PUMA
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TRANSCRIPT

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

PRESENTATION

Gottfried Hoppe

Ladies and gentlemen, welcome to our Q3 2024 Earnings Call. Today, I'm joined by our CEO, Arne Freundt, and our CFO, Markus Neubrand. Arne and Markus will take you through the key developments of the quarter and discuss the outlook for the remainder of the year, which will be followed by a Q&A session. With that, and without further ado, over to you, Arne.

Arne Freundt

Thank you, Gottfried, and also hello from my side. I hope all of you are doing well. Today, it's a huge pleasure for me that I will conduct today's earnings call together with our new CFO, Markus, who has just recently joined our management board team as of October 1. I'm also looking very much forward to shape together with him and Maria and the whole PUMA family the next chapter of growth of PUMA.

Before I get started with the brand and product as well as financial update for the Q3, let me start with some initial remarks. Our financials came in exactly in line with our expectations for Q3. Our currency-adjusted sales accelerated to 5%, and the growth was supported by all three regions. As anticipated, our wholesale business returned to growth after we laid the foundation for stronger sell-in in Q3, with our clear focus on sell-through in the first half of the year.

With a stronger gross profit margin and strict cost control, we were able to deliver an EBIT slightly above last year, with €237 million. With our sales and EBIT in Q3 being in line with our expectations for a strong order book for Q4 and a good start into the quarter in October, we are on track to meet our full year outlook.

Next to the progress of our operational performance, I'm also pleased that we were able to make continued progress on our brand elevation journey. I will talk more about this one in the next agenda point, before I will then hand over to Markus, who will guide you through the financial update for Q3 as well as the year to date, and then close with a reconfirmation of our outlook for the full year.

Before we go in the depth of the brand update, let me recap quickly the strategy which we have laid out to you during the Capital Market Days. We said that we have the ambition to return back to accelerated growth and outgrow the market to gain more market share. We also told you that we first need to build a stronger foundation to do so to make sure we’re growing sustainably strong.

To remind you, in the past we have seen strong growth, especially in markets like US and China, but also observed that this growth was not sustainable as we were partially growing in the wrong channel or with the wrong brand positioning.

So, the three pillars we always laid out to you is that first, we need to establish a distinctive brand equity. We can build on the great brand awareness of our fantastic brand, but we have further opportunities to strengthen the mid- and lower brand funnel with the consumer. This gives us a clear and strong association of the PUMA brand, which then also translates into increased purchase intent, and then purchase.

Secondly, as a sports brand, we need to have a strong performance business. This is our substance and gives us the credibility and authenticity. That's why I always start with performance first, because it's our lifeblood, our substance.

And finally, we say that our biggest opportunity for us is that we gain more market share in Sportstyle Prime. And for doing this, we need to become more relevant. This is why we have changed our product go-to-market strategy, our marketing strategy, as well as our franchise strategy. All of this obviously takes some time, but I'm very pleased how we're progressing and building our stronger and more sustainable foundation for growth.

Let me first talk about the first pillar, progress which we are doing on building this distinctive brand equity. For the first time in ten years, we have launched our brand campaign again, See The Game Like We Do. We launched this campaign in April 2024, and in three chapters, it accompanied us through the year.

Q3 saw two chapters, an Olympics spin-off as well as a basketball spin-off, to celebrate important sporting moments of that year. We feel very encouraged by the strong KPI’s which we see in the post-studies, especially in the Americas. With that encouragement, we already started to work on the brand campaign in 2025.

Next to the brand campaign, we also further sharpened our marketing approach, both on the performance as well as on the Sportstyle side. In the middle or the centre of our performance marketing strategy is our athletes, our clubs and federations. Them performing at the highest level at important sport moments, celebrating that on social media and letting their personality speak to our consumers is tremendously important for us.

On the Sportstyle side, we have changed our marketing approach and are now focussing on an influence strategy to make sure that the influencers in the important communities are endorsing our products and influence the broader consumers.

We see that this marketing strategy, on the brand campaign side, Performance and Sportstyle is working very well, as we see a steep increase in our followers on social medias, which is showing the increased interest in the consumer brand with our consumers. On another positive note, we also see that the engagement rates and positive comments are increasing.

On the second pillar, the sports credibility, I'm very happy to report that we saw strong growth in performance in Q3. For us, it's very important that we continue to push the boundaries of sports and see that the momentum is continuing to be driven by great innovation, which we're delivering for the market, a great performance of our ambassadors, and also very strong in-store presence with our key partners.

One innovation which excites me the most in Q3 is for sure the Deviate NITRO [Elite] 3. Like having rockets on your feet, is what our athletes are saying. And when you look that eight out of the top 20 women and men in the New York Marathon were wearing our PUMA Deviate, it shows you what kind of progress we are making. We were the most dominant and visible brand among the 40 fastest persons on that race. And just remember, we are only four years back into performance running, so we are just getting started.

We also delivered great innovations in all other categories. Ultra, our fastest football boot to date, the MagMax, our highest-stack running shoe, which got great expert recognition and sell-through, and then also for the start of the new NBA season, we launched the MB.04 and are very happy to have LaMelo back on the court, performing extremely well.

We also delivered great innovation and newness on the apparel side. I'm particularly excited about the Hyrox collection, the first one which has dropped, endorsing our new partnership and building on the hype Hyrox is building globally.

Our products also supported our athletes to perform at the highest level. When you look at the Olympics, it has been the most successful Olympics of PUMA ever. 19 gold medals we were able to celebrate together with our athletes, and the outstanding performance of Julien Alfred, the fastest woman in the world, Mondo, the highest jumper of the world, and Yaroslava has just been outstanding.

All of our athletes are not only fantastic athletes, they also have a great personality. There was one more important sporting event which really caught my attention and I'm extremely proud of, because I think it really embodies the true PUMA spirit, when Karsten Warholm and Mondo Duplantis, the world record holder on 400 m hurdles and the world record holder on the pole vault, challenged each other on a 100-metre race, where Mondo was able to beat Karsten in an impressive 10:37 seconds, which by the way [would be] the women's world record.

To further continue to build on the fantastic PUMA family, we welcomed three new ambassadors in the third quarter. Tyrese Haliburton, NBA All-Star. What's great about him is that he's not only extremely popular in the US and is known also for his fashion off the court, but also, he's one of the top five NBA stars having the highest social media followership in China.

