched, what has changed since January? What we did not anticipate is the softness in February in the US. I think you also read from certain retailers and the relevant press that the traffic has been quite soft in the US in the course of February after the inauguration and new regulations coming into place. Especially our consumer base, we do have a higher trajectory with our Hispanic consumers. That was a consumer which had a more muted sentiment, especially in February. And when you say one third of your revenues, which we have in US, had such a soft February, obviously you look more conservative then into 2025 than what we had planned in January. In China, we see two different dynamics. I see that the consumer continues to shop, especially online, as well as in the outlets. This is something which I do see, but the traffic continues to be soft in our bricks and mortar, and especially in the wholesale partner stores, which are more full price basis. When you talk about the guidance for the full year, for the next three quarters, indeed, we will see an acceleration of growth again. Again, Q1, we did see that there was a certain softness, especially in the US, which we did not anticipate prior, and came quite sudden. But we feel the ongoing trajectory, which we see in the Direct-to-Consumer, and also the order book which we have at hand, we can accelerate back to

	mid-single digits then for the remainder of the quarters to overall land within the whole bandwidth of low- to mid-single-digit.
Edouard Aubin	Thank you.
Operator	The next question comes from Monique Pollard from Citi. Please go ahead.
Monique Pollard	Hi. Afternoon. Thank you for taking my questions. The first question I just had was whether you could give an update on how the early feedback and the scaling is going on the Speedcat, and whether it's still safe to assume a mid-single digit million pairs of those shoes this year being sold? And then the second question is, just as we think about the order book into the rest of the year, I'm just conscious that in January, you talked about the reorders being flat year-on-year and softer than you had expected in the fourth quarter. What gives you confidence that that doesn't continue, and then you get some order book weakness as we go into the second half of 2025, please?
Arne Freundt	Thank you for your questions. On the Speedcat, the mid-single digit units for the Speedcat family, which also includes the Speedcat Ballet, which I just introduced in the presentation, is still a very reasonable way to think about our expectation for the Speedcat for the full year. We have seen, as I said, the demand continues to build month over month. Again, there's not a linear function so you can really project when a trend has its tipping point, and really see a scale-up of the momentum. But we still feel that all the indicators are pointing to the direction that low profile is becoming a more popular trend, especially now going into spring, as well as into summer. On your second question, in regards to the order book and in terms of reorders, what we do see in terms of our order book is that we have a good quality of our order book, both in terms of the quality, as well as from an account perspective. We feel that we have a solid order book on hand, which makes us confident that we can achieve our overall guidance. But again, with the volatility in the marketplace, we felt it prudent to give a broader guidance on the sales from low to mid-single-digit, which is broader than what we have normally done. But back to Markus' point, we want to become a more reliable and trustworthy partner in terms of outlook, so we adjusted our outlook in terms of width for 2025.
Monique Pollard	Thank you.
Operator	The next question comes from Andreas Riemann from ODDO BHF. Please go ahead.
Andreas Riemann	Good afternoon. My questions would be linked to the nextlevel programme. With those measures you announced, are you also able to make the cost base more variable or that rather, one-time cost savings in the year 25? And then also on the savings, you mentioned 100 million

cost savings. Is that something that's building over the four quarters? Any insight here would be appreciated.

And then linked to that, I know it's a third one, but it's one topic. Is it fair to assume that until 27 to get to your 8.5% margin target, knowing that there's cost savings, yes, but is it necessary to grow at least high single digit to, in the end, get to 8.5%? This would be my questions.

Markus Neubrand Thank you very much for your questions. In terms of the nextlevel programme, let me start first. I outlined the three focus areas. Now, let me talk about especially the improvement of the gross profit margin, as well as the OpEx ratio. Overall, we have a very balanced approach between short- and mid-term initiatives. Let me give you an example. I talked about complexity optimisation. Complexity optimisation is an initiative that will have impact more on 2026 and after. Whereas, and I think we also have immediate initiatives also on FOB reductions, where we expect improvements in 2025 already. On the OpEx side, we took decisive actions that just announced and shared with you, also. We are reducing the corporate positions globally by 500, and we made this announcement earlier this week, and informed our teams globally.

