

PUMA SE

PUMA SE Q3 2026 Earnings Call

30th October, 2026 | 15:00 CET

Transcript

Speakers:

Arthur Hoeld

Mark Langer

Manuel Bösing

Manuel Bösing

Thank you, Moira. Hello, everyone, and welcome to PUMA's Third Quarter 2026 Earnings Call. Joining me today are our CEO, Arthur Hoeld; and our CFO, Mark Langer.

Before we begin, please take note of the cautionary statement regarding forward-looking information, which is included on the next slide of the presentation. Arthur and Mark will then take you through today's presentation, covering our business recap, financial update, and way forward.

Following the presentation, we will open the line for questions. To give as many participants as possible the opportunity to ask questions, we kindly ask you to limit your initial questions to two. And with that, over to you, Arthur.

Arthur Hoeld

Manuel, thank you very much. Good afternoon from Herzogenaurach. Mark and myself are looking forward to taking you through our Q3 results in the next few minutes. So, let me start. Overall, our Q3 results reflect the progress we are making in our transition year against the backdrop of a challenging market environment, specifically in key markets like Europe and North America.

Despite continuous macroeconomic and geopolitical uncertainties, we do remain on track to achieve our plans for this year. Sales are at minus 6.3% versus last year, and that is currency-adjusted. That's an improvement versus Q2, as expected, but remains below last year, mainly due to our continued reset measures.

We see weaker consumer demand that's also weighing on sales, while we also see double-digit growth in Asia-Pacific, and our e-commerce channel that provided some positive momentum for our results overall.

Additionally, strategic growth categories are gaining traction, that's led by double-digit growth in running and a single-digit growth in training. Our reported EBIT landed at minus 11.4 in Q3 this year. That is a sequential improvement versus the last quarter.

Compared with last year, the improvement in gross profit margin was more than offset by a higher opex ratio. And finally, we see an improvement in cash flow, landing Q3 at 92 million, despite lower profitability. That's supported by an improved working capital management, which Mark will elude to later on.

As outlined, we are clearly a sports company, we are a sports brand, and therefore I always like to share the

highlights from a sports perspective when we talk about the previous quarter. Clearly, on running, we are building our momentum. We are showing up stronger than ever before at key races like, for example, the recent Berlin and Chicago Marathon.

With PROJECT3, which is a sub-elite program, we had in both races 300 athletes competing, and more than 100 of those 300 achieved personal bests in PUMA gear and equipment. In Berlin, we nearly doubled the share of our runners versus last year, and were also the number four brand within the top 10 finishers of the race.

Activation around the marathons also included shakeout runs, a relay to Berlin, and most importantly, we have had 6,000 visitors during the weekend in our NITRO LAB, where we have an amazing opportunity to showcase not just our innovation, but how PUMA is really a leading force in the world of running.

And speaking about activation, it's also worth mentioning that our Meditation in Motion campaign generated more than 1.2 billion organic reaches in more than 40 markets globally. And that's an amazing result for us to also demonstrate that the new Deviate PURE is really getting consumer traction.

Moving from running into track and field, which has always historically been a stronghold of PUMA, I'm happy to report that we've been a number two brand when it comes to footwear gold medals at the recent European Athletic Championships in Birmingham.

Our Swiss athlete, Swiss partner Audrey Werro, was definitely standing out not just at the European Championships, but she has won literally every possible event this year, and she also was nominated the female European Athlete of the Year, next to Gianmarco Tamberi, our partner in Italy, who was also named male Athlete of the Year.

And last but not least, of course, also to mention again, Mondo Duplantis, who was winning the Ultimate Athletics Championships, whilst at the same time, this year has been clocking his next world record at 6.31, which means the 15th time he has broken that record.

Moving on to Formula 1, we are very pleased with the performance of our partners. Ferrari is at the moment taking the second place in our Constructors' Championship, both

between Ferrari and McLaren, they have multiple podium finishes in Q3, while we have also seen amazing activations around the Monza race weekend, for example, where our activation around Charles Leclerc specifically generated more than 15 million online impressions.

A similar success during in Singapore, where we had in-store activation, Charles Leclerc and Lando Norris, both in-store, but also using TikTok live streams in six different countries in Southeast Asia.

And last but not least, we have also merged our motorsports activations with culture and fashion, where we have celebrated a fashion show recently, where we had us joining together with McLaren to celebrate the legacy of Formula 1 icon James Hunt.

From a performance, from a sports perspective, last is our DNA category football. So we've seen very good sell-out results across all of our major partnerships when it comes to our football clubs, with the pre-season activations also happening across the globe.

We have also had a very, very significant culture collaboration with A\$AP Rocky, with the likes of Man City and AC Milan, they were supported with local activations around those jersey launches and his European tour.