Then, Christian Miller. He is probably the fastest 17-year-old currently in the world, breaking the ten-second barrier on the 100 m. So, we have very high hopes that he can become the fastest man in the world. And then Charles Leclerc doesn't need any further introduction.

The strong performance of our performance business would not be possible without the strong support of our retail partners. And when you look at the pictures, you can clearly see that we are showing up very strong, very confident, with our latest innovations in their stores.

Let's turn the page to move on to the third pillar, building up the relevance in the Sportstyle business. I always said that 2024 is a transition year, where we are moving through the portfolio in our Sportstyle offering and are maximising the current trends and incubating new trends.

This is exactly the go-to-market strategy which I've also laid out to you during the Capital Market Days. We said we want to cater for a new customer and new consumer we have not catered for before and put more focus on incubating and igniting before we then maximise the commercial opportunity. We believe this go-to-market strategy makes us more successful in scaling up the trends, maximising the opportunity and also prolonging the lifecycle.

As you remember, 18 months ago, we started the incubation journey on the low-profile silhouette. And now, we are clearly moving with the low-profile silhouettes, especially around Speedcat, into the ignite and maximisation phase.

Talking about maximisation, for 2024, we still focus our efforts on maximising the current trends, being around terrace, court and skate, and provide exciting newness around the Palermo, Suede XL, FENTY Avanti, as well as the LaFrancé, which is continuing to build up and is continuing to be scaled up in 2025, especially in the US.

Talking about igniting the trend, igniting the next big trend, we feel extremely encouraged about all the demand which is building up around the Speedcat. In Q3, we have also celebrated certain special editions with Guizio, as you can see on the right-hand side. The consumers, not only in Asia but also in Europe and in the US, we are building up strong traction with female and male consumers and the consumers are lining up to get a pair of the highly desirable Speedcat.

I think you can also observe that we are scaling up, on the social media side, the visibility among the influencers, and their engagement is increasing and increasing, which is also leading to the press and the media giving us a lot of visibility and recognition for the efforts which we are doing.

So, I'm highly content with how our new go-to-market strategy is performing, because these kind of headlines at this moment in time, I've never seen before for PUMA. This is especially true for how well we are performing on the Lyst Index, being the third, getting the third position or being the hottest sneaker on their list. I can clearly say we have never been in that position before.

Now, moving into the end of this year and going forward into 2025, I know that everybody is very interested and excited about what we want to do with the Speedcat. Again, 18 months ago, we started on the fashion walk. Now, let's say in the middle of this year, we have brought it into the distribution, into the very elevated distribution around KITH, NAKED and END, and have seen very good sell-through and reorders on that silhouette.

And now, end of this month, we will start to grow into the broader distribution with our partners of Foot Locker, JD Sports, Zalando and many more. And we will start to increase the depth in terms of colours. And then also, when we go into the next year, more iterations are coming in terms of colours, materials and seasonal executions. With all the demand which we are building up, I'm very confident to say that we are the leader of the low-profile trend.

Of course, we will not only build on the Speedcat, but also provide further exciting newness to the market. The Inhale and Mostro are key newnesses which have continued to be endorsed by A$AP Rocky, and more units and colourways are to be dropped at the end of this quarter, going also into the next year.

And then I’m also extremely proud of our Inverse shoe, another progressive vis-tech running shoe, because it's the first time the new design strategy, designed in the US for the US, is coming to life with that totally new vis-tech silhouette.

Again, also, the turnaround and the transition of Sportstyle would not be possible without great support of our retail partners. And here, I’m extremely proud that we were able to gain significant market share also in the elevated distribution. And when you see how Flannels and END are supporting us on the journey of Speedcat, I can just say thank you.

When you look at the product newness which we are bringing into the market, you see that we have clearly structured our offer according to four major trends on the terrace and the football-inspired trend, court and skate, low-profile and the progressive vis-techs. And all of them, we already have newness in the market and are continuing to fuel new franchises to further support the trends in their respective silos.

We wouldn't be PUMA if we wouldn't be inclusive for all consumers. We also believe that the trends are relevant for broader consumers. So at the appropriate moment in time, we are also cascading down the respective silhouettes to our family footwear distribution to make sure that also these consumers can participate from the latest trends in their family footwear distribution channels.

So, if you take all of this together, I think you can clearly see that we continue to make progress in our brand elevation journey, that we continued our momentum on the performance side, and also that our transition in Sportstyle Prime is on track, which is also nicely seen in the build-up of our order book for 2025.

When we talk about progress, I also need to mention the progress which we are doing on the sustainability side. It was very nice for us to receive two more important awards for the work which we are doing on the sustainability side from the Financial Times as well as from the Roadmap to Zero.

Talking about progress: On the financial side, we were able to accelerate our growth in the third quarter, as expected, to

5% currency adjusted sales growth and are now at 2.6% currency adjusted sales growth for the year-to-date performance.

If we go into more detail, you can clearly see that wholesale returned back to growth, and this is thanks to us laying the foundation for the sell-in by our strong focus on sell-through in H1. And we are very pleased with the order book translation as all regions also contributed to that development. On the direct-to-consumer side, I think I can just say that we continue to see a strong trajectory, which is fully in line with our strong year-to-date trend, which also shows our underlying robust demand for the brand.

On the division side, you see that the growth was led by footwear, being up by 9%. And within footwear, we clearly see that our performance categories as well as the core and kids Sportstyle led the growth. On the apparel business, we see a flattish number. On apparel, basically the same story is true as on footwear. We see a good trajectory on the performance side, led by football, as well as on the core side. But our Prime business also on the apparel side is going through a transition, and we are expecting the same return back to growth in Prime in 2025.

I also called out during the Capital Market Days that one of our biggest opportunities lies in training [apparel]. And for all of you who had the opportunity to visit us at the reverse roadshow, I think it was clear what kind of progress we already did for Autumn/Winter 25 and that we are ready to attack in training. Finally, accessories also returned back to growth, as anticipated during our Q2 call.

On the regional side, we see that all regions contributed to the growth, while the growth was being led by Americas, with both the US and Latin America being up. On the year-to-date sales breakdown, just a few call-outs. We still see on the year-to-date side that wholesale is a bit soft, but we expect further improvement in Q4. And as I've called out on the direct-to-consumer side, we see the very strong year-to-date trajectory, with being up 17%.