Just from these examples, you can see that, yes, there will be an impact on 2025, as we outlined on the EBIT contribution of €100 million. Here, just also to clarify, it impacts OpEx, but also, there are some gross profit benefits also included. And then also going into 26 and also 2027, we will have then the balanced benefit of both the short term, as well as also on the mid-term initiatives.

In terms of 2027, the way you can think about the levers and the nextlevel programme, gross profit margin, and also the OpEx side, we expect that both, I think and also workstreams and focus areas, will equally contribute to the improvements to our overall EBIT margin. And you're right, in terms getting to the EBIT margin of 8.5%, this also means an acceleration of our growth in 2026 and 2027 to mid-to-high single digit.

Andreas Riemann That’s clear, thanks.

Operator The next question comes from the line of Warwick Okines from BNP Paribas Exane. Please go ahead.

Warwick Okines Good afternoon. Thanks. Firstly, could I just come back on the Q1 sales performance? I appreciate that you've seen consumer softness in February, but you are a largely wholesale driven business. What actually happened to the order book? Have you seen cancellations? Because that clearly looks like it's negative in the quarter.

And then the second one is actually just on the nextlevel, again, could you say what's embedded in your Q1 guidance? Are there cost benefits coming through in Q1 already in your EBIT guidance? Thank you.

Arne Freundt Thank you, Warwick. Let me take the first one, and then Markus will take the second one. Number one, you're completely right. A majority of our businesses is wholesale focussed. But, of course, when the whole industry has very soft traffic, our wholesale partners are equally affected by the softer traffic, as we are in our own Direct-to-Consumer channels, that obviously then leads to softer trade. And when you have a softer trade, then also there's a certain rephasing of orders then, because the call-off, they can be pushed back because of that soft trade.

And also, please bear in mind, that March last year had Easter holidays. This year, it will happen in April. And that's, for me, one clear read that there's always a concentrated demand around the shopping holidays, and all of the wholesale partners always want the inventories to be ready and available for these important shopping holidays. And if you take these two effects together, a softer February overall in the whole industry and in the US, and then a shift of the Easter holiday, then I think it clearly shows that there is a phasing of the orders between Q1 and Q2. Markus, I'll hand over to the second question.

Markus Neubrand

Thank you, Arne. Regarding nextlevel and the first quarter, we launched nextlevel mid of January. We are, of course, taking swift and decisive action, as we explained, but also as elaborated earlier, the impact and also the goal I think can also be skewed more towards, I think, the remaining three quarters of the year, as we started to work on it whilst we make immediate decisions, but the more benefits are expected to start from second quarter onwards.

Warwick Okines

Thank you.

Operator

The next question is from Piral Dadhania from RBC. Please go ahead.

Piral Dadhania

Thank you. Good afternoon, everyone. My first question just relates to the EBIT guidance for 2025. Excluding the net 25 million benefit, which the way we read it suggests that there's still a 90 million gap. Could you just help us explain why there's a €90 million gap in the EBIT number for 25 before the nextlevel programme cost benefits come in? Does that relate to expected operating deleverage, which I wouldn't really expect on a low to mid-single digit revenue growth number, and based on what you said around the gross margin evolution. That would be my first question.

And then my second question just relates to a clarification on the US and tariffs. Could you just clarify that the guidance includes any potential increase in tariffs for product coming from China into the US, which I think you said was only going to be 10%? Thank you.

Markus Neubrand

Let me start with the second question firstly. Yes, I stated earlier, 10% of the imports to the US are coming from China. And, yes, we have baked this into our guidance for 2025.

Regarding your first question, regarding the operating deleverage. In the presentation of prepared remarks, I showed you one slide also showing the EBIT bridge and what the contribution of nextlevel is. We have made investments also in the infrastructure, as well as also I talked about in general, about cost inflation. I think that is weighing on our overall profitability developments. That's all whatArne addressed earlier, we initiated nextlevel and taking decisive actions to address our cost basis. That's clearly, I think, the rationale behind and to improve overall our underlying profitability and take decisive action with nextlevel, I think both benefiting the gross profit margin as well as the OpEx.