Speaking about European club football, we are also very pleased with the start of the season with our clubs, most notably Galatasaray and Man City leading the table of their respective local leagues.

Closing off the Q3 achievements from our football federations, Portugal and Switzerland opened the UEFA Nations League with four wins in four matches in their respective groups. Portugal is already secured the qualification for the UEFA Nations League quarterfinals, and in Africa, Morocco and the Ivory Coast have opened the AFCON qualifying with maximum points and both no goals conceded.

A lot of highlights on the sporting side of things for PUMA and our partners, and in a similar vein, when we now transition into sports style, we are very pleased with the continuous success that we have with Speedcat. It does remain our best-selling sports style franchise in the third quarter, and we continue momentum with partnerships, specifically with ROSÉ, and launches we had around the Speedcat Croc, for example.

Suede, we're building up as the next franchise for us visible in Q3, supported by a global campaign with tagline Never Not Suede. We do see significant uplift in our GTC sales for that franchise, which is important for us in the future.

As several other partnerships, which we have also used to not just highlight our products, but strengthen our brand and strengthen our fashion and culture credibility across the globe. So many things happening in our DNA categories and in our sports to make sure that the brand momentum that we need and want to generate to become a brand-led organization as we promised last year is really getting traction.

When you look at our three-year plan, 2023 remains a transition year as we build the foundation for a return to growth in 2027. We're encouraged by the progress both in our brand, our products, and most notably also by the execution of our teams locally.

At the same time, we expect the recovery to be gradual in a challenging consumer environment. We do remain focused on building a stronger PUMA for the long term. And building a stronger PUMA also means we have updated our leadership roster.

As announced two weeks ago, Arne Arens will join us as the Chief Commercial Officer starting middle of next November, next month it is. Arne brings a wealth of experience of more than 25 years in international companies in the sporting goods and outdoor industry. We trust that his experience and capabilities will lead our global commercial organization as well as our marketplaces locally.

On the brand side, we have also announced that Steve Cecchini will be joining us, or is joining us, as the Senior Vice President Sports Marketing, and Steve will be responsible to shape our global sports marketing strategy, elevate our strategic partnerships, and maximize the impact of our portfolio.

Last but not least, on the commercial side of things, Fokko de Rooij has joined us also on October 1st as the Managing Director Europe. Fokko will lead the operations of our new European operating model, which I'll talk about in a second, and focus on driving our performance and healthy revenue growth across all of our European channels.

The ongoing transition in our home market Europe has been announced in our full-year earnings call 2025, and the

operating model has gone live in Q2 this year. Since then, we've established a new regional leadership structure with Fokko leading Europe, and all cluster leaderships are now in place.

We have successfully implemented a new organization, and we have affected with that about 600 employees across Europe. We've also made meaningful progress in creating a more unified European product range, supporting greater consistency across the entire geography and efficiencies across clusters and channels. Finally, our warehouse consolidation initiatives across Europe are underway and progressing really well.

I would also like to point out something that we are very proud of at PUMA. In 2026, while we've been going through a significant organizational change, maintaining a strong culture and high employee engagement is critical and a key priority for us as a leadership team.

We are therefore particularly proud that PUMA was recognized by Forbes and Statista as one of the world's top companies for women, ranking number 15 globally and number one in our industry. That ranking is based on feedback from approximately 140,000 women across 61 countries.

This recognition reflects the positive experience of our employees and the strength of our culture in a period of transformation. It also demonstrates the progress that PUMA has made over time, from number 80 being positioned in 2024 to now in '26 being the 15th brand globally.

And last, before I hand over to Mark, allow me also a quick word on ANTA's acquisition of the PUMA stake, which is now completed. We are pleased to welcome ANTA Sports as PUMA's largest shareholder and a long-term strategic partner. This marks the beginning of an exciting new chapter for our company.

We're looking forward to welcoming Dennis as the new Chairman of PUMA's Supervisory Board and Jeanne Huang as a Supervisory Board member. The transition has been very smooth, with close collaboration between the outgoing and the incoming Supervisory Board representatives, as well as the PUMA Executive Board members.

At the same time, I would like to sincerely thank Héloïse Temple-Boyer and Jean-Marc Duplaix for their commitment,

support, and valuable contributions during their tenure on PUMA's Supervisory Board.

Looking ahead, we're all excited about the opportunities this partnership will create. We are confident that ANTA's industry expertise, global experience, and long-term perspective will support PUMA's continued growth and transformation.

With that, I'm finishing my first part and would hand over for more details to Mark. Thank you.