On the division side, I do expect that also accessories will turn positive, so that, as I said, all three divisions will contribute to our mid-single-digit growth for the full year. And the same message is also true on the regional side. Here, EMEA is still a bit soft, with minus 1.1%, with Europe being positive, but EEMEA, due to the high comp base in Q2 and Q3, is still slightly negative.

When we turn the pages, where we can see the dynamic by region and by quarter, I think the important message is that all regions showed at least the same growth dynamic or an improved growth dynamic versus Q2, except for Greater China, and I will speak about this one in a second.

Europe showed the same growth trajectory with 2%, and we clearly anticipate and see that Q4, we will be able to further accelerate. EEMEA, I did mention it, Q2 and Q3 last year did show an accelerated comp base, 110%, respectively, 64% being up. And then additionally, we do see some muted consumer sentiment in the Middle East on the back of the Israel conflict, but we also anticipate here that the business will return back to growth in Q4.

North America, we clearly always said that we anticipate to return back to growth in the second half of this year. This is what we have also achieved. And for the full second half of the year, I do believe that we will end up with low to mid-single digit being up for the US.

Latin America basically showed the same momentum as in Q2, and being up over 20%. There were still certain constraints from our warehouse ramp-up, but we are ending the quarter with the confidence that we can now deliver the volume as we require it to deliver our orders according to the demand. We still have some work to do, as we see some inefficiencies on the cost side as well as on the quality, how we deliver to our customers. But I'm confident that this is a temporary effect, which we can also work through in the next month.

On the Greater China side, we were able to post 1.3% growth, Mainland China being slightly better than Greater China. We deliberately chose to have a disciplined sell-in to our bricks-and-mortar wholesale partners in Q3, as we do see that the bricks-and-mortar traffic is still being challenged on the back of muted consumer sentiment. And to take proactive action to avoid an overstock situation, we have rephased our order book for our bricks-and-mortar wholesale partners. On the direct to consumer side, we saw a continued good momentum, where we were able to grow low double digit in Greater China.

And then on the Asia side, or sorry, on the Greater China, to add, looking forward to going into Q4. We clearly anticipate that we can further accelerate our growth, as we have seen a very strong Golden Week and also a good start into 11-11. So, we believe Q4 should be our strongest quarter for Greater China, putting it into high single-digit growth for the full year. APAC, we saw a further sequential improvement, as we have already seen the trend in the last quarter.

Before I hand over to Markus, I don't want to miss the opportunity to extend one more time the thank you for Hubert for all of his achievement, commitment and dedication to the brand. And now, I am very excited to have Markus as part of our management team and shaping together with us the future success story of PUMA. Markus, over to you.

Markus Neubrand

Thank you, Arne, and good afternoon, everyone. Before I take you through the numbers, I would like to tell you how excited I am to be part of the PUMA family. I'd like to thank the supervisory board and Arne for their confidence in me, and the opportunity to be part of this incredible company.

We have a strong platform for sustainable, profitable growth, built on the strength of our people and the iconic PUMA brand. I'm looking forward to engaging with you and continuing to support the company to deliver value to our shareholders.

Now, let's take a look at the operating performance in the third quarter of 2024. We delivered sales and EBIT in line with expectations, we expanded gross profit margin and maintained healthy inventories, carefully managed costs, all of which enabled us to deliver an EBIT of €237 million. Let me take you through our results in more detail.

As Arne mentioned, in the third quarter, the sales improved by 5% on a currency-adjusted basis. Currencies remained a meaningful headwind to our sales, which were flat in Euro terms, reaching €2.3 billion. Our gross profit margin expanded by 80 basis points, reaching 47.9%. We are very pleased with the ongoing improvements.

Taking a closer look at our gross profit margin, despite a negative impact from currency fluctuations and higher promotions, we managed to drive an 80-basis-point gross profit margin expansion, mainly driven by an improved product and channel mix and lower freight [costs]. Sourcing prices continued to improve, but these gains were neutralised by higher duties.

Freight still benefited from lower rates incurred earlier this year. Increased promotional activities last quarter were mainly driven by Mexico and Chile as a result of operating inefficiencies of the warehouse ramp-up, and as we took measures to improve our inventories in markets such as Middle East.

In Europe and North America, the promotions were on a similar level to last year. The progress in our product mix highlights our brand's elevation, as we've managed to sell more items at higher prices. Overall, we made solid progress on the gross profit margin side.

Operating expenses in the quarter increased by 1.9%. This rise was primarily driven by the ongoing expansion of our direct-to-consumer business, costs associated with ramping up our warehouses and investments in digital infrastructure projects, partially offset by lower marketing spendings.

Taking a closer look at our OpEx ratio, the marketing OpEx ratio improved due to lower bonus-related payments and a shift of some marketing investments into Q4 to support new product launches and, of course, the holiday season. Faster growth in our DTC business negatively impacted the overall OpEx ratio, and we maintained our disciplined management of non-demand-generating OpEx.

As a result, our EBIT increased by 0.3%, reaching €237 million, primarily driven by the improved gross profit margin. The EBIT margin reached 10.3%, 10 basis points higher than last year. EBITDA decreased by 4.2%, primarily driven due to higher OpEx. Net income in the quarter reached €128 million, 3% below last year. This was mainly due to a higher net income attributable to non-controlling interests as a result of a stronger socks and bodywear business in the US.

Let's review the year-to-date operating performance. Sales increased by 2.6% on a currency-adjusted basis, reaching €6.5 billion. This growth was driven by strong performance in our DTC channels, both in brick-and-mortar and e-commerce. Americas was our fastest-growing region and footwear our fastest growing product division.

Reported sales decreased by 1.4% due to currency headwinds. Our gross profit margin improved by 130 basis points, thanks to positive impacts from product mix, lower freight and sourcing costs and a better channel mix, while currencies and promotions were headwinds. OpEx increased by 2.1%, mainly due to ongoing expansion of our DTC business, costs associated with ramping up our warehouses and investments in digital infrastructure projects.

Our EBIT reached €513 million, representing 7.9% of sales. The decrease compared to last year is primarily due to lower sales and higher operating expenses. EBITDA decreased by 3%, while net income decreased by 15.4%, mainly due to a lower financial result.