Operator	The connection with the questionnaire has been lost. We now take the next question from Jürgen Kolb from Kepler Cheuvreux. Please go ahead.
Jürgen Kolb	Thank you very much. Two questions, indeed. First of all, allow me, and sorry, but when I listen to your comments, I also read the press release, it all sounds extremely positive, bullish. And when I go back to 29 January, your special call, you said good order book, huge progress in Sportstyle Prime in North America. We're confident that the distribution has improved and whatsoever. And now we get this guidance, which was certainly a disappointment. Please, can you tell us what categories and what products did not sell? Because you certainly concentrated on the ones that are selling well, but there must have been something which has not been selling well. Is it a category? Is it in a certain price point? Is it with certain retailers? Maybe some words on that one would clarify a little bit where you need to really work on and what has not really worked. Probably also this premium strategy, at least it's not yet visible. That's the first one. And the second one is maybe coming back to the guidance. And correct me if I'm wrong, so that I understand that, the 520 to 600 million is the adjusted guidance, and that already includes 100 million benefit from the nextlevel initiative. Excluding this nextlevel, it would have been 420 to 500 million coming from 622 million in 2024. I have not yet really understood the gap, first of all. And secondly, what really makes you confident that nextlevel in 25 will already have such a significant impact? And when you could, again, be a little bit more precise what the impact will be on gross margin and OpEx. Thanks very much.
Arne Freundt	Thank you very much, Jürgen. And, again, I fully acknowledge that the outlook which we have provided was a big disappointment, especially after our calls, which we had earlier this year, and also as a follow-up of November. That point is fully taken. Again for us, when we looked into the order book in January, basically, it is still the same order book which we have at hand today. But the softness of the US market, and again, that is one third of our business, that was a surprise for us, and it's something which we have not anticipated. And this obviously shows a certain dynamic in the market environment, which we cannot control and don't have an oversight for the next nine months. This is also where we said we really need to make sure that when we provide an outlook, that we are considering the whole volatility, which is currently available in that side. And when I read the newspapers, I do get concerned

	currently on the consumer sentiment in the US. And that is something which we have factored in.
	I think what has not worked well or what has worked well on the product side, again, we have a huge product offering, so I cannot call out one single product which was not meaningful, because, again, we try to stand on multiple feet. We are in the process of transitioning our Prime business back to growth. And it's also always what I said, in course of 2025, we will return back to growth in the Prime business. This does not happen overnight, but I'm still very confident that we end 2025 with a growth trajectory in Prime for the second half, at least.
Markus Neubrand	Jürgen, regarding your question on nextlevel, first, in terms of the composition of the €100 million impact on the EBIT contribution we expect in 2025. On the gross profit margin side, I talked earlier about the FOB reductions and this will be the main contributor that we expect also to benefit our margin in 2025.
	On the OpEx side, we announced earlier, we've decided to make changes with our organisational structure, with the reduction of the corporate positions. In addition, also I mentioned earlier, indirect procurement. Give you an example, we have now worked on, we have full transparency, we are a very decentral organisation. We now have created the transparency around our indirect spend. Let me give an example about logistics, outbound freight. We have now transparency about our global vendor partners spend. We see opportunities to consolidate and to renegotiate, and those are the processes that we have initiated, which will benefit also in 2025 already. Those are examples that give you an idea about what are we addressing. And I think also with nextlevel on the OpEx side, across the personnel expenses and non-personnel.
Jürgen Kolb	And one follow up real quick, nextlevel, that's 25, nothing to expect in 26?
Markus Neubrand	In terms of one-time costs?
Jürgen Kolb	Yes, sorry.
Markus Neubrand	In terms of one-time costs, nextlevel, the one-time cost will be concentrated on 2025.
Jürgen Kolb	Got it. Thanks very much.
Operator	The next question is from Adam Cochrane from Deutsche Bank. Please go ahead.
Adam Cochrane	The first question is, you mentioned a couple of times in the presentation that you're very well aware of the root causes for what has happened. Would you be able to summarise quickly, for our ease, what you see as the root causes of what's happened here? Is it really that the OpEx base is too high, the sales have been too low? And then you mentioned a few times about infrastructure, higher DTC impacting OpEx. Those are both things that should really generate sales as well.