Mark Langer

Thank you, Arthur, and ladies and gentlemen, a warm welcome also from my side. I'm pleased to take you now through the financial update for the third quarter.

Let me start with an overview of our key financial indicators for the quarter. Overall, our performance reflects the ongoing transition. Sales improved sequentially versus Q2 as expected, but still declined by 6.3% currency-adjusted, mainly due to reset measures and weak consumer demand.

EBIT also improved sequentially versus Q2, coming in at minus EUR11.4 million. The improvement in gross margin was offset by a higher opex ratio. Inventories decreased significantly by 24.3% year-on-year. We remain on track to normalize inventories by year-end.

Free cash flow was positive at EUR92 million, well above last year's level. And net debt was down EUR127 million year-over-year, deleveraging remains clearly a priority for us also going forward.

Let us now look at our sales performance by channel. Wholesale sales declined by 9.6%, mainly reflecting the reduction of undesirable business. The comparison against Q3 2025, when we still had substantial mass merchant business, as the reset only started later in that year.

We also saw softer underlying demand across wholesale partners, particularly in EMEA and the Americas. Direct-to-consumer sales increased by 1.2%. E-commerce grew even by 7.8%, supported by growth in running, HYROX, football products in Europe, as well as marketplace expansion in APAC.

Sales in our owned and operated retail stores declined by 2.3%, reflecting lower traffic and weaker consumer demand. As a result, the D2C share rose significantly from 30.5% in Q3 2025 to 33.1% in Q3 2026.

Let us now look at our regional performance. EMEA sales declined by 11.5% currency-adjusted. This mainly reflected the reduction of undesirable business and subdued demand in Europe due to spillover effects from the ongoing conflict in the Middle East.

On the positive side, we recorded growth in D2C in EMEA, supported by HYROX and football products. Americas sales declined by 8.1% currency-adjusted. North America was down 17.2%, mainly due to weaker consumer demand and a continued reduction of undesirable wholesale business with mass merchants.

Latin America grew slightly by 1.4%, supported by relatively resilient demand for our products in key markets and a partial catch-up in Mexico following last quarter's temporary operational challenges.

Asia-Pacific delivered a strong performance with sales growing by 10% currency-adjusted. Greater China sales were up by 3.5%, driven by a double-digit growth in D2C, supported by marketplace expansion and low-profile trend.

This was partially offset by weaker wholesale performance, as wholesale partners in China have become more cautious following the announcement of ANTA Sports planned acquisition of a stake in PUMA. All other markets of APAC grew by 13% currency-adjusted, driven by strong wholesale performance. The low-profile trend and HYROX were main drivers of the increase.

Turning to our performance by product division. Footwear sales declined by 5.1%, mainly reflecting weaker performance in core, football, and selected sports style franchises. This was partially offset by continued momentum in low-profile styles and strong growth in running.

Apparel sales declined by 9.4%, mainly reflecting softer demand in Core and Kids. This was partially offset by growth in football, training, and motorsport, with training particularly benefiting from strong sales of HYROX-related products. Accessories sales decreased by 3.2%, mainly due to a decline in golf.

Let's now turn to our operating performance. As discussed earlier, sales declined by 6.3% currency-adjusted. On a reported base, the decline was at 5%. Currency movements provided a tailwind of around 130 basis points, mainly from

the US dollar, Mexican peso, Chinese yuan, and the Argentinian peso.

Gross profit margin improved by around 420 basis points to 49.5%. Opex increased by 6.7% to EUR900 million, and I'll explain the drivers of both on the following two slides. Adjusted EBIT, excluding one-time effects, decreased to - EUR0.4 million. The lower sales base and higher opex more than offset the strong improvement in gross profit margin.

One-time effects amounted to minus EUR11.7 million. This was mainly related to personal and consulting expenses from the cost efficiency program. Including these effects, EBIT came in at minus EUR11.4 million.

Let's now look at what drove the gross profit margin improvement. Overall, our gross profit margin improved by around 420 basis points to 49.5%. This was mainly driven by lower sourcing prices, including tariff refund effects of EUR29.8 million, which contributed around 170 basis points to the overall margin improvement.

Beyond sourcing, our higher D2C share helped improve the margin through more favorable channel mix. We also benefited from currency effects driven by the US dollar and the Mexican peso. While lower shipping volumes reduced freight expenses and provided further support. Taking together, these gains were partially offset by negative product mix effects.

Let us now take a closer look at operating expenses. Excluding one-time effects, opex increased by 6.7% to EUR900 million. The increase was driven by our growing D2C business, higher marketing expenses, higher general and administrative expenses, as certain IT investments were recognized as opex rather than capex, and foreign exchange effects.