Taking a look at our inventory development, we ended the quarter with €1.8 billion of inventories, down 3% in Euro and up 4% in constant currency. Looking at the quarterly inventory trend over the past two years, we observed at the end of Q3 healthy levels of 21% of sales, compared with 27% at the end of 2022. We are very pleased with the make-up and the levels of our inventories, heading into the holiday season, and to support the new product cycle in the fourth quarter of this year.

Our trade receivables rose by 4%, driven by growth in our wholesale channel towards the end of Q3. Trade payables increased by 5.5%, driven by higher purchasing volumes for the new product cycle. Consequently, our working capital increased by 5%.

The decrease in our cash and cash equivalents versus last year is mainly driven by the increase in working capital and the continuation of our share buyback programme as we continue to return capital to our shareholders. During Q3, we bought back shares for €18.5 million. So far this year, we repurchased shares for a total amount of €50 million until the end of September 2024.

Let me recap. Overall, we are pleased with our achievements in the third quarter, sales growth, 5% on a currency-adjusted basis, EBIT in line with our outlook, and with Q3 behind us, we are confirming our full-year outlook. We've met our sales growth expectations in the first three quarters of 2024. Today, we're confirming our outlook for mid-single-digit currency-adjusted sales growth for the full year.

For Q4, we anticipate low double-digit sales growth in constant currency due to our strong order book. Accounting for last year's Argentine peso devaluation, we expect currencies to positively impact our reported Euro sales growth by about five percentage points.

For the full year 2024, we are pleased to confirm our outlook. Sales, mid-single-digit growth in constant currency, EBIT expected to range between €620 million and €670 million, net income projected to change in line with EBIT compared to 2023.

Our Q4 EBIT guidance reflects the previous year's non-recurring impact of the Argentine peso devaluation and organic growth. We expect net income in Q4 to grow more strongly than our EBIT, as we are lapping the negative impact of the Argentine peso devaluation on our financial results. And with that, I hand over to Gottfried for the Q&A session.

Gottfried Hoppe

Thank you very much, Markus and Arne. We're now ready to take your 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 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 interests of time, please limit yourself to two questions only. One moment for the first question, please. The first question is from Grace Smalley from Morgan Stanley. Please go ahead.

Grace Smalley

Hi, thank you for taking my questions. My first one would just be on low-profile and Speedcat. Could you just elaborate more on what you've seen in terms of the sell-out or sell-through trends on Speedcat in Q4 to date as you have begun to broaden the SKUs to additional colourways?

And anything you could share on key learnings so far versus what you expected from your new go-to-market strategy. So, in terms of how it's working in different regions, how it's appealing to different genders, or any consumer feedback on comfort or price point would be very interesting to hear.

And then my second question would just be on 2025. Could you just confirm you're still confident in the top line growth targets you outlined at the CMD earlier this year? And if so, if you could help us with the building blocks for that accelerated revenue growth you expect next year, and how much of that is expected to be driven by expanded distribution in the Sportstyle Prime channels, with Speedcat in particular. Thank you very much.

Arne Freundt

Hey, Grace, thank you very much for your questions on low-profile and 2025. Talking about what kind of traction we currently see, up to now we are in the elevated distributions, especially here in Europe as well as in the US, around KITH, NAKED and END.

And what we are seeing, especially also when we brought new colourways with the blue and the brown, or coffee, as we called it, we've seen very strong sell-throughs and we are constantly taking reorders on this one, which is great for us, reconfirming that the market is ready, that we broaden the distribution at the end of this month.

In terms of regions and go-to-market strategy, I think the strategy is the same, but we do also see that the trajectories are different. So, in Asia, we saw that it’s more ready already earlier, so we have already brought the shoe earlier, and bigger quantities into the distribution there, and also continue to see very encouraging numbers, where we are continuing to sell every month more units, which is great. So, we feel it's ready, and the market is clearly ready for more colours as well as materials.

I think you mentioned the word comfort. Obviously, we have reworked the Speedcat with the latest technologies, and you should, of course, try to wear it. It's a highly comfortable shoe, and it's not only speaking to her. We have been, with all the learnings which we have seen, surprised that it is equally interesting and appealing to the men. So, we needed to revise our internal assumptions, that we thought it's 70% female and 30% men, but we see, positively, that also the men are highly attracted to the shoe, so we see, let's say, it's trending also highly on the men's side.

When you talk about 2025, now, with October being closed, I have a good transparency on the order book for the first half of the year. I'm very pleased how the order book is building up. And I also, yes, very clearly see that our sales ambition which we have for 2025 is backed by the order book.

And I'm particularly pleased, also to your question, that we see that the turnaround or the growth is being backed up by our Prime business returning back to growth. So, I feel very confident, where we are today, that we can accelerate our growth versus 2024, going into 2025. And the same is also true for our profitability, that we are able to not only improve absolutely the EBIT, but also improve the EBIT margin for [2025].

Grace Smalley	Thank you very much. Very clear. And maybe just one small follow-up, if I can. It’s on the Speedcat. How are you approaching managing your inventories? And so if demand for the Speedcat does really take off stronger than you expected, how quickly can you chase that from a supply chain perspective? Thank you.
Arne Freundt	Of course, we have prepared for an increased demand, and have blocked the materials accordingly. So, we feel that we have a very good number already on our order books for the Speedcat for 2025, and we have the materials ready to react if, let's say, the demand is even exceeding our very high expectations already for 2025.
Grace Smalley	Thank you.
Arne Freundt	Of course.
Operator	The next question is from Anne-Laure Bismuth from HSBC.

Please go ahead.

Anne-Laure Bismuth

Yes, hi, good afternoon. So, my first question is on the Speedcat again. Has it been launched globally? And in terms of SKUs that have been launched so far, is it only the four plus the three that you have launched recently in November that have been launched?

Additionally, it seems that some distributors seem to be craving for more Speedcat. So, is it a pure decision to create scarcity, or is there any production issue? And how big can it be for the group in 2025?

And my second question is about the current trading. You said that October was good. Is it on track with the double digits you expect to achieve in Q4? And can you give a bit of granularity by region? Thank you very much.