It really is a bit of a clarification on where you see, when you sit around the table and say, here's the three things that were the root causes of what's happened here, that would be useful.

And then secondly, in terms of the Sportstyle Prime retailers, are you having any pushback with them in terms of your discussions? Are they all supportive of the strategy and where you're taking the products and things? Just a bit of a discussion about how discussions with those guys are going. Thanks.

Arne Freundt

Thanks, Adam. In terms of the root causes, let me take through first on the top line and then on the bottom line. I think if we go back to our initial assumptions, which we also shared during the Capital Market Days, we had assumed that there's a market which is growing mid-single digits, and that we said that we will outgrow that market. It's already an assumption, which was not true for 2024. Based on our data, the market has grown low single digits, and the best data I have available for 2025 suggests something similar. That is clearly, just from an industry dynamic, something which has changed.

When we look in terms of the brand strength, again, and going back to what I said earlier in the presentation, we also know from the fact that we are currently transitioning our brand strength. We still have a gap towards some of the competitors which have a stronger brand equity. And as we are transitioning a volatile market environment, we do have a higher vulnerability than others. This is also why I do need to strengthen the brand, continue to invest into this one, that we build up that resilience, because stronger brands can weather a volatile environment better than brands with a lesser brand equity. This is why we continue to be very focussed on building the mid-to-long-term success of the company by really making sure we are strengthening the brand.

Talking on the cost side, Markus has already laid it out what has changed when you look into the bridges. We did see currencies is something where we continue to have a high exposure. That's one effect, we have one fourth of our inflows in USD, more than 50% of our outflows in the USD. This is just something which has structurally grown over the time. We said the best way to attack this is, of course, to ensure a higher natural hedging. This is also why we said we want to win in the US, also win in China, because both markets do provide a natural hedge. But currently, with the footprint which we have grown over years, we do have a higher exposure to FX than maybe other competitors. And this is something which we are addressing by the right market strategies, but also by diligently trying to limit our exposure to the other markets.

Secondly, when you refer to infrastructure, I would like to talk more about warehouses. What we are doing is we are investing into fully automated warehouses, which are mitigating labour shortage and future wage increases. Short term, this might lead to a pressure on the profitability, but mid-to-long term, it's absolutely the right thing to increase further cost efficiencies. Just the last year, two major automated warehouses went live, both in Europe as well as in the US, and this is what we do see also on the depreciation then hitting our profitability. And obviously, with a lower sales projection or outlook than we have initially thought, it is obviously also a drag on the profitability. Again, this is why it is important that we are doing the right things, which is important for the mid-to-long-term success of the brand. And these automated warehouses are, of course, more efficient. But in the short term, they are more expensive in terms of depreciation than outgrown warehouses, which are fully depreciated.

And then lastly, but this I think Markus has addressed, we have seen with the strong growth which we had in the past, our costs also grew, and we focus more on growth than on efficiency of the cost. Certain complexity, certain redundancy of costs have existed, and this is what we are addressing with our nextlevel programme to take this out. These would be the three drivers I would like to call out in terms of the analysis of the root causes which we are addressing as we speak.

Adam Cochrane: That's great. And on this Sportstyle Prime discussions?

Arne Freundt: Sorry, my answer was so long that I forgot about this one. Adam, would you be so kind to repeat the question again?

Adam Cochrane: You talk about hoping for Sportstyle Prime to get back into growth in 25. How are the discussions going? What's the state of play?

Arne Freundt: Look, the discussion which we are having with the retailers is that they are very confident about the strategy which we have applied, because basically, we implemented the strategy based also on their feedback that we need to win in the upper channels, to make sure we are winning with the key opinion leaders, with the trendsetters. And then it's only a matter of time when it trickles down into the accounts. They see the work which we have done in Select, they are seeing what we are doing on the marketing front. There's a good confidence in our approach and that we are moving towards the low-profile trend.

Adam Cochrane: Thank you.