Savings related to the cost efficiency program partially offset these increase. Together with lower sales, higher opex led to an increase in the opex ratio from 41.1% last year to 50.7% in Q3 2026. Looking ahead, operating leverage remains a central to improving profitability and is a key management focus.

We continue to make progress on our cost efficiency program while reinvesting savings into the brand, D2C, and our strategic priorities. These investments support our return to growth, but also mean that cost savings will not fully translate into lower operating expenses. The pace of

EBIT improvement will therefore depend on both top-line growth and the operating leverage we achieve.

Moving on to working capital. Inventories decreased by 24.3% to EUR1.6 billion. This mainly reflected lower purchasing volumes in line with the expected lower sales base for the year. Trade receivables decreased by 11.8% to EUR1.1 billion, mainly due to lower sales.

Trade payables were down 17% to EUR1.1 billion, also reflecting lower purchasing volumes. Overall, this resulted in a 24.4% reduction in working capital to around EUR1.4 billion.

Looking specifically at inventory development, inventory levels continued to decline sequentially in the third quarter, supported by lower purchasing volumes and clearance activities. We remain on track towards more normalized inventory levels by the end of fiscal year 2026.

Let us now turn to free cash flow. Despite lower profitability, free cash flow was significantly stronger year-on-year and came in at EUR92 million. This improvement was mainly driven by improved working capital, including reduced purchasing volumes as discussed earlier as well as lower tax payments and a decline in capex.

Capex declined from EUR41.1 million to EUR29.9 million, reflecting a more focused approach to investments, particularly in the D2C channel and digital infrastructure. As said previously, we continue to expect free cash flow to be positive in fiscal year 2026.

Moving on to net debt development. Net debt amounted to EUR1.1 billion, down year-over-year by EUR127 million, supported by positive free cash flow generation. Our cash position stood at EUR353 million, up 33% year-on-year. In addition, we had unutilized credit lines of EUR827 million, resulting in total financial headroom of EUR1.2 billion.

This provides sufficient flexibility to support our transformation and strategic investments. However, net debt remains elevated despite the year-on-year reduction. Reducing it over the coming years therefore remains a clear priority for us.

Before I hand it back to Arthur, let me share some positive news on our refinancing progress. In Q3, we began refinancing our EUR350 million bridge loan. After the quarter end, EUR100 million were successfully refinanced

through a bilateral loan with DBS. We are pleased to welcome DBS as a banking partner.

This is a positive step in broadening our banking relationship and improving our debt structure. Further refinancing is underway to replace the remaining bridge loan. This concludes the financial part of today's presentation and with that, I hand it back to you, Arthur.

Arthur Hoeld

Thank you, Mark. For the end of our call, it's now turned to our outlook for full year 26. With one quarter remaining, we have updated our outlook to reflect our current assessment of business performance and the operating environment. Let me take you through the key points.

We confirm our full year sales outlook. We continue to expect a currency-adjusted decline in the low-to-mid single digit percentage range. For Q4, we expect a continued improvement in sales performance compared with Q3. Turning to EBIT, we now expect between minus EUR80 and minus EUR130 million.

This narrows our previous range of minus EUR50 to EUR150 million. Capex is now expected to be below EUR150 million compared with around EUR200 million previously. This reflects two factors, a more focused approach to investments and certain IT investments now being recognized as opex rather than capex.

Our journey back to the podium started in Q3 2025. We promised at the time to become a more brand-led organization and certainly a key focus for us is on rebuilding our brand value. We've made significant changes, not just in our operating model, but also in our leadership lineup.

We just like our new partner ANTA are very confident we have a lot of support from our new major shareholder that this is the right way moving forward that gets PUMA back into the top three global sports brands.

To wrap it up, here are the three main messages I would like to share with you for Q3 2026. We've started to build a stronger brand relevance and momentum in key strategic categories. Our transition journey is progressing well, with important achievements being made and challenges being addressed proactively. Our full year 26 outlook is confirmed for sales and updated for EBIT and capex.

With this, I would like to hand it back to you, Manuel again. Thank you.

Manuel Bösing Thank you, Arthur. Thank you, Mark. And we are now ready to start the Q&A session. Operator, please open the line for questions.

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 touch-tone 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 Monique Pollard from Citi. Please go ahead.

Monique Pollard Hi, thank you very much for taking my questions. Two, if I can. So the first one, obviously, as you said, Arthur, your guidance implies an improvement in the constant currency sales growth in the fourth quarter as compared to the third quarter.

 Could you give us a sense of which regions or categories we should particularly expect to drive that improvement as we go through the fourth quarter, please and then the second question is particularly on China? You've delivered a 3.5% constant currency growth rate in the third quarter, obviously, a lot of that DTC driven, given the issues with the wholesale that were well flagged through the year.

