



Adidas sees strong sales in China as it opens more stores

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Adidas saw strong growth in Greater China in the third quarter, while sales in North America excluding Yeezy shoes were up thanks to improving brand image, the company said on Tuesday.

The German sportswear brand's performance in China contrasts with rival companies that are struggling with weak consumer demand and a likely longer wait for government stimulus measures to boost confidence.

Currency-neutral quarterly sales rose 9% to 946 million euros (\$1 billion) in Greater China, up from 870 million euros in the year-earlier period, its strongest three-month sales in China since the start of 2022.



"We are actually happy with the circumstances that you see in China, we are taking market share and we are more profitable both for us and the partners," Adidas Chief Executive Bjorn Gulden told journalists on a conference call, adding that he wouldn't be surprised if sales grow by 10% or more in the fourth quarter.

Adidas had opened more than 200 stores in smaller Chinese cities by the end of the third quarter and aims to get to 300 by the end of the year, competing with local brands on their turf, Gulden said.

Felix Dennl, an analyst at Metzler in Frankfurt, said Adidas' performance in China had been boosted by its decision to design products specifically for that market.

Last week China's biggest sports retailer Topsports noted Adidas' resilience and said Nike has by contrast been lagging, Denny added.

Adidas shares gained 3.3%, despite a separate filing that top shareholder Groupe Bruxelles Lambert had cut its stake. Adidas had already released preliminary figures and hiked its annual sales and profit guidance earlier this month.

A trend for Adidas' Samba and other "terrace" shoes - retro models inspired by soccer fans' footwear in the 1970s and 1980s - has helped it gain market share from rivals such as Nike and recover from a bruising break-up with Kanye West.

LEGAL DISPUTES

Adidas reached a settlement with the rapper - who legally changed his name to Ye in 2021 - during the third quarter to end a series of legal disputes.

Gulden has overseen the sales of Adidas' remaining stock of Yeezy shoes, initially in high demand but more recently selling at discounts.

Yeezy inventory sales generated revenue of around 200 million euros in the quarter - well below Yeezy sales of around 350 million euros in the same quarter last year. Adidas aims to sell the remaining 50 million euros of Yeezy shoes this quarter.

In North America, Adidas' second-biggest market, currency-neutral sales were down 7% at 1.36 billion euros in the third quarter, but increased by 1% from the previous year when excluding Yeezy, the company said.

Adidas' wholesale business - revenue made by selling through third-party retailers - grew 13% in the third quarter, while direct to consumer sales grew 7%.

Adidas has taken shelf space from Nike at multi-brand retailers such as Foot Locker and JD Sports thanks to the trend for its multi-coloured sneakers, while its U.S. rival has seen sales fall.

Spending on the Olympic Games and Euros soccer championship drove Adidas' overall marketing expenses up by 12% to 724 million euros in the quarter. As a percentage of sales, marketing and point-of-sale expenses were up 0.5 percentage points to 11.2%.

(\$1 = 0.9252 euros)



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