Arne Freundt: I think, also, the good news is the doors are wide open, every Prime account also sees that we have the potential to be far bigger than we are today. But we needed to change a few things to make sure we can succeed with these important accounts. And again, it's an aspirational account selling higher elevated price points. And I do also need a stronger brand to be able to succeed in that channel. These are the things which we are focusing on, elevating the brand, changing our product strategy, and our go-to-market strategy to succeed in the channel.

Operator: The next question comes from Robert Krankowski from UBS. Please go ahead.

Robert Krankowski

Thank you for my question. I've got two. First one, I just wanted to come back to your gross margin bridge. I think in Q4, promotional activity was a drag on your margins, but looking for the outlook for FY 25, you're expecting it to be a tailwind. I just wanted to understand what would change after Q4, because one of your peers is still planning to be pretty promotional from what we are hearing. And also, I think the consumer environment is getting weaker, so what makes you confident that promotional activity should be better this year?

And second one is just, again, on the cost savings, cost efficiency programme. We heard that there would be some benefits to gross margin in 2025. Should we think that the benefits to gross margins will be increased, slightly higher in 2025 and 2026? How should we think about the phasing of these benefits for gross margin? Thanks.

Arne Freundt

Thanks very much for your questions. Let me take the one on promotion, and then Markus will take the rest. Again, I think what we are doing for investing into the brand, strengthening the brand, should obviously result into ensuring a higher full-price realisation. This is the controllable on which we are working, and this is also why we feel confident that it's a good assumption to reduce our promotions in 2025 versus the prior year.

Markus Neubrand

Rob, regarding your second question, could you please kindly repeat? It's about phasing of the gross profit margin improvements. Did I understand it correctly?

Robert Krankowski

Yes, the benefits. I think you mentioned that there will be some benefits on gross margin in FY 25 and 25, 26, 27. I just wanted to understand whether the benefits should be higher in 26, 27 on gross margin, or would they be similar?

Markus Neubrand

Let me take you through. Also, we started working on the FOB reduction right away, we have an impact on 2025. If we then look at 26 and 27, I mentioned the product complexity reduction, which will ultimately mean in terms of optimising our material complexity, as well as overall the complexity of our collections, which will lead also to further sourcing efficiencies, also by higher quantities, also per SKU. If I then look, another thing Arne touched on it, I mentioned as well, in terms of the pricing promotions. Yes, we expect promotions also to be a tailwind in 2025, but also in terms of the pricing, as well as all the further full-price realisation with the further progress we are making, we are expecting on the brand elevation side. This will, of course, also benefit the gross profit margin improvements in 26 and 27. The expectation is that in terms of nextlevel contributions and across profit margin, that 26 and 27 will show more improvements than what we see in 2025.

Operator

The next question is from Thierry Cota from Bank of America. Please go ahead.

Thierry Cota

Good afternoon. Thank you very much for taking my questions. I have two of them. First, you mentioned a target of mid-single digit to high-single-digit growth in the next two years after low single digit this year and last year. I was wondering, what was your market expectation in that context? Do you expect to outperform the market or to underperform the market? And why it makes you think that there would be an acceleration for you and/or for the market in the coming two years?

And the second question is, after the €100 million of cost saving this year, embedded in your plan to get to the 8.5% EBIT margin in two years or in three years, how much do you expect in 26 and 27? Thank you.

Arne Freundt

I will take the first one, and then Markus will take the second one. Look, I think we are looking at the same reports, and I think the trajectory for the market is that I think all the major trends are healthy on our sector. We do see that the sporting participation in emerging markets is still rising because of the rising middle class. The consumers are still looking for more wellbeing and healthier propositions, and athleisure continues to be on trend also on the streets. The trends for our industry are all pointing in the right direction. But obviously, there are certain factors, and there we have seen it in 24 and 25, impacting the consumer sentiment. We believe that there should be slightly more tailwind in 2026 onwards. But, of course, we need to focus on our controllables. And clearly, our ambition is that we outgrow the market. Again, it comes back to our controllables. 2026 will then be the third year of our brand elevation strategy. And with every single year we are progressing, obviously, we believe we make further progress on strengthening the brand and also gaining more market share with that one.