 But how should we think about that China growth, particularly as we go into fourth quarter if we take into account things like the industry backdrop, the consumer environment, inventory levels, etcetera? Thank you.

Arthur Hoeld So, we -- thank you for the question. From a Q4 overall perspective, without going into too much details, we don't expect the patterns we've seen for Q3 to significantly change. So the markets that we're outlining, where we have seen growth in the previous parts of 2026, we do expect to continue majorly in our Asian and Southeast Asian marketplaces.

 For a category perspective, a similar story here, running and training will remain our key growth drivers towards the end of 2026. China, a similar pattern, you've asked about the growth trajectory.

So we continue to see the same conversations that we had with our wholesale partners with the anticipated arrival of ANTA, i.e., a slowdown of our wholesale business due to a muted sentiment of our franchise partners who are at the moment either not refurbishing current stores or have moved out of certain retail premises, whilst at the same time, we are very confident with our future DTC outlook. Thank you.

Monique Pollard

Thanks very much.

Operator

The next question comes from the line of Thierry Cota from Bank of America. Please go ahead.

Thierry Cota

Yes, good afternoon, gentlemen. Thank you very much for taking my questions. In fact, two questions on costs. Given the opex inflation X1 of that we have seen Q3, what do you expect for Q4, either in terms of a percentage of sales or potentially percentage change year-on-year?

And secondly, Mark, you have mentioned that you target a normalized level of inventories. At the end of the year, this is not the first time that this guidance is given. Can you tell us what you consider to be a normalized level for the company, potentially as a potential sales please? Thank you.

Mark Langer

Thanks, Thierry, for the question. So what we gave here is an extension factor on the drivers on the absolute increase, opex quarter-after-quarter, barely holds through all through the fourth quarter. We continue to invest into the growth categories that we outlined.

We continue to have investment into our D2C business. And also from the capex to opex shift, we have seen that there's a particular compared to last year and higher cost base just from the continued investment into our IT infrastructure.

As you know from the seasonality of our business, Q4 in terms of top-line contribution is one of the weaker quarters of the year. So opex leverage will be even more negative affected for the fourth quarter, and this is basically also if you look at year-to-date EBIT development versus in the year-to-go, based on the guidance that we have updated today, that we expect that opex leverage will be a negative contributing factor leading to a negative EBIT development in the fourth quarter.

However, we continue to reap the benefits from the full-year effect of cost savings, So there will be a continuing prudent

approach to the cost management, but this will be partially offset by marketing, D2C and, infrastructure investments.

Inventory levels, I think we are very happy with the strong improvement we've seen in the current -- fiscal year, as we will return to growth with a consecutive improvement already in the to the fourth quarter, we need to have a sufficient base of inventory for our -- to run our business.

So with the return to growth, we expect that all other things equal, inventory will follow a more positive sales momentum.

However, we expect that with the implementation of further consolidation in our warehouse infrastructure that the company will generate further inventory -- improvement in terms of DIO, but we would refrain to give a specific guidance on DIO of inventory as a percentage of sales at this point in time.

Zeyn Burak

Okay, very clear. Thank you very much, Mark.

Operator

The next question comes from the line of Wendy Liu from JPMorgan. Please go ahead.

Wendy Liu

Hi, thank you for taking my questions. I have two as well. One is in terms of the growth outlook, I think you previously said that you wanted to grow above industry from 2027. And I see consensus currently at around 4% to 5%.

Any early indications about your current order book or your discussions with retail partners that you could maybe help us understand how we should think about 2027 going forward.

Then the second question is on opex. I think by next year you should have the full benefit of cost savings. I see current consensus expecting a 2% opex reduction year-over-year. Do you see this as a fair assumption? I know that you will be investing across marketing and internal organizations as well.

So it would be very helpful to understand how should we think about, you know, the cost going into next year as well? Thank you.

Arthur Hoeld

Thank you, Wendy. So, as you might understand, we're not providing quantitative guidance for 2027 at this stage and therefore will also not validate in the future individual consensus estimates. We continue to expect in 2027 to mark a return to growth for our brand and for our company globally.

We do expect that recovery to be gradual, particularly given the more cautious consumer and retailer environment. We are, of course, in intense discussions with our retail partners around the globe, but also when it comes to our future China operating model with our new shareholder, ANTA. Thank you.

Mark Langer

Yes, and let me just follow up on, because you correctly asked the opex question, not from an absolute, but also from a relative base. So part of that is clearly what we have just outlined and what Arthur just also alluded on is that there are two elements to further opex leverage improvement.