Arne Freundt

Thank you, Anne-Laure. And I do appreciate the high interest in Speedcat. So far, we have launched basically four colourways in the mature markets, meaning US and Europe, with the black and the red, as well as the coffee and the blue one.

In Asia, especially in Korea, which is at the forefront of the curve, we have already launched another pink one and the black-pink one. So that is the market which has already seen six colour iterations. And as said, we will further introduce new colourways as we go into the season.

Look, when we talk about our go-to-market strategy, creating demand before commercialisation is always finding the right balance between demand and supply, to making sure, let's say, we are educating the consumer, having the right consumer wearing our product so that highly influential consumer can then influence the broader communities, which is then building up the success.

As said, when you look also at certain media reports, like from the Lyst or important, leading magazines, these are things I've never seen before, being 13 years with PUMA, at this level of a product launch. So it makes me very excited about what is to come on the Speedcat in 2025.

Now, you need to remind me about the second question. Sorry for that. Oh, the current trading for October. Perfect. Thank you, team. Look, October finished good, as I said. And when I say good, it is fully in line with our expectation for the fourth quarter. And we see that the trajectory is carried across the regions as well as across all the channels, so speaking again to my message earlier that looking at the end of the year, we feel that the channels will be up, the divisions will be up, and all regions will be up.

Anne-Laure Bismuth	Thank you.
Arne Freundt	Thank you, Anne-Laure.
Operator	The next question is from Monique Pollard from Citi. Please go ahead.
Monique Pollard	Hi, afternoon, everyone. Two questions from me, if I can. The first one is just on stronger US dollar impact on sourcing and gross margin. In the light of the US election results, I was just hoping you can give us some sense of how far in advance you're hedged on US dollars on revenues and on sourcing, and what the rough impact is of, say, a one-percentage-point increase in the US dollar on your gross margin in an unhedged year, so maybe 2026. So, when I try and calculate it, I get to, 1% increase in US dollar maybe knocks 38 basis points off the gross margin. And just checking if that's roughly right. And then the second question I had was just on the DTC versus the wholesale. So, I understand your comments, Arne, that you're going to see improving trajectory in the fourth quarter across all channels. I'm just wondering, though, if we could particularly see a material step-up in the wholesale as we go into 4Q, as you're scaling the Speedcat and given the early indications all sound incredibly positive.
Markus Neubrand	Okay. Thank you, Monique, for the question. I'll take the first part regarding the US dollar exposure. In line overall with our hedging policy in the directive, we are hedging up to 95% of our expected cash flows for the next 12 to 15 months. And for the US dollar particularly, we’re already very well hedged for the whole year of 2025. So, we are hedged at roughly 95% of our expected cash in and out flows. So here, I think then also we feel that we are well-positioned then also with the hedging strategy that we've also been pursuing in the past, and then also to minimise, of course, the foreign currency exposure, the impact from currency fluctuation from the US dollar.
Arne Freundt	I will take over the second question on the DTC and wholesale performance. As said, direct-to-consumer, I think, is always the best reflection of the direct demand, as we don't have the time lag between the sell-in and the sell-through. And here, you see a very constant, robust demand throughout the whole year, with 17% up. And then on wholesale, as I mentioned, we focused very much on sell-through in the first half of the year to make sure we are improving the stock-to-sales ratio, making room for newness to come into the market. And this was the

foundation which we laid for now improved sell-in in the second half of the year.

As I said, we anticipate that wholesale will be better in Q4 than in Q3. So, we see a constant improvement here taking place. This is also backed by our order book. And having seen a very good order book translation in Q3, we also feel confident that we can translate that in sales going into Q4. And October was already a very good step in that direction.

On the Speedcat, just again, let's say, I think the big year for Speedcat will be for us 2025, as the first full year when we are going into broader distribution. I said, in November we will start to bring it to a broader distribution. So, it is not going from zero to 100. We will start to broaden the distribution on that shoe, and then going full steam into the next year. So of course Speedcat will have an important part going then into 2025. And partially, it's also supporting our growth trajectory for the Q4.

Monique Pollard — Very clear. Thank you.

Operator — The next question is from Adam Cochrane from Deutsche Bank. Please go ahead.

Adam Cochrane — Good afternoon, guys, and thanks for taking my question. Firstly, thanks for some of the breakdown on gross margin drivers within the third quarter. Would you be able to quantify any of those, or at least maybe the top three within that? And just a little indication of how those categories are looking forward for, let's say, the first half of 2025.

And the second question, in the third quarter, I can understand the sales performance of the US and Asia, but the developed Europe number running at plus 2% against a relatively easy basis of comparison, could you give a bit more explanation as to why Europe was not a little bit stronger in the period, please? Thanks.

Markus Neubrand — Hi, Adam, this is Markus. Let me take the first part of your question before Arne will comment on Europe. Overall, I think what we have indicated, and I think then also in our presentation, I've given you the drivers, what we've seen in the third quarter, with currencies being headwinds, promotions as well, and where we had benefits offsetting, especially from the product mix, but also continued with the channel mix, as well as also have benefits from freight.

Key drivers, and then overall, if we look at the trend and what we've seen, I think we're pleased. We stand at 120 basis points improvement now for year to date for the first nine months. What we previously expected, and I think then also we've outlined, that we expect less incremental improvements in the second half than in the first half due to the comp base effects.

What I can provide you, and I think that is also your question, and then going into it now, what we've reflected in our guidance for the fourth quarter, freights and duties are expected to be a bigger headwind in the fourth quarter than in the third quarter, while currencies will be neutral in the fourth quarter. And we've reflected all of those puts and takes into our EBIT guidance for 2024.

Referring to then also details for 2025, and then also in line also with the previous practise, we'll provide you an update about our detailed guidance for 2025 with the release of our fourth quarter results in March of [2025].