And secondly, with our product portfolio, we said also in our Capital Market Days, next to Sportstyle Prime, we also see opportunities in the training apparels field. We said also that 2026 will be the first year we have fully restructured our portfolio on the apparel side. We also believe that with our strong product, newness and innovation, which we have already now in our showroom for spring/summer 26, it will be a meaningful contribution to accelerate our growth in 26 versus 25. Markus, you take the second one, please.

Markus Neubrand

Regarding the phasing of the OpEx improvements, I talked earlier about our levers in terms of the short- and mid-term levers. Now, as we're making adjustments also to our overall corporate positions, I think they impact 2025, not the full year, next year will have a full impact. Then also give you an idea, I talked about indirect procurement earlier. That, of course, as we're now initiating the tender process in these improvements, where we will have a full year impact in 26 and after. Also, one of the areas that we are looking at, now I'm staying on the topic of logistics or our warehouse infrastructure, in terms of opportunities, also to consolidate and to review our overall warehouse footprint. This is an initiative and a lever that will benefit more the later

	years, 26 and 27, than what we will realise in the short term. To answer your question, in terms of the phasing, in terms of the run rate, in terms of the OpEx contributions, there will be further increases in terms of the benefits we're expecting in 26 and then in 27.
Thierry Cota	Thank you. But just for clarification, your 8.5% EBIT margin in 27 is based on what level of full run rate of the savings relies on a 12-month basis? How much would that amount to, compared to the 100 million of this year?
Markus Neubrand	What hat we've outlined in terms of overall assumptions, Arne shared in terms of the growth rate, mid-single digit to high single digit, in terms of the overall revenue growth rate. In terms of the run rate, in terms of the savings, we expect, and I think we shared with you, the 100 million across gross profit margin and OpEx for this year. In terms of 2026 and 27, we are working on all of the levers in terms of quantification, in terms of phasing. I have an idea, I have a number. I would like to make sure, and I think also as we discussed earlier, in terms of the reliability of our guidance, also providing you numbers that we then mainly otherwise revise. But what I can assure you, and I think we are very confident, that with what we have initiated with the levers, that they will take us into the 8.5% [EBIT margin] by 2027.
Thierry Cota	Thank you.
Operator	The next question comes from the line of Jörg Philipp Frey from Warburg Research. Please go ahead.
Jörg Philipp Frey	Hello, gentlemen. First of all, I must excuse myself, again on your Q1 guidance. And I understand softness in the consumer, but the disproportionate decline of EBIT, given that it's already based on an adjusted EBIT number, is still puzzling for me. Is there anything which we can label as one time regarding this EBIT decline, which you guide for Q1? Has there been any hiccup regarding this rapid weakening of the US dollar recently? While you mentioned the inventory valuation effects in the prior year, I don't recall anything there. Can you just help me a bit, what's behind that? And then secondly... Probably, can we go one by one? Probably a bit easier for you as well.
Markus Neubrand	Thank you very much. Sorry, I was already jumping, wanting to answer. In terms of the Q1 guidance we shared, in terms of sales development, a low single digit decline compared to last year. And as we talked about the softness we're seeing in the US and also in Greater China. In terms of the prior-year effects, you're right, in terms of inventory valuation effects and prior year. Last year, if we look at the first quarter of last year, we sold then also inventories at higher prices than what the value was, and I think that benefited the inventory valuation in last year, and that's where we are not anticipating having a similar effect also in the first quarter of this year. Coupled with, and I talked about it earlier, if you look at the OpEx run

rate, if you now take into account also the low single digit [decline of the] overall topline development, then coupled with the higher OpEx run rate, this then putting pressure on the overall profitability. In terms of the overall marketing, and I think that's also the last topic that I also addressed, Arne mentioned earlier. And I think in terms of marketing, as we're launching also marketing initiatives in the first quarter, there's a higher marketing spend in the first quarter compared to last year.