One is a consecutive improvement that we already see in the current fiscal year and the trend we expect to continue into Q4 and into 2027, a return to top-line growth, which will be clearly helping to improve opex leverage. But at the same time, the degree of this top-line growth is something we that we can't comment on yet for 2027.

At the same time, you see that we continue to reinvest partially the savings we have generated as part of our optimization into building capabilities and skills. Expect this to continue.

So we will update the market basically with our full fiscal year guidance at the balance sheet presentation in March to give you the full picture on top and bottom line development for '27, but not at this point in time.

Wendy Liu

Right, understood. Thank you very much.

Mark Langer

Thanks, Wendy.

Operator

Next question comes from the line of Zeyn Burak from StoneX. Please go ahead.

Zeyn Burak

Hi, thank you very much for taking my question. I was hoping you would talk about the underlying demand you saw in the quarter after we removed the effects of reset measures in the third quarter and how that compares to what you saw the past couple of quarters, just to get a better sense of how the business is doing, this is performing and then also what's assumed in the fourth quarter from an underlying demand perspective.

And my second question is also on 2027. I understand you did not want to quantify sales targets, but previously you had expressed confidence in PUMA'S ability to return to above market growth in 2027. Is that still the expectation? Thank you very much.

Mark Langer

So let me take the first part of the question and just to reiterate, I think also the past call we have not split it out our opex development into kind of like the impact of underlying recurring and the impact of the saving.

I think we have given your quantification to the recurring impact from the adjustment in headcounts. We see this effect now be fully materializing, particularly in the second half of this year, and it will be a recurring underlying improvement factor also for 2030.

Partially this and Q3 is a testimonial to that one is being offset by investment or continued investment into marketing into the enhancement upgrade of our D2C and IT investments and as I said earlier we do expect with a continuous improvement in top line momentum that we will achieve opex leverage, but we would refrain from giving a more specific guidance on opex development beyond the current fiscal year.

Arthur Hoeld

And on the second part of the question, our ambition to return to above industry growth remains unchanged. However, we see the industry environment has become more cautious with softer consumer sentiment, but also retailers taking a more selective approach.

In that environment, we're focused on rebuilding sustainably rather than chasing short-term growth. We see encouraging momentum as described in running, training, and selected sports-style franchises, but converting product momentum to a broader consumer demand and meaningful scale take time. Therefore, we expect the recovery to build progressively rather than assume an immediate setup.

Zeyn Burak

Thank you very much.

Operator

The next question comes from the line of Viktoria Petrova from Barclays. Please go ahead.

Viktoria Petrova

Hi, this is Viktoria Petrova from Barclays. And I have a question, where do you think PUMA sort of longer term has a right to win? Is it more about premium? Is it more about mass and value of performance? And what gross margin opex and turn framework should support a credible margin longer term? In three years from now?

Arthur Hoeld

Thank you very much. From a long-term perspective in terms of where we see our growth opportunities, I think we've outlined this in our category focus areas. Definitely running and training do provide for us significant growth opportunities globally.

Running specifically with our unmatched proposition in NITRO and in training. We're going to build this around our long-term established partnership with HYROX, however, not exclusively in HYROX. We, of course, do intend to broaden our training offer globally.

Football will remain a DNA category where we do see globally growth momentum both in growth opportunities in footwear as well.

And secondly, from a sports style and core perspective, with a stronger brand momentum, a stronger brand positioning in the years to come, we do expect significant growth opportunities for us in pretty much each and every market.

Viktoria Petrova

And in terms of growth, sort of...

Mark Langer

Yes, let me take this question. So, first, as we're going forward, please keep in mind that we, like many other industry participants, have in 2026 benefited from non-recurring effects of tariffs refunds.

So that's where we have been quite explicit to show the impact is around half net 70 basis points. But beside that, and I think that's also very visible in our year-to-date performance, we continue to benefit from sustainable improvement in gross margin.

One is clearly we have discontinued low margin, low quality distribution, which were margin dilutive. We have a stronger focus on discount management in our full price channels.

We are very happy with the margin development and the top line development in our D2C business. And thirdly, we are benefiting from a continuous shift, particularly in Asia, shifting in our channel mix from a more wholesale to a B2C-led business.

So these factors, together with clearly a stronger brand heat and demand in sports style and performance categories, will allow us to continue to improve the gross margin, but we would refrain also at this time to give any indication on gross margin objective for 2027 and beyond.

Victoria Petrova

Thank you. And maybe on turn, so this is kind of an extension of Wendy's question. Again, longer term, what should be the level you're turnover ratios behind sort of a sustainable healthy performance?

Mark Langer

Sorry, I think we didn't get it. What is the level of which PLN airline you're referring to?

Victoria Petrova

Yeah. I'm mostly referring to inventory and working capital.