Arne Freundt	Adam, I will take your second question on the Europe performance being up with 2%. Basically, the same messages I mentioned about globally are also true for Europe. So, we do see a strong performance business, which is great for us, because we're continuing to gain in 2024 more market shares on the performance side. We are very excited that in performance running, we are one of the top three fastest-growing brands in the field of performance running. So, we're continuing to make strong strides here as we're building the substance of our sports brand further. We also see continued good momentum on our core business, while our Sportstyle Prime business, which is still the biggest segment in that market, is going through a good transition as we are phasing out our older franchises and scaling up our existing franchises and are introducing new ones. So, I think the trajectory of these three components is explaining why we are currently up with 2%. But I think looking at the order book and how we have been phasing it, I'm very confident that you will see a stronger growth in Q4 in Europe.
Adam Cochrane	A quick follow-up on the gross margin one, if I can. So, things like currency effects, sourcing prices and freight, I understand the mix and promotion can be decided at a later date, but things like currency, sourcing and freight, you must have started to have got a reasonable view on them for the first half of next year. Is there any dramatic change, I suppose? I don't want an absolute quantification, but is there anything that we should be aware of, good or bad, with those three hits on FX, sourcing and freight in the first half of next year?
Markus Neubrand	Adam, thank you for your follow-up. In terms of if you look

at the drivers, and we've shared also earlier this year, and it was in conjunction with the second quarter call, that we have entered into a new contract with Maersk, with our partner, with our long-term partner. So, we have good visibility then also as you can see in terms of overall our freight development.

In terms of FX, and I think that was also the question earlier that Monique asked us then also on the US dollar exposure, as you know, we're buying mainly in US dollar, and, of course, we have inflows from our US business as well. From a net exposure perspective, based on the expected then inflows and outflows, we are already hedged at around 95%.

Overall, and I think what Arne mentioned earlier and I think what we've shared, then also our ambition for next year is that we grow our profitability, our EBIT, then stronger than our sales.

Adam Cochrane: Okay, thanks.

Operator: The next question is from Warwick Okines from BNP Paribas Exane. Please go ahead.

Warwick Okines: Afternoon, everyone. Two questions, please. The first is on Q4. Your guidance is still implying quite a range on EBIT for Q4. And given your comments on October trade and the top line guidance you've given, what sort of swing factors do you see for Q4 that could get you to the top or the bottom end of the implied profit range? And then the second question is, could you say a little bit more about apparel? What's in the pipeline to improve the performance in that category in 2025? Thank you.

Markus Neubrand: Hi. I'll take the first part of the question regarding the fourth quarter guidance. We believe, and overall with the guidance we've outlined for the full year with the mid-single-digit growth, currency-adjusted, and I've given in the prepared remarks, that this implies a low double-digit currency-adjusted sales growth in the fourth quarter in constant currency.

I think it's important to note, and then also just let me repeat, is we expect currency [translation] to become a tailwind in the fourth quarter, as we are lapping the Argentine peso devaluation from last year, and we expect a tailwind of roughly five percentage points in terms of our [reported] sales growth.

We believe, and I think with what Arne outlined earlier, that we've started well into the quarter, and we believe also that overall, we've set realistic expectations, and of course, we'll continue to focus on delivering against them. As usual, if you look at the mid-point of our [FY 2024] guidance range, that is the best way to think about our expectations for the fourth quarter.

Arne Freundt	Hey, Warwick. Building on your question for apparel, I think we need to differentiate a bit between the answer for Sportstyle Prime as well as then on the training side and on the performance side. In Prime, when some of you had the opportunity at the reverse roadshow to see what we are up to, I think you will see a clear franchise focus, that we are building more identity on certain key silhouettes, like a T7 or the PUMA Tech, to make sure that we are building up, one, existing franchises, and then can dial it up and down for the existing trends on certain colours and materials, so that we build up more equity and franchises as a brand on the apparel side.
	And then on the performance side, for us, training is for sure the biggest opportunity, as we have also laid out during the Capital Market Days. Here, we are going through a rehaul of our product offering. We said we need to move away from collections and build more key item stories, certain key silhouettes PUMA is known for, and really focus more on innovation in terms of performance materials to also communicate the functional benefits to our consumers.
	So, I feel the team has done, in that short period of time, a tremendous job. And again, everybody who was here, I think, could see that we already moved forward a big step. And again, this is only the beginning of what we will see, in Autumn/Winter 25, hitting the shelves for the first time. And I think we can further double down on training apparel going forward.
Warwick Okines	Thanks, Arne. And actually just a quick follow-up on that, if I may. You talked about Sportstyle Prime apparel turning positive in 25. Is that something that you see in your order books for the first half, or not so much so just yet?
Arne Freundt	Absolutely.
Warwick Okines	Yes, okay. Thanks very much.
Arne Freundt	No, absolutely. So again, I think we are exactly where we wanted to be. 2024 is the year of transitioning Sportstyle Prime, where we're transitioning out our older silhouettes and are introducing the newness. On certain trends, we were the fast follower and maximised the opportunity. And we used 2024 to prepare the ground, where we can also be at the forefront of the trend, with a very ownable proposition on low-profile. And this is also then very much reflected in our order book returning back to growth for Prime.

Warwick Okines	Great. Thank you.
Operator	The next question is from Piral Dadhania from RBC. Please go ahead.
Piral Dadhania	Okay, thank you. Afternoon, everybody. So just wanted to come back to the phasing of marketing spend, 3Q to 4Q. Are you able to give us an indication of what the marketing spend-to-sales ratio was in the third quarter, and just confirm that for the full year, your intention is still to maintain that 10% of sales framework that you typically operate with? And maybe just in terms of the spend shift into Q4, what activations you have in mind. Is it more at the product level, at the brand level, or in the digital channels? Or just any indication on what the plans are there would be super helpful. And then just following up on Warwick's question in terms of the composition of the wholesale order book for Spring/Summer 25, I think you've indirectly answered the question already, but I just wanted to confirm. Are you seeing a broadening out across the categories and across the regions in terms of the Spring/Summer order book, or is there any particular pockets of exceptional strength? And here, I'm talking a bit more about the Speedcat. Thank you.
Arne Freundt	Thanks, Piral. Let me start with the first question. And our outlook for our overall marketing spend for the full year has not changed, which is that we want to spend around 10% of our net sales in marketing. So that is confirmed. Saying that, Q3 has been slightly below that, and Q4 will then slightly be above that. Why are we having a certain timing shift? I talked about Speedcat being one of our most important launches for the full year. Obviously, we are also putting sufficient marketing dollars behind this one to make sure that it gets off to a good start at the end of November and in December. When you talked about the Prime order book, I think you were specifically asking on the Speedcat. The great thing is for us that we do see a very strong resonance among the consumers across the globe. It had started in Korea, picked up very quickly also in Asia, very well in China, very well in Japan. And now, the traction which we are seeing in the elevated distribution in Europe as well as in US makes us very confident that this is really a global trend moving forward into 2025. And then with the season turning into spring, I think that will be a great moment to further scale it up in the next year.