Jörg Philipp Frey	And my second question is a bit more longer term. If you look at your minority position, which is basically, my understanding, is socks and bodywear in the US, basically, ten, 15 years ago, this was basically a zero profit drag for you. Now half of this business, generates 65 million in profit. And socks and bodywear is not exactly detached from branding. What can you really learn from the execution in this business, particularly regarding your branding strategy and better execution in a non-elevated atmosphere, so to say?
Arne Freundt	Jörg, let me take that question, because I think the socks and bodywear is always good business, where you can realise nice sales and also nice gross profit margin. It's a good profit contributor for all brands, including our brand. And the beauty of that product, it does sit in all the different distribution channels, from high to low channels. And the good thing is that it's not detrimental to the brand health. This is something which clearly can also live in lower distribution channels and be an accessible product to lower income people. We believe it's a good business. We believe it's driving good commercial business and good bottom line. I think the only thing which we always look at, that we are currently in a joint venture .We will always evaluate also for the future, what is the best way to proceed our business ventures going forward.
Jörg Philipp Frey	Thank you. And all the best for the remainder of the year.
Arne Freundt	Thank you.
Operator	The next question comes from the line of Wendy Liu from Barclays. Please go ahead.
Wendy Liu	Hi. Thanks for taking my questions. I have two, as well. One is on your pipeline, a question to Arne. We all know that it's very difficult to predict trends, but I wonder, what would be your plan B, should the low profile trend not take off, let's say, for the rest of the year? What are in your pipeline that you will push a bit more? Could it be somewhere between the Core category or in the family channel or the sports performance business? This is question number one. Number two, I still wanted to get into the cost bit of your business a bit more. If I look at your guidance for 2025, excluding the cost efficiency programme, I'm looking at somewhere around the 26% EBIT decline year-over-year, on top of your guidance of the low-single-digit to mid-single digit top line growth. Can you help us understand a bit more in

terms of what are the costs underlying are. It looks like the cost of doing business are a bit higher. And then what would be the top line required for you to ensure a flattish EBIT margin? That would be the two questions. Thanks.

Arne Freundt

Thank you, Wendy. Let me take you again, a bit of a broader perspective, how I look at our business. At the end, you can segment it into three different sections. We have a performance business, and I showed you that we are doing very well in all the relevant sports categories and football, running, as well as basketball. We have a strong pipeline, which makes me confident that we will continue our success in performance, continuing to increase the sales quality. Then the second pillar is our Core, our family footwear business. Here also PUMA is probably known very well among the consumers, that we have a very strong price value relation offer, making sure we have trend silhouettes on the affordable price point for our consumers. Also, here we are in a very good shape, having a strong product offering and a strong pipeline.

And then we talk about the third pillar. We talk about our Prime business. And this is where your question was, in terms of how dependent are we on our low-profile shoe, Speedcat. Here, Speedcat is our lead model for low profile, but we have also more silhouettes speaking to the low-profile trend, Mostro is a second one, H-Street also. And we also have the respective takedowns for our Core channel, so it's a whole family of products speaking to the low-profile trend.

We have also different lanes speaking to the Prime consumer. We believe that one lane which we can start to build up is our tech running inspired on NITRO. We have the first Prime accounts being very interested to take our NITRO propositions in their stores, because they need a new brand which can talk to their tech consumers. In the second half of the year, we will also introduce to certain key accounts our NITRO proposition. That is one further lane.

A third lane is our court offer. We are working on a comeback of our most iconic shoe, of the Suede, the Suede OG, which obviously is a good one. We have worked in the last months of really cleaning the market of our Suede OG, so we have a clean market that we can bring it back. And then there's a third lane of football inspiration. The terrace shoes, as we know today, is one way to think about the football inspired trend. And we have also two silhouettes, which take a more retro and futuristic look at the world of the football inspiration in that segment.

We have, again, multiple lanes, how we would address the consumer in that segment, because, again, we don't have a crystal ball about the future trends. But what we currently believe is that everything points that the low profile will be bigger tomorrow than it is today. And then I hand over to Markus for the cost question.

Markus Neubrand

Thank you. If you look at the EBIT guidance, and we included in the bridge in the presentation, and I walked you through in the prepared remarks, and Arne explained also earlier, if you look at a currency, structurally, we have with the exposure that we have to the US dollar, but also with China, we know, and I think that's our priority, that we are working on growing the business and optimising our natural hedges, which will alleviate the currency impacts. You can see from the bridge that the FX is a headwind. I think that is significant that we've also factored into our guidance for 2025.