Mark Langer

Inventory, okay. Well, let me go back to what I told Thierry already. So this company is on a clearly tangible path to return to top-line growth, and this top-line growth will require funding to have the right inventory levels to support demand from wholesale and retail. And clearly all other things equal, it would lead to an increase in networking capital.

Let's say with inventory, we do believe that there are some self-help measures beyond that that will help us to reduce inventory relative to our business size. The most important one are the investment into our IT systems. And warehousing, I think we have highlighted in previous meetings that we're making good progress in consolidating our warehouse fleet in North America and Europe.

There are further plans in the future, so we expect there will be operational improvement that we will achieve further improvement in the relative of inventory to sales, but again, we will not give a specific guidance neither for 2027 or the midterm, but clearly the commitment from the management that we will further improve inventory relative to the size of our business.

Victoria Petrova

Thank you very much.

Mark Langer

You're welcome.

Operator

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

Warwick Okines

Hi there. Yes, I've got two questions. The first is actually just building on what you've just said, Arthur, about future success. And you're already seeing success in running, training and low profile to an extent, but how do you actually broaden that success out into other categories? I mean, you reference core should improve, but how are you actually going to engineer that?

And then secondly, the session that we had at your head office a month ago or so, there was a question around football and it sounded like PUMA needs to have a bit of a new strategy, new sort of holistic approach to distribution and marketing in that category. Can you tell us what the plans are to do that to revitalize football? Thank you.

Arthur Hoeld

Yes, Warwick, thank you. So let me start with the second question, which is football, and that is primarily related to the current trading situation when it comes to football boots. I think we're pretty much aware of that the football boots

market is under heavy pressure at the moment from an inventory and also from a promotional perspective.

So we've started to now engage with our key partners, football specialists and generalists to agree on a different go-to-market cadence in the future. That will mean, we have more succinct launches, more digestible launches, more meaningful launches with our partners agreed.

That means a streamlined go-to-market approach and also, therefore, a more focused brand marketing support. I think our partners will benefit from that because it will also allow them to focus on simpler and clearer go-to-market measures with PUMA, and we consider ourselves to be the first mover in that respect in the market. Your second question relates to core.

In terms of how we're going to broaden our reach, but before I talk about Co-Lab, let me just reiterate why we're so focused also on continuous mentioning, running and training in both growth categories.

We do see ourselves at the moment significantly underrepresented. So we see by far not an end of our growth ambition in both key areas, which are also important from a sports participation and consumer conversion point of view globally.

How to translate that into core is as you suggested, a stronger portfolio in sports style, which then will have an opportunity on the one hand for trickle down effects, it's of course one of the key focuses. We have also appointed a new leader for our core division about six months ago, someone also who, Marcia Dos Santos, I guess, who has extensive experience in that area.

We've started to apply different ranging methods. We are also looking at our distribution landscape for our core products moving forward, and therefore that gives us a lot of confidence that growth and a substantial growth in that area will also be feasible for us at PUMA.

Warwick Okines

Thank you. Would you allow me to come back on football, actually? Because I suppose when you talk about streamline, it sounds like you're implying that that segment needs to shrink a little bit. And I was also wondering whether you'd recognize the need to sign more assets, more stars, in particular individual players, to play to build up football.

Arthur Hoeld

We're of course looking at opportunities that present themselves in terms of, bit -- that is, primarily in the area of,

talents and scouting for future PUMA partnerships and PUMA ambassadors, but would also look at current opportunities.

And secondly, I didn't say that the market will shrink, necessarily. What I was referring to, that there's a feeling, there's definitely a perception in the market that there's too much from a volume and from an inventory perspective, is probably also fueled by the fact that there is too many launches in retail and for the consumers that are probably not digestible at this point in time.

So PUMA, together with key retail partners, has set together and will adjust it for the seasons to come. Understood. Thank you very much.

Operator

The next question comes from the line of Andreas Riemann from ODDO BHF. Please go ahead.

Andreas Riemann

Yes, good afternoon. Two questions. First on Q3, can you help us understand what was actually the underlying revenue decline excluding any distribution adjustments in the third quarter? I think actually someone else tried to ask the question, but you gave an answer on opex, I guess.

The second topic linked to that, so the distribution adjustments, I guess, mainly affect Europe and North America. So which of the two regions actually could lead the recovery in '27 or will that happen in parallel from your perspective? So these would be my two questions. Thanks.

Mark Langer

Andreas, let me take this question. Regional drivers for '27. I think in general we do expect all that driven by the categories that we have outlined that they will contribute across all global segments of running and training and growth in sports style will be elements on the team category contributing to growth.