And I think, when you talked about the order book, I think the other part of the question was what other categories are continuing to drive the growth. So, we see ongoing momentum also on the performance side, good momentum also on the core business, and then we are complementing it with a stronger growth now in Prime, returning back to growth in 2025.

And again, I think I just need to repeat it again. It was the first time the three things which we did on the Sportstyle are coming into fruition on the Speedcat side. We have changed it from a product way. We are approaching it where we say we are building franchises as a brand.

It's the first time we have changed the go-to-market strategy, really catering for a different customer and a different consumer at an earlier moment in time, and making sure we're building up a different marketing strategy, focussing more on an influence strategy. And I think these three things which we have changed in terms of strategy seem to work extremely well, because again, what we see on the Speedcat is very, very encouraging for us, going into 2025.

Piral Dadhania

Very clear. Thank you.

Operator

The next question is from Wendy Liu from Barclays. Please go ahead.

Wendy Liu

Hi. Thanks for taking my questions. I have two. One is on Greater China. You mentioned that you're seeing a very strong Golden Week and a very good start to the double 11 period. Is there any product lines or channels that you would call out here? Do you see this being specific to PUMA, or does that mean that the overall market is improving in China? So, this is number one.

Number two, I wanted to check, what are your views about the promotional environment for Q4? I see that in the press release, you mentioned that you are seeing higher promotion activities in certain markets, such as Latin America and EEMEA. I was wondering, what are your thoughts about the other markets, North America, Greater China, into Q4 as well, please? Thanks.

Arne Freundt

Hey. Thank you very much for your questions on Greater China as well as the promotion. On Greater China, we do see that the more muted consumer sentiment is affecting bricks-and-mortar retail more than the digital trade. So, this is also why our own direct-to-consumer business was up a low double-digit in Q3, while the wholesale, we said we are rephasing the order book.

What we have seen in Golden Week and the start of 11-11, also here, the same trend was basically the same, that our online channels profited from the consumer shopping more online than bricks and mortar. On the competitive environment, we'll see how this whole 11-11 will close, but I think looking at our very strong numbers, I'm quite confident that we will be somewhere in the top tier of performance brands in Greater China.

Talking about promotion level, as said, in Europe and the US, we have not seen any change in the promotional dynamics in the mature markets. As Markus has explained, certain operational inefficiencies in warehouse have led to higher promotions in Latin America, so less demand-driven or inventory level-driven, but more driven due to certain operational inefficiencies of our warehouse ramp-ups.

So, when we are going into the holiday season, I think we will, as always, stay very agile and reactive to see how the competitiveness of the promotional environment is evolving in Q4. But for now, we believe that the promotional levels should stay, like for like, in the major markets as is.

Wendy Liu

That's very helpful. Thanks, Arne.

Arne Freundt

Of course.

Operator

The next question is from Jürgen Kolb from Kepler Cheuvreux. Please go ahead.

Jürgen Kolb

Thanks very much. Hi, guys. Two questions from my side. First one is on both the US and China. You mentioned that obviously you're increasing the design and the local-for-local approach. I was wondering, where are we currently when it comes to China in this local-for-local? And also in the US, how much of the designs that you're planning to sell there will be designed in your new Los Angeles design centre, and where are we currently?

And then the second one is on inventories. If I looked at it correctly, the nine-month inventories versus year-end 2023 are basically flat from an absolute perspective. However, Q4 seems to deliver a quite solid growth. And whenever you had such or similar growth in the past in the fourth quarter, then the nine-month inventories were clearly higher than the year-end level from previous year. So, I was wondering what has changed this time, or why are you so confident that you have enough inventory available to cater the quite optimistic and obviously confident growth in the fourth quarter? Thanks very much.

Arne Freundt

Thank you, Jürgen, for both of your questions. I think let me first take the inventory one. Markus has reported that currency adjusted, our inventories are up by 4%, while in reported currencies, we are slightly down.

And then I think you also need to look into the structure, and then obviously you need to differentiate between inventory on-hand versus goods in transit. And here, goods in transit, which means the fresh inventory, are significantly up, giving us the fresh inventory to cater for the demand. So, we have done a good progress, as Markus highlighted, on improving our inventory structure.

Going back to your first question on US and China, and here specifically on the local-for-local strategies, again, I think we need to be clear that local-for-local means slightly different things for China than for US.

So, in China, local-for-local strategy is basically almost fully vertical, from design, development to sourcing. And the majority of our demand is catered in China for China, and we have increased our design resources in the last three years quite steeply and are catering a sufficient amount of local designs to cater for that demand. So, it's always the duality of bringing the inline hot sellers and bestsellers to China, as well as complementing it with local-relevant colours and materials and design to maximise the opportunity.

In the US, I mentioned our first project which we are bringing to life is the Inverse, going live at the end of this year. This vis-tech silhouette is specially designed in the US for the US. When we go into early next year, we will also open our Los Angeles design studio. So, we will have more design talent complementing the resources which we have in Boston, with more resources on the West Coast then in Los Angeles. So, for sure, that's an indication that more styles will be created in the US.

But for us, it's not only creating in the US for the US, but we really believe, when we create US-first designs, that we can also bring that into our international range. So, we manage it more as a co-creation, because then the development and the sourcing will, of course, be still in the Far East, and of course, for the US, predominantly then in countries outside of China.

Jürgen Kolb — Understood. Sorry if I follow up, but on this local-to-local in China, how high would you currently say is the share that you design, source and just develop in China for the Chinese market?