In addition, if you look at the infrastructure, also an example. Arne talked earlier and gave you the example about the warehouses and investments we made. But also, in terms of what it means in terms of the run rate of the OpEx, including depreciation, amortisation that is increasing, which also increases our overall OpEx. And also in relation to sales, we are expecting to be between low to mid-single digit on a currency adjusted basis for 2025. This, if you now look at these effects together, I think that's why we took with nextlevel, we initiated the nextlevel, and where we already took decisive actions and addressing the cost base to make sure that we are aligning our cost and our OpEx structure. And besides the gross profit margin improvements I talked about earlier, to improve our EBIT margin towards 2025, and 2027 to 8.5%.

Wendy Liu — Great. Thanks.

Operator — The next question comes from the line of Cedric Lecasble from Stifel. Please go ahead.

Cedric Lecasble — Good afternoon. Thank you for taking my questions. I have two, also. It's more follow ups on questions that were raised. First one is on your infrastructure investments. Could you maybe help us understand on your automated warehouses and logistic investments, where you stand in this process? How long it will weigh on your cost structure, when you believe it will be over? And maybe update us on the LatAm situation. You had some issues, they must be solved, but maybe you can help us with this. The phasing of your automated warehouses and logistic investments, basically.

And the second question would be on a remark you made on the fact that you had a higher exposure to FX than some competitors. And I'm not sure to understand about hedging. What is differentiating you from your German cousin, for instance, or from some other companies operating globally? Thank you very much.

Arne Freundt — Thank you, Cedric. Let me take both questions. First, on where are we in our journey in terms of warehouse automation? First, I'd say, what is the scope? The countries are obviously the high-wage countries where we are seeking automation as the way forward. We are talking then mainly about US, Europe, as well as Australia, in terms of countries being in scope. In other countries, we are still relying on more manual warehouses, because we still see it as a more efficient way. And also the labour forces are available in these countries. We had the two go-lives in terms of automated warehouses in 2024, and we will have two go-lives in 2025 in Europe, as well as in Australia in 2025.

Going forward, I think then we are completed with the majority of our automation projects. Of course, we will always look into projects, how we can further consolidate warehouses and enhance to make sure we are bundling the inventory in less warehouses. But to say that would be the foreseeable roadmap for the next two years.

In terms of Latin America, the answer is still the same in terms of the outbound capacities. We are now in the situation that we can deliver the quantity, as well as the quality which is required. But we cannot deliver it as efficient as possible, because we are still operating out of multiple warehouses. This is something which we have ramped up very quickly when we saw that our service provider was falling short of the commitments. We ramped up very quickly alternative options to make sure we can deal with the demand. It's a cost efficiency topic, which we are addressing in 2025, scaling up the volume first in the existing warehouses. But it's important that we ship, because nothing is more expensive than not shipping.

On the FX exposure, I think there are two markets with a natural hedge in my book. One is China, because basically the majority of the business is also local for local. And our market position in China is not great, we are with a low single-digit market share. And also, the share the business has in our overall mix is more in the mid-single digits, while that has a more meaningful contribution to competitors. And also in the US, we said that our market share, we are only a number eight brand, also with low-single digit market share. Also here, competition is stronger and has a more meaningful contribution of a natural hedge in the US dollar countries. I think they're the main pieces which are dragging, if I also remember right, I think our exposure, relatively speaking to Latin America, has a higher weight than it has for the competition. This is the three factors to be called out.

Cedric Lecasble — Thank you.

Arne Freundt — But, again, I think what is important is the structure which has grown over multiple years. I cannot change it from one day to the other, and I think it is very clear that we are very mindful about reducing our exposure. And this is where we are addressing with priority in these two markets. Because, we believe our opportunity there is big, and obviously, it comes with the effect that it hedges us naturally.

Operator — There are no further questions at this time. I hand back to Gottfried Hoppe for closing comments.

Gottfried Hoppe — Thank you very much, Arne and Markus. Ladies and gentlemen, thanks for taking the time to participate in today's conference call. I know we'll be seeing many of you during our road show over the next couple of weeks, and I'm looking forward to the conversations. In the meantime, if you have any further questions, please feel free to reach out. In the meantime, also, have a nice day and talk to you soon.