We will not call out or break down our growth ambition, which we have not quantified in total and not by regions, but we do expect on the trends we see, particularly in Europe and North America, there will be a gradual improvement in the sales trends across '27.

When you talk about underlying, we have not giving a like-for-like net sales indication also in previous quarter. We will not do it on Q3. But I think it was clear that Q3, particularly in North America and Europe, and I think either Arthur and I also made it very clear in the comparison, this region was affected by the still quite sizable mass merchant business

that we did in these markets in Q3 2025, which is not part of our base in 2026.

But we will not give a specific quantitative breakdown how much of the decline of 6.3% had to be adjusted for the discontinued operation, but for both markets, these were sizable elements which affected the comparison also for the third quarter with us last year.

Andreas Riemann

Okay. Thanks.

Mark Langer

Thanks, Andreas.

Operator

The next question comes from the line of Jürgen Kolb from Kepler Cheuvreux. Please go ahead.

Jürgen Kolb

Very good, thank you very much. Two questions. First of all, how do you see prices developing next year? Also in the light of raw material prices developing in a certain direction. I guess your transport contract still runs until, I say, mid-2027. But what is your thoughts on this front for the gross margin next year?

And then, Mark, specifically, the leverage ratio obviously is what it is at PUMA. When do you think you can bring it down to a more reasonable level, given that obviously you do have and you do express a lot of confidence on the free cash flow generation? Maybe some indications and some comments here in this respect. Thank you.

Mark Langer

Yes, thanks, Jürgen. Also, let me start on the leverage factor. So I think overall I'm happy in two fronts. If I look on our balance sheet first, we continue to see also now into the third quarter a very healthy free cash flow development trend, and this has led to an improvement in the net debt situation given our more headroom.

And we've specifically flagged the refund and starting of refunding of the bridge because it underscores it with DBS. We have now a banking partner that we welcome very much as our partner in our banking facility, which will allow us to retire the bridge loan more than 12 months prior to the expiry date.

So clearly one element, and I think we're making already today good progress on the deleveraging is clearly the prudent allocation of capital and the tight management on working capital and the access to capital markets. Secondly Jürgen we are committed to return to growth and profitability.

Further details, as we said, will be shared with you as part of the balance sheet presentation. But this is where two elements of the leverage ratio will come together in terms of EBITDA development or EBIT versus level of indebtedness, which we've had. As I said earlier for the strive to decline.

In terms of commodity and price exposure, you're right. I think we mentioned that also to you. We have a long contract when it comes to transportation. Certain temporary surcharges is also something we are exposed to, but we don't expect, as we said, also on the year-to-date performance to have only a marginal impact, and also commodity price development as we have locked in purchase prices both for spring, summer, and autumn, winter 2027 shouldn't be a major factor in our assessment on income development for 2027 at this point in time. Does that answer your question, Jürgen?

Jürgen Kolb

They absolutely did. Thank you very much, guys.

Mark Langer

Thanks, Jürgen.

Operator

Next question comes from the line of Robert Krankowski from UBS. Please go ahead.

Robert Krankowski

Hello. Two questions for me, please. The first one will be related to pricing. Should we think that maybe pricing action next year to offset the raw materials and freight costs will be less aggressive given the benefits of FX hedges? Given the consumer environment, maybe you prefer to take a bit more cautious stance on pricing.

And the second thing is like, how should we think about balance I think top line and profitability recovery next year. As we heard, it is all about building sustainable top line. It will be more gradual, but if it's maybe not as fast recovering as you would expect, should we expect more investment behind the brand in marketing or is it basically also more about recovering profits and maybe top line will come a bit later? Thank you.

Mark Langer

Yes, just to be sure, I think what Jürgen asked about commodity price just translates that there is not a pricing increase pressure from our perspective for high commodity prices. Clearly, we do evaluate, especially in high or mid-inflationary markets, on price adjustment.

But we consider this as a part of a regular course of business. So we do not expect any particular inflation tendencies in a highly competitive market. I think your

question in terms of balancing top to bottom line or top line development of its investments.

What we clearly indicated that we see a gradual improvement like we have seen already in the course of the last quarter and also expectation for Q4, that there is a return to growth clearly part of our plan. We continue to invest to fuel this growth both from a marketing investment and AI capabilities.

How this will lead on to a balance between top and bottom cost development for each quarter or for the year is something we said earlier we would refrain to be more specific at this point in time. We'll provide you with our guidance later at the balance sheet presentation.

Operator

There are no further questions at this time. I hand back to Manuel Bösing for any closing comments.

Manuel Bösing

Thank you, Moira. Thank you all for your time, your questions and your interest in PUMA. You know where to find us and we're looking forward to speaking with you again. This concludes our third quarter 2026 earnings call. Thank you and have a great weekend.