Arne Freundt — Yes. I think on design and sourcing, there are two different numbers. When we are local-for-local sourcing, it is already more than 80%. So certain silhouettes we are still importing

	for China, which is then, say, where we have certain specialised suppliers outside of China. When we are on the design side, obviously it depends season by season, but I would say, depending on the season, between 30% to 40% of a collection is then designed in China for China as well.
Jürgen Kolb	Very good. Super. Thank you so much.
Operator	The next question is from Geoff Lowery from Redburn Atlantic. Please go ahead.
Geoff Lowery	Yes, hi, team. Just two questions, please. Could you talk a little bit more about your progress in running, and in particular, how much of that is coming out of your own channels, i.e. DTC relative to wholesale? And then with regard to North America and your efforts to rebalance distribution there, can you just confirm that you don't expect off-price to shrink further, absolute, but you do expect it to shrink in the mix? In short, where are you on that journey? Thank you.
Arne Freundt	Thank you, Geoff. Look, on our performance running journey, first, it is clearly led by our running specialist wholesale partners. This is where we really focus on in our distribution strategy. It's a highly technical product. I think we have one of the best-performing foams in the industry, and we clearly see that our athletes are performing better in our shoes than they have done with their previous running shoes. So obviously, that shoe needs explanation, so we really focus on penetrating our running speciality doors. Here, we still have big opportunities. We said, just as a KPI in the US, we have only penetrated 10% of the doors, end of last year. We have been able to step that up, but there are still a lot of more doors for us to open. But again, in the doors where we are, we see very strong sell-through and see that we are continuing to gain market share with our innovation. So that's very exciting for us. And as I mentioned also in Europe, where we have very good data available from all of our wholesale accounts, we clearly see that we are among the top three fastest-growing running speciality brands in this account. So that's great for us. When you talked about the US, yes, I confirm that the ambition is to maintain our off-price business at the level it has been in 2022, when we had embarked our journey, that we would like to shrink it only mix-wise, because again, it's a relevant part of the business. All of the brands are there, but the mix or the proportion of our business was not the

right one. So, we need to make sure we are growing more of the desirable business.

When we took it into perspective, where are we, we said 2023 is our reset year. That was, I think, also clearly seen in the numbers, where we were not able to compensate the business which we have done in the past in that kind of channel. In 2024, we said we will start to return back to growth, but then 2025 will be the year, where we believe we have started to build the right foundation and can accelerate again.

So clearly, looking at the order book for 2025, I feel we're doing more progress on building the upper distributions, both in performance as well as in Sportstyle, to make sure we're making continued progress in finding the right balance between off-price and non-off-price business.

Geoff Lowery

Thank you very much.

Operator

The next question is from Cedric Lecasble from Stifel. Please go ahead.

Cedric Lecasble

Yes, thank you very much for taking my question. I have one related to recent news and what's going on in the US. Could you maybe give us your thoughts about what you've seen in the past and the lessons from the past in terms of potential trade war or higher duty taxes, import taxes, whatever you call them?

And more importantly, what you said in the US, do you source it from the same…? I would say China was 32% in 23 of your volume. Is the proportion similar in the US from the group? And how would you eventually… What's your flexibility if things would be tougher in the coming months in the US? Thank you very much.

Arne Freundt

Great. Thank you very much Cedric. I think both questions go hand in hand. Let me explain you first our sourcing strategy. Number one, the focus of our sourcing strategy is that we are always focussing on optimising our landed cost. And the landed cost obviously has at least three components. It's the FOB of our [product] price, how we source it, it’s the transportation cost and then also the duties. And all these three costs need to be optimised to have the ideal landed cost. So, this is how we are always thinking and optimising our sourcing decisions.

Number two is we follow a multi-country-of-origin strategy. That means in the past years, we have started to consolidate our supplier base, have fewer suppliers. But with these, we are following a multi-country-of-origin strategy, which does allow us to change, within the same

	partner, the country of origin. That gives us the maximum of flexibility and ability to switch orders with the same partner, but in their different factories. The numbers you have quoted are correct, that one third of our sourcing comes from China. But I think I do need to stress that this also includes China for China. So, if you take that out, then I would say a more realistic group exposure to China lies around the, ballpark, mid-20s of the PUMA Group. And then if you think about the US, obviously our US exposure to China is significantly less than this mid-20s. In certain categories, already we moved completely out of China to optimise the landed cost position. And I think that sourcing strategy gives us the utmost flexibility, because we do see that the duties and the tariffs have become very volatile, not only for the US, but also for other markets. And that sourcing strategy gives us the utmost of flexibility and agility to react to the ever-changing duty markets.
Cedric Lecasble	Thanks so much.
Operator	The next question is from James Grzinic from Jefferies. Please go ahead.
James Grzinic	Thank you. Yes, good afternoon. Arne, can you perhaps use either Suede XL or Palermo to help us size the scale of your ambition for Speedcat in 2025? So, in other words, what should we expect those two silhouettes to be selling in 2024 in terms of minimum units? And how would Speedcat look relative to them in 2025, please?
Arne Freundt	Yes, of course. When we talk about the Speedcat, I said that going into 2025, we expect that it should be a mid-single-digit million unit. This is, I think, more than what we have sold in the past from shoes like the Palermo or the Suede XL. But of course, we have the luxury of comparing how much did we sell at the same period with the Palermo and the Speedcat, and we feel very confident that we are able to reach that volume there.
James Grzinic	Great, thank you.
Arne Freundt	And I think what is also something which is, I think, also very important to state when we think about the Speedcat and the relevance which we are building up, I think we can clearly observe from the dynamic and what we've always seen in the past, when we are successful with the Speedcat, also that gives us more halo on also our other franchises. So, we also believe that there's a certain halo effect which we are able to build around this.

James Grzinic	And I guess just to round that off, would that be your biggest achieved unit for a specific silhouette in footwear, the mid-single-digit million units in 2025?
Arne Freundt	No, there are certain franchises on the family footwear side which would be in the same neighbourhood or slightly above. So again, I think when we talk about the Speedcat, as I mentioned earlier, we want to create the demand before commercialisation. And I think it's very important always to find the right balance. And we believe if we allocate the mid-single-digit million unit quantity to the market in 2025, with all the data we have at hand in terms of the strong sell-through, how it compares to other strong franchises which we had in the past, we believe it's a very good number, what we should allocate. But I think the question came already earlier. We are obviously also prepared in terms of agility, have further blocked material. So, we will always observe the trade very closely, and if we can react or should react, we will of course do so.
James Grzinic	Thank you.
Arne Freundt	Pleasure.
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, thank you for taking the time to participate in our today's conference call. If there are any further questions, as usual, please do not hesitate to reach out. In the meantime, have a nice day and speak to you soon. Bye-bye.